



The United Laboratories International Holdings Limited

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

2023

Environmental, Social and
Governance Report



CONTENTS

1 Performance Highlights in 2023

1.1 Annual Performance	01
1.2 Annual Rewards	03

2 About This Report

2.1 Scope of the Report	05
2.2 Reporting Framework	05
2.3 Reporting Principles	05
2.4 Information and Feedback	05

3 About Us

3.1 Chairman Statement	06
3.2 Entering The United Laboratories	07

4 ESG & Sustainability Governance

4.1 Board Statement	08
4.2 ESG & Sustainability Governance System	09
4.3 Communication with Stakeholders	09
4.4 Materiality Assessment	11

5 Normalizing Healthiness

Enhancing Medical Accessibility

5.1 Innovation and R&D	14
5.2 Enhancing Medical Accessibility	17
5.3 Improving Medical Affordability	19
5.4 Enhancing Healthcare Standards	20
5.5 Focus on Rare Disease	22

6 Effective Governance

Excellent Operational Management

6.1 Corporate Governance	24
6.2 Business Ethics	26
6.3 Information Security	31
6.4 Protection of Intellectual Property Rights	33

7 Striving for Excellence

Building a Quality Brand

7.1 Quality Management	36
7.2 Product Marketing and Promotion	42
7.3 Customer Service Management	46
7.4 Pharmacovigilance	47



8 Traceability at the Source

Responsible Supply Chain Management

8.1 Sustainable Supply Chain Management	49
8.2 Supplier Risk Assessment and Management	52
8.3 Supplier Training	56
8.4 Green Supply Chain	57

9 People-Oriented

Establishing a Solid Foundation for Development

9.1 Employment	60
9.2 Talent Cultivation and Development	64
9.3 Benefits and Welfare	72
9.4 Employee Communication	75
9.5 Occupational Health and Safety	78

10 Green Development

Nurturing the Environment with Care

10.1 Environmental Management System	85
10.2 Towards Carbon Neutrality	86
10.3 Responding to Climate Change	94
10.4 Pollution Control and Treatment	98
10.5 Green Operations	103
10.6 Protecting Biodiversity	107

11 Working Together

Building a Better Community

11.1 The “Filial Piety Swallows” Charity	109
11.2 Supporting Education	111
11.3 Love-filled Volunteering	112
11.4 Pet Welfare	114

Appendix

Key Performance Indicators	115
Content Index of Environmental, Social and Governance Reporting Guide	118
Verification Statement	121

1 PERFORMANCE HIGHLIGHTS IN 2023

1.1 Annual Performance

Normalizing Healthiness

Enhancing Medical Accessibility

RMB **808** million
Annual R&D Investment

66

Products Included in the
National Medical Insurance
Drug List

30

Products Included in
the National Essential
Drug List

16

Products have Passed the
Consistency Evaluation

Effective Governance

Excellent Operational Management

32

Compliance and Business
Ethics Training Sessions
were Conducted in the Year

105

Invention, Utility Model and
Design Patents

0

Data Leakage Case

Striving for Excellence

Building a Quality Brand

100%

Response Rate to
Customer Complaints

0 Case

of Adverse Reactions due
to Defective Drug Quality

Traceability at the Source

Responsible Supply Chain Management

100%

of Suppliers Conducted
Integrity Training Provided
by the Group

100%

of Major Collaborative
Suppliers Passed Online
and Offline Audits

People-Oriented

Establishing a Solid Foundation for Development

559,503 hours
Employee Training

39%
Ratio of Female in Management Level

Employee Share Awards Scheme Granted a Total of

12,096,900
Unvested Shares

Green Development

Nurturing the Environment with Care

36%
Reduction in Non-hazardous Waste Produced per Tonne of Products

100%
Recycling Rate of Reclaimed Water

7%
Reduction in Water Consumption per Tonne of Products

Working Together

Building a Better Community

RMB **310,000**
Total Amount Disbursed for The United Laboratories Medical Education Scholarship in the Year

48,520 ml
Total Amount of Blood Donation by Employees in the Year

18
"Filial Piety Swallows" Charity Activities Conducted in the Year

RMB **3,000,000**
Invested in Stray Animal Protection Endeavors

1.2 Annual Rewards



The United Laboratories was selected as one of the “Top 100 Enterprises in Zhuhai for 2022”



Zhuhai United Laboratories Trading Company won the 2022 Zhuhai Pharmaceutical Industry “Innovation and Excellence Enterprise” “Enterprise with Outstanding Contribution to the Anti-epidemic” and “2022 Charitable Enterprise”



Zhuhai United Laboratories Trading Company was selected as a member of the Council of Zhuhai People's Association for Friendship with Foreign Countries



The United Laboratories ranked 27th in the “2022 Chinese Pharmaceutical Industry Top 100 List”



Zhuhai United Laboratories was recognized as the “Pioneer in the Medical Industry in Guangdong Province for Epidemic Prevention”



The United Laboratories was recognized as the “Leading Backbone Enterprise in the Manufacturing Industry in Zhongshan City for 2022”



The United Laboratories awarded the “Contribution Award for County-level Health Development”



The United Laboratories ranked in the “2022 Chinese Top 100 Pharmaceutical Companies”



The United Laboratories received the “Outstanding Contribution Award for Enterprises in Zhongshan City” and among the “Top 30 Science and Technology Innovation Enterprises in Zhongshan City for 2023”



Zhuhai United Laboratories was selected as one of the “Top 500 Manufacturing Enterprises in Guangdong Province for 2023”



Zhuhai United Laboratories Trading Company won the title of “High-Quality Enterprise in the National Foreign Trade Transformation and Upgrading Base (Biopharmaceutical)”



The United Laboratories won the title of “Demonstration Base for Enterprise Culture Construction in Guangdong Province for 2022-2023”



The United Laboratories (Inner Mongolia) awarded the honorary title of “Advanced Collective in Safeguarding Women and Children's Rights and Interests” in the city



The United Laboratories won the TVB “ESG Special Commendation Award”



The United Laboratories won the 8th Zhitong Finance “Best ESG Company Award”



2 ABOUT THIS REPORT

The United Laboratories International Holdings Limited (the “Company”) (Stock Code: 3933) issued the Environmental, Social and Governance (“ESG”) Report elaborating various works and performance of the Company and its subsidiaries (collectively “The United Laboratories” or the “Group” or “We”) from 1 January 2023 to 31 December 2023 (the “Year”) in the aspect of supporting sustainable development.

2.1 Scope of the Report

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

2.2 Reporting Framework

The ESG Report was prepared in accordance with the Appendix C2 of the Environmental, Social and Governance Reporting Guide under the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (“HKEX”). Unless otherwise specified, the currency in this report is presented in Renminbi.

2.3 Reporting Principles

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

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

2.4 Information and Feedback

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

3 ABOUT US

3.1 Chairman Statement

Facing the deepening reforms in the healthcare system in recent years, The United Laboratories adheres to the principles of "Pragmatic and Rigorous, Scientific Truth-seeking, Future-oriented, and Innovative" in research and development. We continuously cultivate top talents, increase investment in research and development, promote product technological innovation, and strive for excellence in product and service quality through a scientifically regulated management system. With an attitude of continuous improvement, we are opening new chapters for The United Laboratories, characterized by high quality and sustainable development.

The United Laboratories continues to focus on the R&D, production, and sales of pharmaceutical products as its core business. Our products covers pharmaceutical intermediate products, bulk medicines, finished products, veterinary drugs, empty capsules and medical devices, forming a relatively comprehensive product cluster. We are committed to meeting the healthcare needs of the people, continuously monitoring the field of global new drug development, new molecules, and frontier technologies. Based on clinical value and differentiated forward-looking layout, we strive for innovative drugs and complex formulations with high barriers, continuously upgrading product innovation. By consistently introducing high-quality products and services, we accelerate the establishment of a comprehensive health barrier for all.

We actively respond to the national call and continuously enhance the accessibility and affordability of pharmaceutical products, supporting the significant task of "Comprehensively Promoting the Construction of a Healthy China". Considering the uneven economic development levels in overseas markets, we adopt a fair pricing policy that matches the local income levels. We are dedicated to providing quality and affordable medications, alleviating the financial burden of local populations in seeking medical treatment, and eliminating healthcare disparities in resource-scarce areas.

The Group regards employees as a crucial cornerstone of development, recognizing the importance of talents in corporate growth and adhering to the principle of "people-oriented". Building upon the foundation of ensuring employee safety, health, and lawful rights, we create a diverse employee training and development system to help employees at all levels and positions enhance their professional skills and comprehensive capabilities, thereby achieving mutual development with the Group. We also pay attention to the physical and mental well-being of employees, organizing various activities to help them achieve work-life balance and enhance their sense of belonging. Upholding the business principles of "Friendship, Equality, and Joint Development", we continuously strengthen supply chain management, enhance safety information management, promote ethical conduct, and create a safe and robust pharmaceutical enterprise.

We proactively assume social responsibilities and actively engage in public welfare undertakings. We continuously invest in areas such as chronic disease prevention and control, industrial assistance, education development, disaster relief, and animal welfare, while encouraging employees to participate in diverse volunteer activities. In the current year, the Group has continued to advance the "Filial Piety Swallows" (反哺燕) Charity, and as of the end of the reporting period, the project has carried out activities 63 times, benefiting more than 5,000 individuals.

Looking ahead to 2024, The United Laboratories will embark on a new chapter of development. We will embrace change with a proactive attitude, further strengthen our advantages in innovative drugs and high-barrier complex formulations platforms, deeply integrate ESG concepts with the overall corporate development strategy, and enhance the Group's sustainable development capabilities through digitalization, intelligent new technologies, and models. While providing higher-quality products and services to a wide range of patients, we actively practice the principles of green and low-carbon development, create a diversified development platform, persist in promoting social welfare undertakings, fully leverage our corporate influence, and collaborate with partners to jointly create a sustainable industry ecosystem. We contribute our efforts to comprehensively promote the construction of a healthy China and achieving shared prosperity.

Chairman
Tsoi Hoi Shan

3.2 Entering The United Laboratories

3.2.1 Introduction of the Group

The Group is a comprehensive and modernized pharmaceutical enterprise engaged in the research and development, production and operation, and the products covering pharmaceutical intermediate products, bulk medicines, finished products, veterinary drugs, empty capsules and medical devices. The Group currently has seven major production sites including The United Laboratories Co., Ltd. ("Hong Kong Company"), Zhuhai United Laboratories Co., Ltd. ("Zhuhai Company"), Zhuhai United Laboratories Co. Ltd. Zhongshan Branch ("Zhongshan Company"), Guangdong Kaiping Kingly Capsule Co., Ltd., United Laboratories (Inner Mongolia Company) Co., Ltd. ("Inner Mongolia Company"), The United Animal Healthcare (Inner Mongolia) Co., Ltd. ("The United Animal Healthcare"), and Kendor Technology (Zhejiang) Co., Ltd. ("Kendor Company") with a total of approximately 15,000 employees.

3.2.2 Concept and Vision

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

Talents are the primary productive force of an enterprise. The Group emphasizes high-quality work force construction, continuously improves human resource management, establishes and improves our talent training, selection and education mechanism, and has gradually formed a "Friendly, Responsible, Hardworking and Efficient" workforce. We always adhere to the philosophy of "To Make Life More Valuable" to promote the development of environmental protection and the charity sector with a high sense of social responsibility. As for environmental protection, we have made huge investment in creating a green enterprise. We actively support charities in multiple fields such as education, poverty alleviation and social welfare. Our efforts have been recognised by social community, which reflected our responsibilities and missions as a modern enterprise.

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



Corporate Mission

Love China, For China



Core Culture

Kind, Conscientious, Diligent and Highly-efficient



Core Value

Devoted to Producing Safe and Effective Medicines for the Chinese People



Business Principle

Friendship, Equality, and Joint Development



Corporate Tenet

To Make Life More Valuable



Corporate Objective (Vision)

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



Environmental Protection Concept

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



R&D Philosophy

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

4 ESG & SUSTAINABILITY GOVERNANCE

The Group actively fulfils its social responsibility and understands that excellent governance of ESG and sustainability matters results in better investment value and the delivery of sustainable returns to the Group and its shareholders.

4.1 Board Statement

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

To establish a comprehensive sustainability management system, the Board has established the Sustainability Committee (the “Committee”) to assist in formulating and updating ESG and sustainable development goals, strategies, and management approaches. The Committee is also responsible for reviewing and monitoring the implementation and outcomes of ESG initiatives as well as reporting to the Board and providing recommendations.

In addition, the Sustainability Committee has established the Sustainability Working Group (the “SWG”), composed of leaders from the Group's subsidiaries, business units, and functional departments. The SWG is responsible for coordinating and implementing ESG initiatives, aiming to fully integrate the ESG framework across all levels of the Group, maintaining close communication with stakeholders, achieving compliant and efficient operations, and promoting corporate sustainability. The SWG oversees, inspects, and reports on occupational health, safety, environmental protection, labor protection, and quality assurance processes within the Group and its subsidiaries. It also sets standards for daily ESG operations, including promoting the implementation and execution of ESG projects and organizing relevant ESG training. The SWG regularly analyzes and assesses the ESG performance of the Group and its branch companies, reviews relevant situations, and provides recommendations to the Sustainability Committee.

The implementation of ESG initiatives is carried out by an ESG Working Group (the “ESGWG”), composed of leaders from various functional departments. The ESGWG is responsible for practicing, leading, and monitoring policies in accordance with the guidelines set by the SWG, which are then implemented by each unit in their operational processes. To effectively enhance the Group's ESG performance and progress, each department strictly follows the goals they have set, while the SWG monitors the overall fulfillment of these goals and reports to the Board, assisting the Board in evaluating the Group's ESG performance.

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

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

4.2 ESG & Sustainability Governance System

To enhance the ESG and sustainability governance system, the Group revised the "Article of the Sustainability Committee" in the Year. The Group has established an ESG and sustainability governance system that covers all production bases and functional departments within the Group. This system oversees various interconnected areas of ESG to achieve effective ESG governance.

Management Level	Management Structure	Members	Main Duty
Governance Level	Sustainability Committee	Chairman: Ms. Choy Siu Chit (ED) Members: Mr. Chong Peng Oon (INED) Prof. Song Ming (INED) Dr. Fu Qiushi (INED) Mr. Leung Wing Hon (ED)	<ol style="list-style-type: none"> 1. Formulating and updating ESG goals, strategies, and management approaches. 2. Reviewing and monitoring the implementation and outcomes of ESG initiatives, and reporting to the Board of Directors and providing recommendations.
Leadership Level	Sustainability Working Group	Heads of functional departments within the Group. Heads of subsidiaries and business units within the Group.	<ol style="list-style-type: none"> 1. Responsible for the daily management of specific ESG tasks. 2. Regularly reviewing key ESG data within the company. 3. Leading the annual aggregation of ESG information and report preparation.
Execution Level	ESG Working Group	Heads of functional departments within each company. Heads of the ESG Working Group.	<ol style="list-style-type: none"> 1. Collecting and submitting ESG information. 2. Implementing specific ESG tasks. 3. Reporting to the Sustainability Working Group.

Notes:

ED: Executive Director

INED: Independent Non-Executive Director

4.3 Communication with Stakeholders

The Group is aware of the close link between stakeholders and the development of the Group's business. This ESG report has been prepared with the participation of different stakeholders, enabling the Group to better understand its current level of management in the environmental and social aspects. We attach great importance to our communication with various stakeholders, and we use a variety of channels to understand their views and needs, so as to review and improve our performance at ESG level.

Stakeholders	Expectations and Requirements	Means of Communication and Response
<p>Government and Regulatory Authorities</p> 	<ul style="list-style-type: none"> • Compliance with national policies, laws and regulations • Facilitating local economic development • Promotion of local employment • Regular fulfillment of tax obligations 	<ul style="list-style-type: none"> • Regular information submission • Regular conversation with regulatory authorities • Dedicated reports • Inspection and supervision
<p>Shareholders and Investors</p> 	<ul style="list-style-type: none"> • Investment returns • Operation in compliance • Rise in company value • Information transparency and effective communication 	<ul style="list-style-type: none"> • General meeting • Announcements and circulars of the Group • Email, telephone and Company's website • Dedicated reports • On-site inspections • Listed company roadshow
<p>Suppliers and Partners</p> 	<ul style="list-style-type: none"> • Operation with integrity • Fair competition • Compliance with laws and fulfillment of agreements • Mutual benefits and achievements 	<ul style="list-style-type: none"> • Review and assessment meetings • Business communication • Discussion and exchange of opinions • Negotiation and cooperation
<p>Customers</p> 	<ul style="list-style-type: none"> • Quality products and services • Health and safety • Compliance with laws and fulfillment of agreements • Operation with integrity 	<ul style="list-style-type: none"> • Customer service centre and hotline • Customer opinion survey • Customer meetings • Social media platforms • Return visit • Customer information collection and management
<p>Environment</p> 	<ul style="list-style-type: none"> • Up-to-standard discharge • Energy Conservation and Emission Reduction • Ecological protection • Reasonable water consumption 	<ul style="list-style-type: none"> • Communication with local environmental authorities • Communication with local residents • Submission of reports • Investigation and inspection • Third-party assessment and reporting
<p>Industry Associations</p> 	<ul style="list-style-type: none"> • Formulation of industrial standards • Facilitating industrial development 	<ul style="list-style-type: none"> • Communication with local labor authorities • Participation in industry forums • Visits
<p>Employees</p> 	<ul style="list-style-type: none"> • Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity cares 	<ul style="list-style-type: none"> • Employee meetings • Company's internal publications and intranet • Mailbox for employees • Training and workshops • Activities for employees • Workers' congress • Democratic symposium
<p>Community and Public</p> 	<ul style="list-style-type: none"> • Improvement on community conditions • Participation in charity affairs • Information transparency 	<ul style="list-style-type: none"> • Company's website • Announcements • Media interviews • Social media platforms • Community communication meetings

4.4 Materiality Assessment

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

The materiality assessment is carried out in three main phases:

- i. Establish a number of ESG-related issues that carry potential impacts on the business or stakeholders based on the industry and business nature of the Group.
- ii. Conduct a survey by inviting the internal and external stakeholders of the Group to complete a questionnaire, so as to gather the information showing the level of importance that each stakeholder attaches to ESG-related issues and understand their expectations for the Group's response and disclosure of ESG issues.
- iii. Analyse the results of valid questionnaires and draw the following importance matrix to establish the priority of ESG-related issues





Through the above materiality assessment process, the Group finally identified 8 important ESG issues. The following table lists the major ESG issues determined based on the assessment conducted by the Group and their corresponding sections in the report.

Perspectives	Material Issues	Corresponding
 Environment	<ol style="list-style-type: none"> 1. Environmental compliance 2. Exhaust gas management 	Green Development
 Employment and Labour Practices	<ol style="list-style-type: none"> 12. Employment Compliance 16. Occupational Health and Safety 	People-Oriented
 Operational Practices	<ol style="list-style-type: none"> 19. Operational Compliance 22. Customer Health and Safety 25. Protection of Intellectual Property 26. Research and Development 	Normalizing Healthiness Effective Governance

05

Normalizing Healthiness ENHANCING MEDICAL ACCESSIBILITY

> Our Focuses

Innovation and R&D
Empowering the Pharmaceutical Industry

> Our Actions

Strengthening R&D and Innovation
Enhancing Medical Accessibility
Improving Medical Affordability
Fair Pricing
Enhancing Healthcare Standards

ROI.

Pharmaceutical innovation and the issue of medical accessibility continue to receive widespread attention in the global pharmaceutical and intellectual property sectors. They are closely related to the balanced development of public health and the intellectual property landscape. In order to enhance the Group's independent innovation capabilities and market competitiveness, The United Laboratories persists committed to innovative research and development. We have established multiple research platforms to continuously develop and improve pharmaceutical products to meet the evolving market demands. The Group is also dedicated to promoting industry development through academic outreach projects aimed at disseminating knowledge and information in the field of medicine. Additionally, while focusing on innovation and research and development, we place great importance on patent protection. The Group has implemented the "Intellectual Property Management Methods of The United Laboratories" to fully safeguard our own brand and pharmaceutical patents and to prevent any infringement activities.

5.1 Innovation and R&D

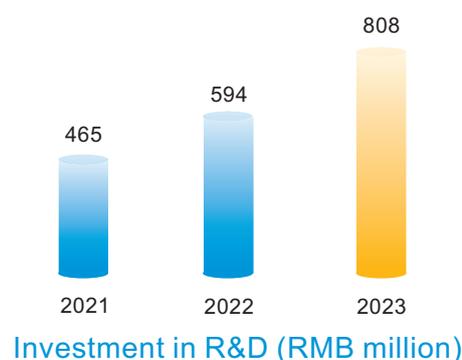
The Group continues to strengthen its research and development (R&D) efforts and invest in innovation, establishing diverse pharmaceutical R&D platforms. Our aim is to develop and improve a greater number of high-quality and safe pharmaceutical products, making significant contributions to human health. The Group's pharmaceutical R&D focuses on novel drugs and high-value generic drugs, with key research areas including endocrine medications, autoimmune disease treatments, ophthalmic medications, and more. Additionally, our R&D and innovation efforts encompass pharmaceutical production processes, manufacturing technologies, environmental upgrades, and smart transformation. We are committed to utilizing superior technologies to provide customers with the highest quality pharmaceutical products.

5.1.1 R&D Platform

The Group has established the Research and Development Institutes for biological drugs, chemical drugs, innovative (chemical) drugs and animal healthcare, as well as the Clinical Research Centre, to collaborate on research and development. These research institutes are equipped with skilled researchers and state-of-the-art equipment. The Biological Research and Development Platform boasts a team of nearly 720 research and technical personnel, with over 30% of them holding graduate or higher academic qualifications. Additionally, it is equipped with more than 100 cutting-edge research and development equipment, both purchased from the country and abroad, with an aggregated investment exceeding RMB160 million. The Medicinal Chemistry Research and Development Platform is responsible for conducting consistency evaluations on the quality and effectiveness of the Group's Medicinal Chemistry and generic drugs. It comprises nearly 150 research personnel, with over 70% of them possessing graduate or higher academic qualifications within the Medicinal Innovation (Chemical Drugs) Research and Development Platform. The Clinical Medicine Research Centre is tasked with designing, organizing, implementing, quality management, compliance, and other related work for all clinical trial projects undertaken by the Group. It maintains close collaborations with over 100 domestic institutions possessing national drug clinical trial qualifications and authoritative treatment in relevant fields. Under the guidance of renowned experts from both within the country and abroad, the Centre has successfully organized and completed more than 80 pharmaceutical clinical trials. Moreover, the Group collaborates with universities, research institutes, and laboratories both within the country and abroad to carry out research and development activities.

5.1.2 R&D Investment and Achievements

The Group persists in innovative research and development, continuously allocating substantial resources to progressively increase the investment in R&D. In the Year, the Group has invested RMB808 million for research and development purposes, representing a year-on-year increase of 36.2%.



Products in R&D

Products	Indications	R&D Stage
Liraglutide Injection	Diabetes	Production Application
Insulin Degludec Injection	Diabetes	Production Application
Insulin Degludec/Insulin Aspart	Diabetes	Clinical Trial
Insulin Degludec/Liraglutide	Diabetes	Clinical Trial
Semaglutide Injection	Diabetes	Clinical Trial
Semaglutide Injection	Obesity	Clinical Trial
UBT251 Injection*	Diabetes, Obesity & NASH	Clinical Trial
Second-generation GI Hormones*	Obesity	Preclinical
Osteoporosis Monoclonal Antibody	Osteoporosis	Preclinical
Anti-IL-4R Monoclonal Antibody	Eczema & Asthma	Preclinical
Ultra-long-acting Insulin Analogue*	Diabetes	Preclinical
GLP-1 Oral Preparation*	Diabetes & Obesity	Preclinical
Dual Target Hypolipidemic Drugs*	Hyperlipidemia	Preclinical
Interleukin-2 Fusion Protein*	SLE, etc.	Preclinical
Novel Recombinant Urate Oxidase*	Hyperuricemia & Gout	Preclinical
Lp(a) Hypolipidemic Drugs*	Hyperlipoproteinemia, etc.	Preclinical
TUL01101 Tablets*	Rheumatoid Arthritis	Clinical Trial
TUL01101 Tablets*	Atopic Dermatitis	Clinical Trial
TUL01101 Ointment*	Atopic Dermatitis	Clinical Trial
LB1091*	Inflammatory Bowel Disease	Preclinical
LB2236*	Nonalcoholic Steatohepatitis	Preclinical
LB2237*	Hyperlipidemia	Preclinical
LB2012*	Inflammatory Diseases	Preclinical
LB2023*	IgA Nephritis	Preclinical
TUL12101 Eye Drops*	Xerophthalmia	Clinical Trial
LB2311*	Bacterial Infection	Preclinical
LB2332*	Fungal Infection	Preclinical
LB2249*	Fat Loss and Muscle Gain	Preclinical
Murpirocin Ointment	Dermatosis	Production Application
Tadalafil Tablets	Erectile Dysfunction	Preclinical
Sodium Hyaluronate Eye Drops	Xerophthalmia	Preclinical
Polyvinyl Alcohol Eye Drops	Xerophthalmia	Production Application
Moxifloxacin Hydrochloride Eye Drops	Conjunctivitis	Preclinical
Olotadine Hydrochloride Eye Drops	Conjunctivitis	Preclinical
Levofloxacin Eye Drops	Conjunctivitis	Preclinical
Tiotropium Bromide Inhalation Spray	Chronic Pulmonary Obstruction	Preclinical
Acetylcysteine Effervescent Tablets	Respiratory Infection	Preclinical
Alendronate Vitamin D3 Tablets	Osteoporosis	Preclinical
Fenelidone Tablets	Diabetic Nephropathy	Preclinical
Crisaborole Ointment	Atopic Dermatitis	Preclinical
Multivitamin Tablets	Nutritional Supplements	Preclinical

*Class 1 new drugs

R&D stage: ■ Preclinical ■ Clinical Trial Application ■ Clinical Trial ■ Production Application

As of 31 December 2023, the Group had a total of 39 projects in the pipeline for the development of generic drugs and new drugs, including 24 chemical drugs and 15 biological preparations. Among these projects, 7 have entered the clinical stage, 4 are awaiting clinical trial approval for production, and 28 are in the pre-clinical research stage. Furthermore, the Group actively responds to the national requirements for consistency evaluation of generic drugs, with a total of 16 projects having obtained approval for consistency evaluation and an additional 14 projects in progress. The Group currently has several key research and development products, as shown in the chart above (Products in R&D), and it is expected that these products will lay a solid foundation for the Group's sustainable development in the future.

In addition, building upon the foundation of excellent product quality, production processes, and equipment, the Group actively seeks breakthroughs and strives for efficiency. We have successfully achieved numerous scientific research outcomes, not only providing the public with more high-quality pharmaceutical products but also enhancing the operational and production efficiency of the Group.

Annual R&D Results

R&D of Diabetes Drugs



> Approval of Clinical Trial for UBT251 Injection

UBT251 is a long-acting GLP-1/GIP/GCG triple receptor agonist that simultaneously targets the glucagon-like peptide-1 (GLP-1) receptor, glucose-dependent insulinotropic polypeptide (GIP) receptor, and glucagon (GCG) receptor. It regulates appetite and energy metabolism, reduces blood glucose and body weight, and improves liver steatosis. Currently, it has obtained clinical trial approval in China for the indications of type 2 diabetes, weight management, and NASH. Clinical trials for type 2 diabetes and weight management indications have also been approved in the United States. The Company is the first enterprise in China and the second enterprise in the world to be approved for the clinical trials of a long-acting triple agonist of GLP-1/GIP/GCG prepared by chemical synthetic polypeptide.

> Acceptance of Product Launching Application for Liraglutide Injection

Liraglutide injection is a glucagon-like peptide-1 (GLP-1) analog used for the treatment of type 2 diabetes. GLP-1 analogs act on pancreatic β -cells in a glucose-dependent manner, increasing insulin secretion, stimulating β -cell proliferation and differentiation, suppressing appetite and food intake, delaying gastric emptying, effectively controlling blood glucose levels in diabetic patients, and reducing the risk of hypoglycemia.

R&D of Small Molecule Innovative Drugs



> Approval of Clinical Trial for TUL01101 Tablets

TUL01101 is a small molecule selective inhibitor of Janus kinase 1 (JAK1) intended for the treatment of moderate to severe atopic dermatitis. JAK inhibitors are a newly developed drugs for AD treatment, offering advantages such as proven efficacy and relatively lower side effects. JAK inhibitors regulate the JAK-STAT signaling pathway by blocking the JAK family, thereby interrupting cytokine signaling, reducing the synthesis and secretion of inflammatory mediators, and inhibiting the occurrence and development of inflammation. This mechanism provides relief and treatment for atopic dermatitis. While oral JAK1 inhibitors for atopic dermatitis have been approved and marketed globally, there are no JAK1 inhibitor independently developed by Chinese company has been approved for marketing.

> Approval of Clinical Trial for TUL12101 Eye Drops

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

Consistency Evaluation of Generic Drugs

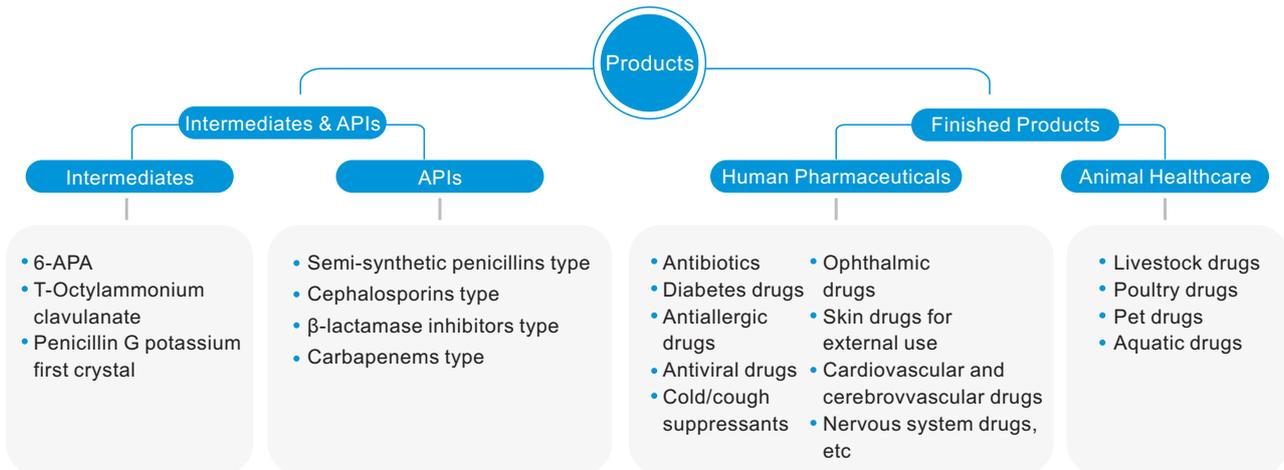


The United Laboratories strictly adheres to national pharmaceutical laws, regulations and technical guidelines in its product development efforts. The research team combines the technical requirements of drug marketing applications and the consistency evaluation of generic drugs. They conduct comprehensive research on the pharmaceutical quality and bioequivalence of the drugs to ensure compliance with safety, efficacy, and quality control requirements.

In the Year, the Group has successfully completed the consistency evaluation of several generic drugs, including Amoxicillin Capsules (0.5g), Injection Piperacillin Sodium Tazobactam Sodium (2.25g), Injection Meropenem (0.25g, 0.5g), and Ibuprofen Sustained Release Capsules (0.3g). These evaluations ensure that the quality and therapeutic effects of these products are consistent with their reference drugs. The Group's market competitiveness has been gradually enhanced through the consistent evaluation of multiple products. As of now, a total of 18 products from the Group have passed (including deemed approval) the consistency evaluation. The Group will continue to advance the work of generic drug consistency evaluation, providing patients with more high-quality medication options.

5.2 Enhancing Medical Accessibility

The Group's business covers pharmaceutical finished products, active pharmaceutical ingredients (APIs), and intermediates, with product pipeline in the fields of endocrine, metabolism, autoimmune, ophthalmic, anti-infection, etc.



5.2.1 Chinese Market

The Group is primarily engaged in the research, development, production, and sales of pharmaceutical products, APIs, and intermediates. As one of the leading comprehensive pharmaceutical companies in China, the Group's product portfolio includes human pharmaceuticals and animal healthcare. The United Laboratories has a well-established sales team for intermediates, APIs, and formulations, with a sales network covering all over China.

Business progress in domestic market

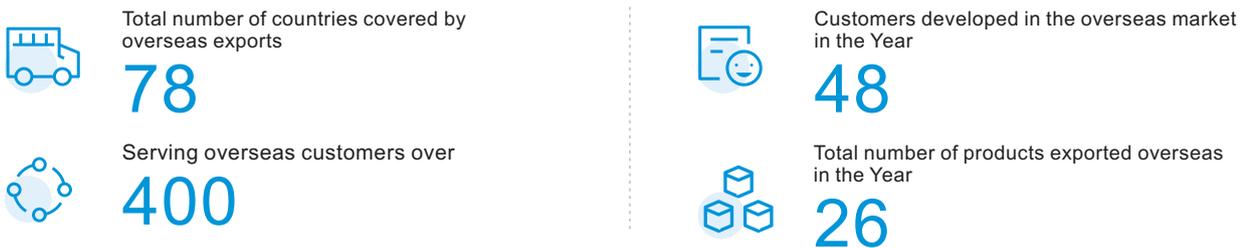


5.2.2 Overseas Market



The Group actively expands its international business, enhancing its global industrial layout and export operations. In the Year, the Group generated RMB2.62 billion in overseas business revenue, accounting for 19% of the Group's total revenue. Currently, the Group's international business covers intermediates and APIs, with a sales network spanning major pharmaceutical markets and emerging markets worldwide, including China, Europe, India, the Middle East, South America, and Africa. It holds a leading position in the upstream industry of penicillin antibiotics globally. The Group's intermediates and APIs have obtained official certifications from multiple countries, such as the European Union Certification of suitability of European Pharmacopoeia monographs (CEP), the United States FDA, Germany, India, Japan, Brazil, and Mexico. Currently, the Group has a total of 40 overseas certifications and 76 overseas registrations.

Business progress in the overseas market



5.3 Improving Medical Affordability

5.3.1 Selected in National Medical Insurance Drug List and National Essential Drug List

The National Healthcare Security Administration (國家醫療保障局) announced the “National Basic Medical Insurance Drug List (2023 Edition)” (NMIDL) will be officially implemented on January 1, 2023. During the reporting period, the Group has 66 products included in the NMIDL, with 24 Category A products and 42 Category B products. In addition, the Group also has 30 products in the “National Essential Drug List” (NEDL) published in 2018.

National Medical Insurance Drug List (NMIDL)

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

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

National Essential Drug List (NEDL)

NEDL is the basis for medical institutions to equip and use drugs. The catalog contains 2 parts, which are usage for primary medical and health institutions, and usage by other medical institutions. The drugs in the NEDL are drugs that meet basic medical and health needs, have appropriate dosage forms, reasonably priced, can be ensured supply and are available to the public on a equitable basis. The NEDL come into effect from 21 September 2009.

5.3.2 Participating in the National Centralised Procurement

Insulin Products

Currently, there are 140 million diabetes patients in China, and insulin plays a crucial role in controlling blood sugar levels for these patients, holding an irreplaceable position in diabetes treatment. Since insulin requires to be used long-term, the National Healthcare Security Administration organised the 6th batch of national centralised procurement of drugs (Insulin-specific) and the selection results will be implemented in May of 2022. This centralised procurement involves the procurement of approximately 210 million units of insulin in the first year of the national medical institutions, with a procurement amount of approximately RMB17 billion and an average price reduction of 48% for the selected products. The Group's full line of insulin products was selected in this procurement, and through increasing our market share of insulin products, we aim to alleviate the financial burden of medication and benefit a wide range of diabetes patients.

Antibiotic Products

During the year, the eighth centralized drug procurement of the state was initiated and successively implemented, covering drugs for common diseases and chronic diseases like infection, cardiovascular and cerebrovascular diseases, allergy and mental diseases. The tazobactam sodium for injection (specification: 4.5g) of the Group was selected. As the centralised drug procurement of the state is becoming normalised and mature, it will gradually tend to alleviate the impact on drug prices. Following the policy guide, the Group carried forward R&D, innovation and product upgrade and further enhanced the comprehensive competitive edges. In the future, the Group will provide more affordable drugs to those in need.

5.3.3 Fair Pricing

In addition, the Group also focuses on the accessibility and affordability of pharmaceuticals in developing countries. We have established a fair and reasonable pricing mechanism for active APIs and intermediates, which takes into account factors such as production costs, industry supply and demand, healthcare system coverage, and patient affordability. This mechanism adopts a relatively transparent and consistent pricing policy at both national and domestic market levels. To ensure familiarity and understanding of price levels among our customers, the Group has consistently practiced disclosing the prices of our pharmaceutical products. For example, we publicly disclose the prices of insulin products selected through national centralized procurement, contributing to a relatively transparent overall market pricing. The Group strives to minimize intermediaries and effectively reduce the cost of pharmaceutical supply. Currently, our generic drugs are priced at approximately 60-70% of the innovator drugs in the market.

The Group has established a Product Pricing Management System, which clearly states that the Group will determine product sales prices based on market conditions, taking into account our own sales and supply situation. Considering the economic conditions in different regions, the Group adjusts the selling prices of similar products between developing and developed countries to ensure broader access to treatment. In the first quarter of this year, The United Laboratories supported the medication needs of earthquake-affected populations in Turkey by selling our products at an average price approximately 13% lower than the average prices in all other markets during the same period. Additionally, this year, the average selling price of our products in the Thai market was approximately 6% lower than the average price in the Spanish market. During this Year, the Group did not have any quality control issues specifically for non-exclusive licensed drugs or drugs with non-exclusive licenses. The Sustainability Committee has been established within the Group to oversee the accessibility of healthcare services.

5.4 Enhancing Healthcare Standards

5.4.1 Providing Training for Local Healthcare Professionals

The Group is committed to promoting the growth of the pharmaceutical industry as well as the promotion of pharmaceutical academic and medicinal information. During the year, the Group actively participated in a multiple high-level pharmaceutical academic forums, including the Annual Meeting of the Diabetes Committee of the Chinese Research Hospital Association, the Annual Meeting of the Endocrinology and Metabolism Committee of the Physicians Association and the Annual Meeting of the Chinese Society of Clinical Pharmacy. During the year, the Group participated in 11 high-level academic forums across the country with over 2,000 attendees. In addition, the Group continues to organise the "Double Excellence Campaign" - grassroots diabetes prevention and management training series, actively contributing to the improvement of the rational clinical use of diabetes drugs.



Technical Exchange with Turkish Pharmaceutical Manufacturer

The yield, flowability, and hardness of products are highly valued parameters for pharmaceutical manufacturers as they directly affect the characteristics and efficacy of the products. Our Group's key products for a customer in Turkey are uncoated amoxicillin tablets and amoxicillin-clavulanic acid coated tablets. As the customer experienced unsatisfactory results with the Federal Enzyme Method for amoxicillin in the initial stage, our sales team led relevant technical personnel from Zhuhai Company and Inner Mongolia Company to the Turkish pharmaceutical manufacturer's facility for on-site technical exchange, aiming to better understand and address the formulation customer's technical issues and promote commercial collaboration between the two parties. Through measures such as adjusting relevant product parameters, we ultimately succeeded in resolving the issues of flowability, yield, and finished product hardness encountered by the formulation customer during the production process of using Federal products. This accelerated the progress of our commercial collaboration and established a long-term and mutually beneficial strategic partnership between the two parties.

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

5.4.2 Assisting Overseas Customer in Achieving International Pharmaceutical Manufacturing Standards

As a raw material supplier, The United Laboratories not only provides high-quality APIs and intermediates to large pharmaceutical enterprises in developed countries, but also continuously supports pharmaceutical companies in developing countries to improve their pharmaceutical standards. Through detailed pharmaceutical information, sample preparation, and work reference materials during shipment, as well as providing support for process technology improvements, The United Laboratories assists local pharmaceutical manufacturers and other clients in enhancing production efficiency and effectively controlling the quality and stability of pharmaceutical products. Our commitment is to help our clients elevate their standards to meet the requirements of regulatory markets and international pharmaceutical manufacturing standards.

During the Year, a total of 68 manufacturers utilized The United Laboratories' APIs for the declaration, implementation, or completion of consistency evaluations for 11 different varieties.



Assisting Customers in Developing Countries to Improve Product Quality

Before The United Laboratories entered the Paraguayan market, it was a price-oriented market with regulatory confusion and frequent medical incidents. One of our clients in Paraguay experienced a major medical incident resulting in the death of a child. Through communication with the client, we discovered that the original supplier of their oral pharmaceutical, Amoxicillin and Cefixime Proxetil, was a chemical plant that did not have high-quality requirements for their product, and the client had not established a robust quality system internally. As a result, we actively engaged with the client, providing detailed pharmaceutical information and preparing work reference materials for each shipment to assist them in effectively controlling the quality of the pharmaceutical product during the production process. Ultimately, we successfully helped the client elevate the production standards of the pharmaceutical to those of developed countries.



Providing Process Technology Improvement Support to Clients

Our clients in Thailand faced challenges in their production of Amoxicillin pharmaceuticals due to limitations in their manufacturing technology, leading to frequent dissolution issues. Through multiple communications and negotiations, we arranged for free samples and shared relevant production parameters to assist the client in improving production efficiency and ensuring quality stability.

5.4.3 Rational Use of Drugs

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

5.5 Focus on Rare Disease

Under the guidance and favorable policies of the revised "Drug Registration Management Measures" and "Rare Disease Diagnosis and Treatment Guidelines", The Group actively leverages its own research system advantages, responds to national policies, thoroughly assesses the rare disease market conditions, and increases investment in the research and development of rare disease drugs. The aim is to improve the clinical treatment of rare diseases in our country. The United Laboratories is committed to enhancing the accessibility of innovative therapeutic drugs for rare disease patients, in order to benefit a greater number of patients.



Paroxysmal Nocturnal Hemoglobinuria (PNH)

PNH is an acquired hemolytic disease in which a mutation in the PIG-A gene of hematopoietic stem cells leads to the loss of a group of membrane proteins anchored to the cell surface through glycosylphosphatidylinositol (GPI). This results in changes in cellular properties and sensitivity to complement, leading to intravascular hemolysis, potential bone marrow failure, and thrombosis. The incidence rate of PNH in Western countries is (1-2)/million population/year, with a standardized rate of 1.3/million population/year. In our country, the overall incidence rate is around 1/100,000, which is higher than in Europe and America.

At present, the treatment for PNH is to inhibit complement C3 or C5 monoclonal antibodies, which can effectively reduce their levels in PNH patients. However, these drugs have defects such as injection pain and infection risk. Our research project LB2023, an oral small molecule new drug, which is to develop a compound that inhibits the complement pathway through the CFB target to achieve the inhibitory effect on complement in PNH patients. Compared with C3 and C5 monoclonal antibodies that completely inhibit the complement pathway, this drug will be safer and more compliant with medication. In December 2023, Novartis CFB target drug LNP023 became the world's first monotherapy drug approved by the FDA for treating PNH. Therefore, our new drug targeting the same target has an opportunity to be used for the treatment of rare diseases such as PNH in the future.

06

Effective Governance EXCELLENT OPERATIONAL MANAGEMENT

> Our Focuses

- Corporate Governance
- Business Ethics

> Our Actions

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

6.1 Corporate Governance

To implement excellent corporate governance, the Board of the Group is responsible for setting the Group's objectives and strategies and monitoring their performance. The Board also makes decisions on annual and interim financial results, major transactions, director appointments, dividends, and accounting policies, among other matters, and oversees the internal control procedures of the Group's operations. The Board has delegated the responsibility and authority for overseeing day-to-day operations to management. All Directors receive regular updates on governance and regulatory matters. Directors may also seek independent professional advice, following established procedures, to assist them in fulfilling their responsibilities.

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



Notes:
 INED: Independent Non-Executive Director
 ED: Executive Director

Director Skills And Experience

Director	Medical & Pharmaceutical Education Background	Finance, Legal & Risk Management	Business Experience		ESG
			China	Global	
Executive Director					
Mr. Tsoi Hoi Shan	✓	✓	✓	✓	✓
Mr. Leung Wing Hon		✓	✓	✓	✓
Ms. Choy Siu Chit		✓	✓	✓	✓
Mr. Fang Yu Ping	✓	✓	✓	✓	✓
Ms. Zou Xian Hong	✓	✓	✓	✓	✓
Ms. Zhu Su Yan	✓	✓	✓	✓	✓
Independent Non-Executive Director					
Mr. Chong Peng Oon		✓	✓	✓	✓
Prof. Song Ming		✓	✓	✓	✓
Dr. Fu Qiushi	✓	✓	✓	✓	✓
Total:	5	9	9	9	9
Percentage:	56%	100%	100%	100%	100%

Board Composition

Position	ED 	INED 
Gender	Male 	Female 
Race	Chinese 	
Age Group	40-60 	>60 
Terms of service	1-20 years 	20-40 years 

  ED  INED

6.2 Business Ethics

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

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

Aspects	Relevant Laws, Regulations and Guidelines	Internal Policies
Business Ethics	<ul style="list-style-type: none"> • Criminal Law of the People's Republic of China • Anti-Unfair Competition Law of the People's Republic of China • Anti-Money Laundering Law of the People's Republic of China • Interim Provisions on Banning Commercial Bribery 	<ul style="list-style-type: none"> • The United Laboratories Code of Business Conduct • The United Laboratories Employees' Code of Integrity and Self-Discipline • The United Laboratories Anti-Fraud and Whistleblowing Management Policy • Statement of Integrity • Anti-corruption Agreement • Conflict of Interest Declaration and Management Policy • Legal Department Integrity and Self-Discipline Guidelines • Compliance Incident Reporting Policy • The United Laboratories Measures for the Management of Compliance Review • Code of Business Ethics and Conduct Procedures • Anti-Corruption, Anti-Bribery, Prohibition of Drug Use, and Other Ethical Behaviors • The United Laboratories Anti-Money Laundering Management Policy
Medical Ethics	<ul style="list-style-type: none"> • Civil Code of the People's Republic of China • Drug Administration Law of the People's Republic of China • Measures for the Administration of Drug Registration • Quality Control of Clinical Trials of Drugs Measures for Ethical Review of Life Sciences and Medical Research Involving Humans • Declaration of Helsinki of the World Medical Association 	<ul style="list-style-type: none"> • The United Laboratories Patient Information Protection Policy • Regulation on Registration, Review, and Management Policy for Pharmaceutical Representatives • Patient Personal Information Protection Policy

In order to cope with the development of the Group, the Group has established and continuously strengthened its institutional framework. It has implemented various internal systems for business ethics management, including “The United Laboratories Anti-Fraud and Whistleblowing Management Policy”, The United Laboratories Employees' Code of Integrity and Self-Discipline” and “Code of Business Ethics and Conduct Procedures”. These internal policies establish comprehensive requirements for all employees and stakeholders in areas such as anti-bribery, anti-corruption, and ethical conduct.

Summary of “The United Laboratories Anti-Fraud and Whistleblowing Management Policy”

01

In order to safeguard the interests of the Group, prevent fraudulent activities, regulate the management of whistleblowing matters, and reduce operational risks, this policy has been established.

02

The purpose of anti-fraud is to regulate the professional behavior of management and all other employees, strictly adhere to relevant laws, regulations, professional ethics, and the Company's rules and regulations, and prevent behaviors that may harm the interests of the Company and its shareholders.

03

The term "fraud" referred to in this policy specifically refers to acts where internal or external individuals adopt fraudulent or illegal means to seek improper benefits for themselves or others, including but not limited to:

1. Employees stealing, attempting to steal, or instigating others to steal company secrets or intentionally disclosing confidential business information.
2. Employees and related parties (including but not limited to direct relatives) accepting or soliciting bribes from affiliated enterprises, suppliers, channels, and customers, including acts of receiving loans, assets, or other benefits.
3. Employees exploiting their positions, violating the company's credit management system, colluding with each other, forging or altering false data to secure higher credit limits or favorable return policies for channels or customers, providing false cooperation information, forging or assisting in forging false certificates and documents.
4. Engaging in business competition or other business cooperation activities with the company without proper filing and authorization, including but not limited to engaging in businesses that compete with the company or participating in such businesses during employment, engaging in related-party transactions without filing or approval.
5. Employees embezzling or misappropriating company assets through their positions, including but not limited to requesting customers to make private payments, misappropriating company assets for personal use, illegal use, theft, misappropriation, buying and selling company properties, concealing transaction details, setting up private cash funds, and other behaviors.
6. Incurring expenses for improper purposes, such as paying bribes or kickbacks.
7. Transferring company's transaction opportunities or potential profitable projects to other individuals or companies using their positions.
8. Forging company documents, including forging the company's and its management's seals to falsify company or departmental documents or reports, falsifying or misreporting annual or semi-annual performance data or annual bonus data, falsifying, tampering with, destroying, or hiding accounting records or vouchers.
9. Engaging in false transactions, including but not limited to purchasing or selling non-existent (unreal) assets, fabricating facts or concealing the truth, causing the company to make payments for false transactions.
10. Violating the company's relevant expense reimbursement management regulations, issuing false invoices, making unauthorized reimbursements (reimbursements outside the scope defined by the company) to obtain company funds.
11. Other actions that seek improper benefits for oneself or others, thereby harming the interests of the company.

04

The organizational structure of the Company's anti-fraud matter includes the Board of Directors and the Audit and Legal Affairs Centre.

05

The Company provides channels for smooth reporting and disclosure of fraudulent activities. Employees and stakeholders can report internal employees or related fraud cases to the Company through the following means, including whistleblowing or reports regarding violations of professional ethics by the Company and its personnel:

Whistleblowing hotline: 0760-87133912

Whistleblowing email: tults@tul.com.cn

Mailing address: Audit and Legal Affairs Centre, No. 12 Jialian Road, Tanzhou Town, Zhongshan City, Guangdong Province.

6.2.1 Medical Ethics

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

During the reporting period, all clinical trials of the Group strictly complied with the “Declaration of Helsinki of the World Medical Association”, the “Civil Code of the People’s Republic of China”, the “Drug Administration Law of the People’s Republic of China”, “Measures for the Administration of Drug Registration”, “Quality Control of Clinical Trials of Drugs” and “Measures for Ethical Review of Life Sciences and Medical Research Involving Humans” principles and related ethical requirements, taking the rights and safety of subjects as the primary concern in drug clinical trials. We require all drug clinical trials to obtain a clinical trial license, develop scientific, ethical, compliant and practical clinical trial protocols and work plans, including but not limited to project management plan, inspection plan, data management plan and risk control plan, and set clear provisions for reviewing, verifying and tracing original data, frequency and requirements of inspections, collaborative monitoring, auditing, etc. Clinical trials shall ensure all subjects sign the informed consent forms through examination by the drug clinical trial institution and ethics committee.

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

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

6.2.2 Building a Culture of Integrity

The development of The United Laboratories is inseparable from the sincere support of all partners. The Group advocates the business principles of friendship, equality and mutual development, and expects to establish a fair and just cooperative relationship with all partners. We believe that commercial bribery not only violates the law, but also violates basic business principles, disrupts the market economic order, brings about unfair competition and waste of resources, hinders the healthy development of both parties and seriously affects both parties’ credibility in their respective industries. Thus, the Group has always upheld the principles of business ethics and gave primacy to integrity so as to ensure that the business operates in compliance. At the same time, commercial bribery also fuels corrupt practices, triggers economic crimes, and corrodes the foundations of corporate employees and corporate development. Therefore, we expect employees and partners to abide by the law and strictly adhere to principles of business ethics, and hereby we make the following statement:



01

Advocate a “Friendly, Responsible, Hardworking and Highly Efficient” team atmosphere, maintain a clean and healthy working environment, and encourage employees to abide by the laws and behave morally and honestly.

02

Employees are required to abide by the relevant work ethics regulations such as the “Employee Handbook” and “The United Laboratories Employees’ Code of Integrity and Self-Discipline” to ensure fairness, impartiality and transparency in the cooperation process between the two parties.

03

Employees are forbidden from setting up of barriers, or collecting “service fee” and other illegal operations involving commercial bribery, unfair competition or seeking personal improper benefits. The partners of The United Laboratories have the responsibility to resist and report The United Laboratories employees’ violations of the declared behaviour.

04

Encourage polite behaviour in business interactions and resolutely oppose commercial bribery that imposes or attempts to improperly affect the relationship between the parties through the provision of gifts or commissions or other form of private benefits.

05

Partners are required to abide by the laws and regulations related to anti-corruption and anti-unfair competition and the Integrity Cooperation Agreement, and firmly oppose the transmission of improper benefits for the opportunity in terms of provision of products or services, or for any preferential treatment in competitions. If there is a violation, the cooperative relationship will be immediately terminated and the company will be blacklisted.

Furthermore, in order to effectively enhance employees' awareness of integrity and business ethics, the Group has established “The United Laboratories Employees’ Code of Integrity and Self-Discipline” in accordance with laws, regulations and the Company's own circumstances. The Code clearly defines improper conduct and itemizes the declaration of interest and filing procedures of operating business or commercial activities. We have also established a clean supervision mechanism and penalties to reduce the possibility of employees performing misconduct when operating business or commercial activities. Before participating in business or commercial activities, employees need to report to their superiors' and obtain their superiors' consent. If the receipt of gifts cannot be rejected during the event, the employee must report to their superiors, and the received items should be handed over to the Administrative Department for registration and storage, and handled in accordance with the system.

6.2.3 Anti-Corruption and Anti-Money Laundering

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

In order to further strengthen our staff's awareness of complying with business ethics and related laws, the Group regularly organizes training sessions on laws and corporate regulations for our staff to enhance their professionalism and strengthen the prevention of legal risks. During the Year, the Group's Legal Affairs Department organized a total of 32 training sessions on compliance and business ethics, covering topics such as donation of drugs, drug sales, representative responsibilities, information security, contract signing, with combined training count of 6,084 attendances. In addition, the Group's Legal Department has conducted a combination of online and offline anti-corruption training, with the target audience including all employees and suppliers, a total recorded attendance of 949 is recorded. The Group will review the anti-corruption policy as appropriate and conduct annual audits. In 2023, the Group has comprehensively updated "The United Laboratories Anti-Fraud and Whistleblowing Management Policy" and conducted online anti-fraud training sessions for all companies in accordance with the new system. The training covered various violations and case studies, aiming to enhance the awareness of integrity among employees and management personnel, and increase vigilance towards legal and disciplinary risks.



To establish an effective anti-money laundering system, the Group has established "The United Laboratories Anti-Money Laundering Management Policy" applicable to all subsidiaries and employees of The United Laboratories, aiming to prevent, monitor, and combat money laundering activities. The Board bears ultimate responsibility for anti-money laundering management, while the Supervisory Board oversees the performance of the Board of Directors and senior management in anti-money laundering matters and provides recommendations on anti-money laundering management. The Group's Finance Department, Treasury Department, and Credit Risk Department serve as the supervisory departments responsible for promoting the implementation of various anti-money laundering initiatives. To ensure the effectiveness of anti-money laundering management, the Group conducts regular or ad hoc inspections, with the inspection results linked to performance assessments and management authorizations. Additionally, the Group ensures the compliance and effectiveness of anti-money laundering management through internal audits, and the Board receives regular reports on the internal audit findings related to anti-money laundering. In addition to internal audits, the Group engages external audit firms to evaluate the effectiveness of anti-money laundering management, ensuring its robustness and compliance.

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

Whistleblowing and Confidentiality

The Group provides various channels for employees or any of the Group’s partners to report corruption and malpractice, such as direct phone calls, e-mails, post, or the whistleblowing channel on the online mobile office platform system “Smart United Laboratories”. All whistleblowing channels allow employees to directly report immoral or dishonest behaviours to the Group’s Audit and Legal Affairs Centre anonymously.

The Group has clearly defined the working principles of whistleblowing in “The United Laboratories Anti-Fraud and Whistleblowing Management Policy” to keep the whistleblowers’ identity confidential. Complaints or reports made in person should be interviewed by designated personnel in a secret location. All persons not connected are not allowed to observe, question or record the content of the interview. The principle of confidentiality should be strictly complied with in sending, receiving, opening, filing, transferring, keeping and mentioning of written complaints, and the reception, answering, documentation, and voice recording of telephone complaints. All employees are not allowed to note down, copy, keep, hide or destroy reporting materials without authorization. Other units and departments of the Group have no right to interfere or disturb the reporting and complaining matters to safeguard the independence of the investigation and the privacy of the complainant and the person complained against. In addition, the Group gives full protection to the whistleblowers. We will strictly combat all retaliatory actions if whistleblowers or their family members suffer from damage to person, property or other rights due to reporting. The whistleblowers is also entitled to inform his/her senior managers for timely protection. The entire reporting procedure is protected by law, and serious breaches of the rules will be referred to the judicial authorities. To encourage employees to report corruption or malpractices, the Group will commend and reward the complainant if the complaint is substantiated after investigation. The reward will be given to complainants whose identities have been verified upon the closing of the investigation.

6.3 Information Security

Information security infrastructure is an essential method employed by the Group to safeguard internal information and customer privacy. Any leakage of confidential corporate information or customer data can have adverse impacts and lead to losses for the company itself, customers, and other stakeholders. In compliance with relevant laws and regulations such as the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests, the Cybersecurity Law of the People’s Republic of China, Information Security Law of the People’s Republic of China, and Personal Information Protection Law of the People’s Republic of China the Group has established The United Laboratories Information Confidentiality Policy and The United Laboratories Patient Information Protection Policy to uphold stakeholders’ confidence in the Group’s operations and services.

Aspects	Relevant Laws, Regulations and Guidelines	Internal Policies
Information security	<ul style="list-style-type: none"> • The Law of the People’s Republic of China on the Protection of Consumer Rights and Interests • The Cybersecurity Law of the People’s Republic of China • Information Security Law of the People’s Republic of China • Personal Information Protection Law of the People’s Republic of China 	<ul style="list-style-type: none"> • The United Laboratories Information Confidentiality Policy • The United Laboratories Patient Information Protection Policy • International Internet Usage Management Policy • Patient Personal Information Protection Policy • Emergency Operation Procedures for Power Outage in the Computer Room

During the Year, the Group did not experience any information leakage incidents nor were there any legal disputes related to information security concerning the Group or its employees.

6.3.1 Information System Security

The Group considers information system security as a critical responsibility in its business operations. In 2015, the Group Information Technology Centre was established to drive the overall digital transformation of the Group and ensure its alignment with the Group's development. The Information Technology Centre reports directly to the Group Chairman and is responsible for the following key functions:

- Developing the Group's information technology (IT) strategy in line with the Group's development strategy, including the formulation of IT plans and ensuring the implementation of IT initiatives across the Group.
- Promoting the implementation of IT initiatives within various units of the Group to enhance operational efficiency through the effective use of IT systems.
- Driving the digital transformation of the entire Group, progressively achieving digitization, process automation, and intelligent operations.
- Establishing an IT security system for the Group, overseeing and guiding information security measures within each unit to ensure information security throughout the Group.
- Establishing a software product development system to gradually transform internally developed IT systems into commercial products.
- Establishing a system for optimizing business processes within the Group, promoting continuous improvement of operational efficiency across all units.

The Information Technology Centre has implemented the "Smart United Laboratories" System ("SUL System"), which integrates various business applications, including mobile platforms, public accounts, instant messaging, work applications based on user permissions, enterprise telephony, and video conferencing. This system provides integrated services to employees, promotes information sharing within the organization, enhances work efficiency, and strengthens the Group's core competencies. The SUL System has undergone domestic network security evaluations and has achieved a security protection level of S2A2, the second-highest level.



Information Security Measures

User Security

- Regularly conduct information security awareness training for employees to prevent intentional or unintentional data breaches.
- Office computers are integrated into the domain control system, and unauthorized software installation or connection of portable storage devices is prohibited.
- User accounts require complex passwords, and password expiration is set at 180 days.

Network Security

- Deploy firewall, web behavior management, threat intelligence, zero-trust, bastion hosts, and SD-WAN devices to enhance network security.

System Security

- Equipped with the Sangfor Technologies' Vulnerability Scanning System, which performs regular vulnerability scans on servers and promptly addresses high-risk vulnerabilities.
- All servers are equipped with centralized and managed Endpoint Detection and Response (EDR) software.
- Network security devices and antivirus software are integrated with the original equipment manufacturers' (OEM) network security devices and antivirus software, and the OEM Managed Security Services (MSS) provide continuous 24/7 security support.

Data Security

- Utilize document encryption systems to encrypt all data and strictly control the decryption process.
- Adopt a combination of offline and online backups to ensure full and incremental backups of databases and server systems. Regular recovery tests are conducted to ensure data availability, integrity, and confidentiality.
- Deploy Continuous Data Protection (CDP) systems to take over business operations and recover or rebuild data in the event of a system failure.

Hardware Security

- Conduct regular inspections of the computer room, equipped with environmental monitoring systems to monitor UPS power supply, cabinet temperature and humidity, lighting, and fire equipment. Any abnormalities are promptly reported through email or app notifications. The computer room is also under 24-hour video surveillance to ensure its security.

During the Year, the Information Technology Centre developed the "Emergency Operation Procedures for Power Outage in the Computer Room" to prevent equipment damage or data loss during unexpected power outages. The Information Centre conducts drills for planned power outages, involving the security operations teams from the Information Centre and various branches, to enhance their emergency response capabilities during such situations. The tests are mostly conducted in July and August and are coordinated with power outage fault testing. On the day of the planned power outage, all personnel are required to cooperate by shutting down unnecessary electrical appliances and keeping the computer room access open. During the power outage, all non-business system equipment is required to be shut down to prioritize the uninterrupted operation of the uninterruptible power supply (UPS) and ensure business continuity.

6.3.2 Information Management

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

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

6.3.3 Privacy Protection

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

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

6.4 Protection of Intellectual Property Rights

The Group has made continual breakthroughs in the research and development of pharmaceuticals and innovative production technologies, and therefore the protection of our commodities' patents and intellectual property rights has become an indispensable part of the protection of our products and assets. In order to promote the Group's management of intellectual property rights and to fully develop the benefits of patented commodities and assets, we have established The United Laboratories Intellectual Property Management Measures in accordance with relevant laws and regulations to regulate the patent application and maintenance work. For new technologies, new processes, new formulas, utility models and product packaging designs, the Group will carry out comprehensive patent rights application and maintenance to create favourable conditions for the Group's research, development and innovation.

Aspects	Relevant Laws and Regulations	Internal Policies
Intellectual Property Management	<ul style="list-style-type: none"> • Patent Law of the People's Republic of China • Trademark Law of the People's Republic of China • Copyright Law of the People's Republic of China • Anti-Unfair Competition Law of the People's Republic of China 	<ul style="list-style-type: none"> • The United Laboratories Intellectual Property Management Measures

The Intellectual Property Department is responsible for the management of intellectual property, application and management of patents and intellectual property logos, supervision of related units in stopping, reporting and obtaining evidence for the various infringement behaviours found, as well as the coordination with the government in combating infringement behaviours. While protecting the Group's own intellectual property rights, we never infringe the copyrights of the commodities of other individuals or enterprises. The establishment of the Intellectual Property Affairs Department has strengthened the protection of the Group's technology, process, formulation and other patented technologies.



Business Secrets and Intellectual Property Protection Workshop

In the Year, the Group's Legal Centre, delivered a specialized training on "Business Secrets and Intellectual Property Protection" in the auditorium of Zhuhai Company. The training was attended by nearly 400 workshop and department managers, as well as relevant staff from Zhuhai Company, Sales Company, Bio Company, and Zhuhai Animal Healthcare Company.

During the training session, two speakers provided a clear and comprehensive explanation of the definition, characteristics, and importance of business secrets and intellectual property. They emphasized that with the increasing market competition, business secrets and intellectual property have become integral components of a company's core competitiveness. Therefore, strengthening their protection is not only a necessity for the company's own development but also a requirement for maintaining fair market competition.

Subsequently, the two speakers shared abundant case studies and practical experiences, elaborating on strategies, measures, and precautions for protecting business secrets and intellectual property. They underscored the significance of establishing rigorous management systems, enhancing confidentiality measures, and effectively utilizing legal means in safeguarding business secrets and intellectual property. Additionally, they provided feasible solutions and recommendations for common legal risks and issues.

This training session is not only an important initiative for the company to strengthen internal management and enhance employees' legal literacy but also an opportunity for us to understand the basic concepts and importance of business secrets and intellectual property. We have also acquired relevant protection measures and strategies. In our future work, it is crucial to continuously enhance our awareness of confidentiality and legal literacy, strictly comply with laws and regulations related to business secrets and intellectual property, and ensure the full protection of the company's business secrets and intellectual property.

In terms of trademark management, the Audit and Legal Affairs Centre of the Group is responsible for related registration, renewal management, authorisation and protection of rights. The use of trademarks must be reviewed by the Audit and Legal Affairs Centre to effectively manage and control the use of the Group's trademarks. When printing materials with trademarks, such as product packaging, the Group will only cooperate with reputed printing houses and destroy all defective and obsolete trademarks to prevent their loss and use by unscrupulous manufacturers.

Patent Protection and Achievements



Invention Patents

77



Utility Model Patents

5



Design Patents

23

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

The Group had obtained a total of 105 patents, including 77 invention patents, 5 utility model patents, and 23 design patents. All patents help to protect the interests of the Group.

07

Striving For Excellence BUILDING A QUALITY BRAND

> Our Focuses

- Quality Management
- Customer Service
- Pharmacovigilance

> Our Actions

- Improving Quality Management System
- Enhancing Customer Service

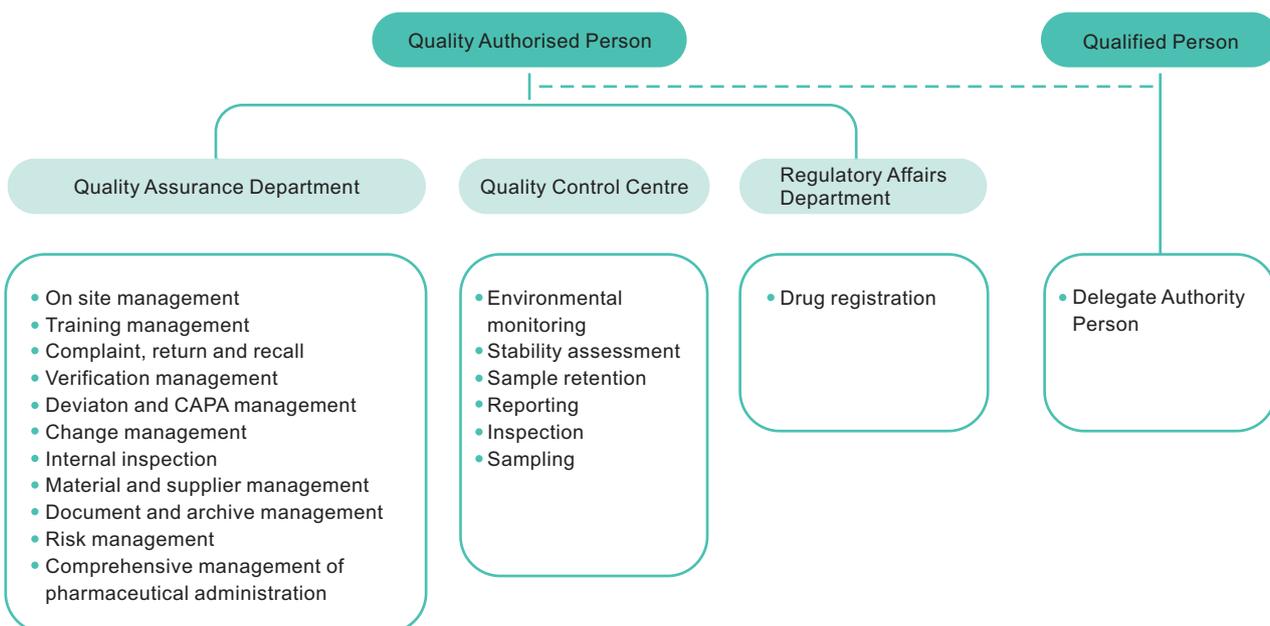
7.1 Quality Management

As a professional pharmaceutical manufacturer, the Group understands the importance of pharmaceutical quality and its impacts on public health. The Group has always considered quality assurance to be one of the top priorities in its business. To achieve the highest level of quality assurance, the Group strictly complies with the relevant laws and regulations on pharmaceutical management. We have established a comprehensive quality management system while abiding by the law, which helps realise effective quality control procedures through composition test, sample test, label and packaging inspection, transportation and storage management as well as strict control and testing over every process from raw and auxiliary materials, unfinished products to finished products. Through our vertically integrated production and operation model, every production process and quality control procedure, starting from the entry of raw materials to the export of finished products, is traceable so as to ensure all the products meet relevant standards.

Aspects	Relevant Laws and Regulations	Internal Policies
Pharmaceutical Quality	<ul style="list-style-type: none"> Pharmaceutical Administration Law of the People's Republic of China Regulations for the Implementation of the Drug Administration Law of the People's Republic of China Good Laboratory Practice for Non-Clinical Laboratory Studies Standards for Quality Control of Pharmaceutical Production Measures for the Supervision and Administration of Drug Production International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) Guidelines Guidelines of Quality System Approach to Pharmaceutical cGMP Regulations by FDA Guidelines of Good Manufacturing Practices for Drug by the European Union ISO 9001: 2015 Quality Management Systems Certification 	<ul style="list-style-type: none"> Quality Risk Management Regulations Document Management Regulations Deviation Handling Program Investigation Procedure for Out of Specification (OOS) Inspection Results Corrective and Preventive Action Management Procedure Verification Management Regulations Product Review and Release Management Procedure Change Control Management Regulations

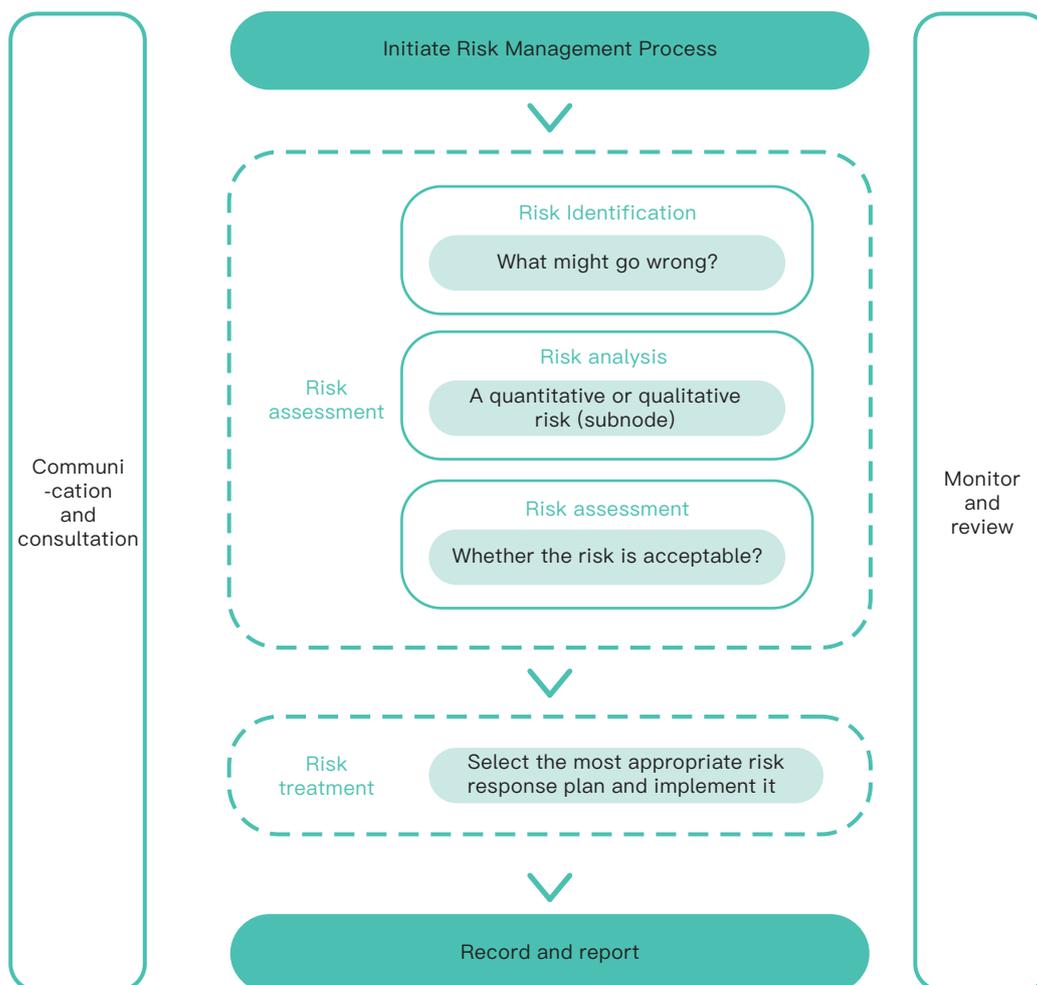
7.1.1 Quality Management System

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



The Group's quality management system was implemented in accordance with the National Quality Management System Requirements. The management system includes a series of comprehensive procedures, such as the warehousing, storage and distribution procedures of raw and auxiliary materials and finished products, so as to implement strict quality control of all types of raw and auxiliary materials and finished products. During the receipts of raw and auxiliary materials, the acceptance personnel must confirm that the supplier is a qualified supplier, and shall check the completeness of the packages, batch number, specifications, storage condition and production date of the batch of raw and auxiliary materials item by item. To ensure the health and safety of raw materials, we would enter into quality assurance agreements with suppliers and require them to provide relevant safety evaluation reports. Storage of materials is also an important step in the production process. To ensure proper storage of materials, the Group has also formulated relevant regulations on warehouse storage, temperature and humidity control, etc., so as to arrange a suitable storage environment according to the features of materials. As for transportation, we have entered into quality assurance agreements with the commissioned logistic company to guarantee the quality and compliance of products upon delivery to market.

The Group has established an effective quality risk management procedure, applicable to various activities of pharmaceutical product quality management within the company and to various quality risks that exist or may potentially arise throughout the life cycle of the products. This procedure is designed to guide the identification, analysis, evaluation, control, review, and communication of risk factors in the quality management process of pharmaceuticals, covering the entire life cycle from research and development, technology transfer, commercial production, to product discontinuation. Its purpose is to effectively implement risk management, reduce risk damages, and ensure the safety and efficacy of pharmaceutical products.



In addition, we have set up procedures for the release of products. The procedures stipulated that only raw materials, semi-finished and finished products that have passed quality tests could be passed to the next procedure to avoid the use of any raw materials, semi-finished and finished products that are non-conforming to standards and specifications for production or sale. For non-conforming raw materials and finished products, we will identify, investigate, return or collectively destroy them based on the relevant management procedures for non-conforming products. In order to further improve quality management, the Group would conduct annual review of product quality every year, and carry out evaluation and propose improvement methods for all the quality indicators, deviations in production process and changes of production equipment. This helps to continually refine the Group's quality management system. Inner Mongolia Company also successfully passed the certification audit of quality, environment and occupational health and safety management system during the Year to ensure the comprehensive and effective operation of the management system.

7.1.2 Quality Certification and Awards

The obtainment of a credible quality certification can ensure the pharmaceuticals contribute to customers' health and increase customers' confidence in the products. The Group is a leading comprehensive pharmaceutical enterprise in China that has obtained the integrative GMP certification. We always strictly comply with the relevant requirements to continuously meet the related standards in the certification. Besides, the Group's multiple products of active pharmaceutical ingredients have obtained certifications from official authoritative institutions, such as China Quality Certification Centre, CNAS, Certificate of Suitability to the Monographs of the European Pharmacopoeia, FDA, Germany BVG Hamburg and Mexico COFEPRIS. We attach great importance to quality-certification-related work and also passed several quality certifications during the Year:



The Group's Quality Certifications in the Year

Zhuhai Company

The Quality Inspection Centre has been accredited by CNAS, the National Laboratory accreditation authority, for 13 consecutive years.

Inner Mongolia Company

Non-sterile active pharmaceutical ingredients (APIs) such as amoxicillin and ampicillin have passed GMP certification inspections from European Union countries.

Tartrate vancomycin veterinary medicine has obtained production licenses and passed GMP inspections.

The United Animal Healthcare

The oral solution production line has achieved GMP certification.

"Be a Quality Enterprise, Prosperous and Strong" is the Group's production philosophy. We guarantee the quality of our medicines, contributes to the development of Chinese pharmaceuticals, and have won widespread praise in the industry and society. Zhuhai Company has been honored with a total of 12 outstanding brand certificates, including the Excellent Enterprise Brand of Bulk Medicine Export and Excellent Enterprise Brand of Pharmaceutical Products Export by China Pharmaceutical Industry Association. In addition, the Group is also deeply engaged in the lower-tier markets to protect the health of consumers with high-quality products and services. The Group's 阿莫仙® (Amoxicillin) was awarded the Gold Brand Award in the Antibiotics category of the "2023 Health Industry Brand Rankings". 阿莫仙® is the first semi-synthetic penicillin oral product to be manufactured and sold in China by the Group, and is recommended by the World Health Organisation's List of Essential Medicines. It is also one of the most widely used semi-synthetic penicillin antibiotics in the world.



Inner Mongolia Company Successfully Completed the On-site Inspection for EU-GMP

In the Year, the German Ministry of Justice and Consumer Protection conducted a three-day re-inspection of the production and quality control of Inner Mongolia Company. This successful EU-GMP on-site inspection demonstrates that the company's GMP management level continuously meets the standards of EU-GMP, providing opportunities for the company to compete in the fiercely competitive European market and laying a solid foundation for its rapid development. We adhere to the international advanced GMP standards for pharmaceutical production quality control, pursue international development, and our products have successively obtained export country GMP certification inspections, obtaining access to international markets. In the European market, the certification of sterile active pharmaceutical ingredients such as Amoxicillin Sodium is another successful inspection, following multiple EU-GMP inspections and European Directorate for the Quality of Medicines (EDQM) inspections since 2011, for both newly certified production lines and previously certified production lines. Additionally, non-sterile active pharmaceutical ingredients such as Amoxicillin and Ampicillin have continuously passed EU member states' GMP certification inspections since 2006.

EU-GMP certification has significant influence globally and is regarded as a "passport" for pharmaceutical products to enter international markets. EU member states mutually recognize and share the results of GMP inspections, and these results are also shared with countries such as Japan, the United States, Australia, and Canada. Obtaining EU-GMP certification is a reliable recognition of a pharmaceutical company's production capabilities and product quality.





Zhuhai Company's Quality Inspection Centre has been Accredited by CNAS for 13 consecutive years

In the Year, a team of three experts selected by the China National Accreditation Service for Conformity Assessment (CNAS) conducted a two-day laboratory re-evaluation at the Zhuhai Quality Inspection Centre of Zhuhai Company.

The recognition from the expert evaluation team has once again placed the Quality Inspection Centre among the national accredited laboratories (NO.CNAS L4925). This signifies that the Centre's testing hardware facilities, testing capabilities, and management standards continue to remain at the forefront of international standards. The testing level consistently demonstrates technical competence in providing testing services in accordance with the relevant accreditation criteria, and the issued testing reports possess international credibility. This marks the thirteenth consecutive year that the Quality Inspection Centre has obtained national laboratory accreditation.



The successful re-evaluation of the laboratory not only acknowledges the Centre's high standards and rigorous requirements but also further demonstrates the profound recognition of The United Laboratories' quality system and professional testing capabilities. Moving forward, the Quality Inspection Centre will continue to uphold the quality policy of "Scientific, Impartial, Accurate, and Efficient", adhere to technology-driven development through innovation, and continuously enhance its qualification and capabilities to provide steadfast support for the company's pursuit of high-quality development.

The successful re-evaluation of the laboratory not only acknowledges the Centre's high standards and rigorous requirements but also further demonstrates the profound recognition of The United Laboratories' quality system and professional testing capabilities. Moving forward, the Quality Inspection Centre will continue to uphold the quality policy of "Scientific, Impartial, Accurate, and Efficient", adhere to technology-driven development through innovation, and continuously enhance its qualification and capabilities to provide steadfast support for the company's pursuit of high-quality development.

7.1.3 Quality Management Training

Professional quality management personnel are an important part of the Group's quality assurance of pharmaceuticals. The Group regularly organizes various types of quality management training to familiarise quality management personnel with the operation and foci of different procedures, enhance their professionalism in quality control, and strengthen the integrity of quality management. The scope that the training covers is comprehensive, which includes acquiring knowledge relating to the requirements in the latest edition of Chinese Pharmacopoeia, production process, quality, as well as mastering inspection and verification methods and grasping product release procedures. The training sessions are mainly conducted in a teaching format, with oral or written test as the assessment method, so as to ensure that the quality management personnel are equipped with the required knowledge, and safeguard the standard of the Group's quality management. In addition, the Group has created a section, namely "Quality in The United Laboratories", on our corporate website. The section includes legal knowledge, the Group's quality requirements, training data and a discussion area to provide our employees with an online knowledge base and a platform for learning and communication on quality, and to optimize quality training channels.



Quality Management Training

In order to further enhance employees' quality management capabilities and awareness, the Manager of the Quality Assurance Department organized an engaging and vibrant Quality Management Training Conference. The theme of this training conference was "How to be a Good QA," which attracted active participation from many employees.

During the training, the Manager of the Quality Assurance Department explained the concepts and principles of quality management and analyzed the pain points of current QA work. They systematically explained what it takes to become a qualified QA, what tasks should be done, and how to excel in them. The manager emphasized the importance of lifelong learning, stating that developing an awareness of quality management requires continuous knowledge input and the application of enhanced skills to one's job. Furthermore, they emphasized the need for specific job assessments, intrinsic motivation, and the transformation of everyone into a QA. Quality management is not only about product quality control but also a systemic engineering approach that requires the participation and collaboration of all personnel. Additionally, the manager encouraged everyone to focus on quality in their daily work and strive for continuous improvement.

At the end of the meeting, all colleagues in the Quality Assurance Department participated in an assessment test. This assessment not only evaluated their understanding and mastery of job-related tasks but also provided a comprehensive evaluation of their own competence. It served as a means to identify areas for improvement, fill in knowledge gaps, and become better QAs in future work endeavors.

7.1.4 Product Labelling and Description

The Group has formulated and implemented relevant management systems for label packaging materials in accordance with laws and regulations. All package inserts and labels comply with the requirements in the "Provisions on the Administration of Pharmaceutical Directions and Labels" and are subject to examination, filing and approval by the National Medical Products Administration.

Aspects	Relevant Laws and Regulations	Internal Policies
Pharmaceutical Description and Labelling	<ul style="list-style-type: none"> • Provisions on the Administration of Pharmaceutical Directions and Labels 	<ul style="list-style-type: none"> • Product Manual Modification Management Procedure • Product Manual Acceptance Standards • Product Label Acceptance Standards

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

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

7.2 Product Marketing and Promotion

Pharmaceutical sale is a key sector of the Group's business, while requirements for pharmaceutical promotion information are much higher and more stringent than those of general commodities. In light of this, the Group regulates the distribution and promotion of pharmaceuticals in strict accordance with relevant laws and regulations

Aspects	Relevant Laws and Regulations and Guideline	Internal Policies
Product Marketing and Promotion	<ul style="list-style-type: none"> • Advertising Law of the People's Republic of China • Standards for the Examination and Publication of Drug Advertisements • Measures for the Examination of Drug Advertisements 	<ul style="list-style-type: none"> • Compliance Department Unannounced Inspection Process (Marketing Promotion Category) • Sales Code of Conduct • Compliance Promotion Guidelines • Regulation on Registration, Review, and Management Policy for Pharmaceutical Representatives

7.2.1 Promotion

The Group has formulated relevant systems that clearly enumerate the Group's advertising requirements, application procedures of advertisement and promotion data feed, precautions for use, etc. All pharmaceutical promotion information released by the Group is based on scientific evidence, complies with the principles of accuracy, objectivity, and completeness, and contains corresponding package inserts to clarify the correct medication methods. All these comply with legal requirements. In order to ensure that the Group's advertisements comply with relevant laws and regulations, the samples of the advertising materials must be submitted to the Group's Audit and Legal Affairs Department for review before being released.

7.2.2 Responsible Marketing

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

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

In the Year, responsible marketing training was conducted for all sales personnel, focusing on the "Compliance Promotion Guidelines" and "Considerations for Drug Advertising During the Pandemic". Through these trainings, our goal was to enhance the sales team's understanding of compliance requirements and improve their professional competence and sense of responsibility during the promotion process.

During this training initiative, a total of 2,694 sales personnel were trained, with a cumulative training duration of 371.5 hours. The training covered compliance guidelines, regulatory requirements, and special considerations for drug advertising during the pandemic. Through these trainings, sales personnel not only strengthened their understanding of regulations but also learned how to effectively promote products in special circumstances.

We believe that through this series of training measures, the sales team's professional capabilities and compliance awareness will be further enhanced. We will continue to provide ongoing training opportunities for sales personnel, ensuring that they follow best practices and deliver high-quality products and services to our customers.

In the Year, the Group did not receive any complaints or legal proceedings related to misleading or deceptive consumer advertising content.

Summary of "Sales Code of Conduct"

01

To strengthen employee management, regulate the behavior of sales personnel, and improve employee quality, the Group has formulated this policy.

02

Comply with and uphold national laws, regulations, and policies. Adhere to the relevant rules and regulations established by the company. Show care for the company and have a passion for one's job.

03

Strive for continuous learning and improve personal comprehensive qualities. Approach work with initiative, enthusiasm, and professionalism. Maintain a polite and respectful attitude towards customers.

04

Familiarize oneself with the company's product knowledge and sales management system. Combine market analysis to identify the market positioning of products and enhance awareness of sales risk control, maximizing the promotion of company products for optimal profitability.

05

During the course of conducting business, if sales personnel violate laws, regulations, or the company's established rules and regulations, and their actions harm the company's interests, penalties or termination of employment will be imposed based on the severity of the situation.

06

Adhere to the principle of customer orientation and safeguard the collective interests of the company.

07

It is strictly prohibited to intentionally provide false market information or handle incidents beyond one's authority. Depending on the severity of the situation and the losses incurred by the company, warnings or demotions will be given as disciplinary measures.

Summary of “Compliance Promotion Guidelines”

01

Employees engaging in academic activities and after-sales service must comply with relevant national laws, regulations, and policies.

02

Organizing academic conferences requires submitting an application specifying the conference type, scale, time, location, theme, participants, and budget. The conference budget should be confirmed by department heads and approved by the finance department.

03

For organized academic conferences, supporting documents such as the conference agenda, attendance list, and on-site photos should be provided for inspection. Expenses related to the conference should be supported by legitimate and valid receipts.

04

Promotional materials should be produced through the relevant processes of the Cultural Propaganda Department, audited by the Marketing Department and Legal Department, and then distributed. Generally, regional/departmental production of promotional materials is not allowed.

05

1. Promotional materials used for public display, publicity at business events, and exhibitions require the company to apply for advertising approval.
2. Unverified data or descriptions, as well as promotional statements beyond the scope, should not be used.
3. Unauthorized fonts or images from third-party collaborators should not be used.
4. Assertions or guarantees regarding efficacy or safety should not be included.
5. Content related to free giveaways, sales with prizes, bundled sales, or gift promotions should not be included.

06

1. All promotional materials should be displayed and used according to the approved content, purpose, and usage, without arbitrary alterations.
2. Prescription drug advertisements should not be publicly displayed in promotional materials.
3. Promotional materials for over-the-counter drugs and health products with approved advertising license numbers may be displayed in permitted scenarios.
4. Promotional materials used solely for internal training, academic conferences, and similar purposes should be promptly retrieved after the event.

07

During the collection, storage, transmission, and deletion of patient information, employees must comply with national laws and regulations, as well as the company's management system and relevant statements regarding personal information protection.

08

Charitable donations are limited to organizations or entities with legal personalities. Donations to departments or individuals within any organization are not allowed.

09

1. Donations should be made in the company's name and require a donation agreement signed between the company and the recipient organization. The agreement should specify the type, quantity, quality, value, purpose of the donated property, as well as the rights and obligations of both parties.
2. If the donated items are pharmaceutical products, relevant national regulations on quality control must be followed to ensure that the quality of the drugs meets manufacturing standards and that the remaining shelf life is at least 6 months.
3. Charitable donations should not be linked to the company's sales business. It is strictly prohibited to use recommendations, procurement, usage of company products, or any other form of benefits as a condition for donation.

10

During the collection, storage, transmission, and deletion of patient information, employees must comply with national laws and regulations, as well as the company's management system and relevant statements regarding personal information protection.

7.2.3 Unannounced Compliance Inspection

To fulfill the compliance requirements for daily promotional activities and academic events and promptly identify and correct compliance issues, the Group has established a compliance department flight inspection process for market promotion. This process ensures that work is carried out in compliance with the law. The compliance department conducts unannounced inspections, which include but are not limited to reviewing the compliance of the company and its authorized sales personnel in various regions regarding promotional activities, event notifications, academic exchanges, and compliance with relevant regulations and standards in interactions with related organizations and individuals. The inspections also cover adherence to daily operational norms and compliance guidelines. Flight inspections are typically conducted by a team of 1-2 inspectors led by a team leader who is responsible for the entire inspection process, follow-up corrective actions, and any subsequent penalties.

The inspection methods include:

- Accompanying sales personnel during their daily work.
- Conducting on-site inspections at workplaces or offices.
- Reviewing daily work reports and specific job responsibilities on the OA platform.
- Conducting interviews, surveys, or written examinations.

Within five working days after the completion of the inspection, the inspection report, records, and related documents are uploaded to the compliance department for filing. The inspected department or personnel should make necessary adjustments and submit a written corrective action report to the compliance department within seven working days from the date of receiving the inspection results or report. The compliance department will promptly follow up on the progress of the corrective actions.

Summary of Sales Personnel Unannounced Inspection Checklist

01

Pharmaceutical Advertising and Promotion

- Whether there are instances of advertising prescription drugs on the OTC side.
- Whether the content used in promotions complies with relevant laws and regulations, and whether there are any violations of advertising laws.
- Verification of the sources of promotional materials and whether they have been reviewed, including whether the promotional materials were produced locally.
- Whether the use of promotional materials is compliant, and whether there is reuse of promotional materials, such as the reuse of academic conference scene materials on the OTC side.
- Whether the promotional methods and types of activities carried out are compliant.

02

Pharmaceutical Good Supply Practices (GSP)

- Instances of tampering with product distribution.
- Violations related to the allocation and resale of pharmaceutical products.
- Promoting pharmaceutical products at end-points without the necessary qualifications.

03

Compliance of OTC Daily Promotional Activities

- Instances of improper exchanges of benefits with store personnel.
- Non-compliant promotional activities, such as impersonating doctors or conducting work under the guise of being a doctor.
- Compliance of the venues for promotional activities and instances of conducting promotions in locations not authorized for OTC business.
- Compliance of the types of promotional activities conducted, such as buy-one-get-one promotions.

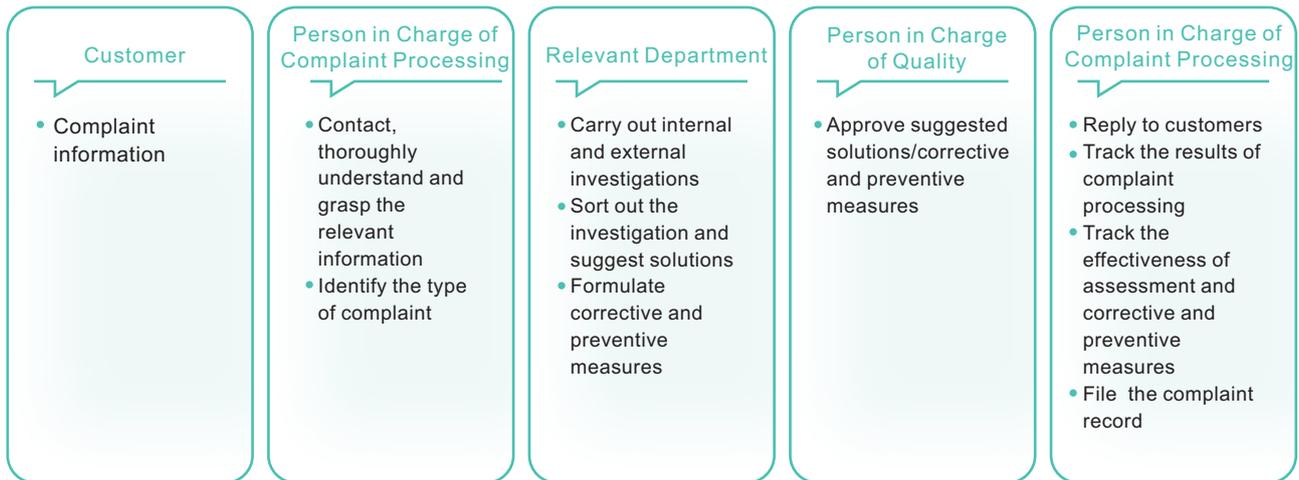
7.3 Customer Service Management

Users' opinions are the source of the Group's continuous improvement and advancement. Therefore, we attach great importance to users' feedback and suggestions, take users complaints seriously, and follow the established procedures to respond and improve. If we encounter adverse drug reactions and other incidents, the Group must deal with it in strict accordance with relevant regulations and systems to protect the health and safety of users.

7.3.1 User Feedbacks

The Group has established a comprehensive user complaint system based on the related handling procedures to enable various departments to coordinate the acceptance, communication, evaluation and response of the complaints. After receiving complaints from users, the person in charge of complaint processing will first contact, understand and grasp the complaint information to identify the type of complaint. Relevant departments then carry out internal and external investigations, sort out the investigation to decide the subsequent investigation directions, such as inspecting the production record, quality situation of raw and auxiliary materials, and environmental factors of manufacturing process, and hence formulate corrective and preventive measures to be approved by the person in charge of quality. Upon completion of complaint processing, the person in charge of complaint processing must reply to the customer, track the results of the complaint processing, and file the complaint record. During the Year, the Group received 19 product complaints and no service complaints, respectively, and we investigated on and replied to all complaints from customers, reaching 100% response rate on user complaints.

User Complaint Processing Procedures



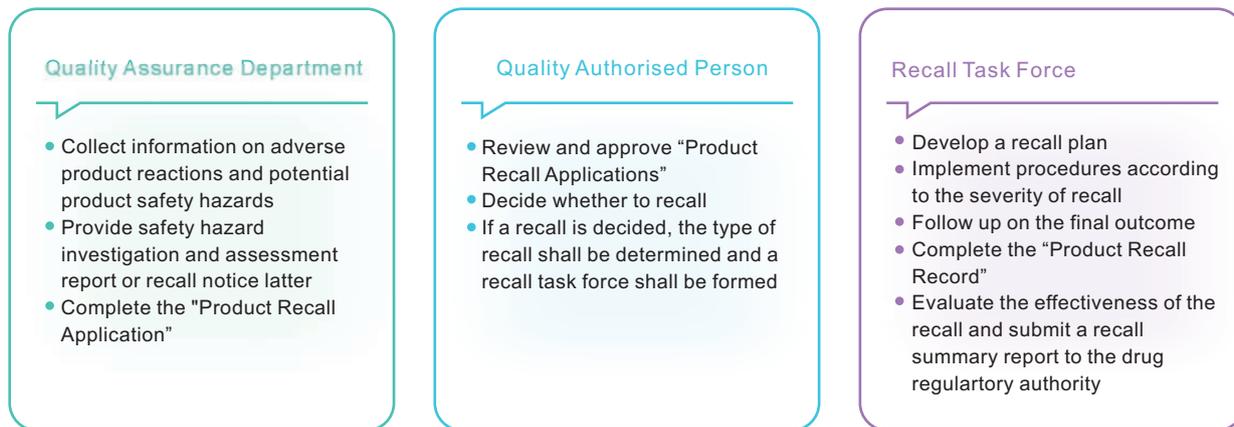
7.3.2 Products Recall Regulations

Aspects	Relevant Laws and Regulations and Guideline	Internal Policies
Products Recalls	• Administrative Measures for Drug Recalls	• Recall Management Procedures

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

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

Product Recall Procedure



7.4 Pharmacovigilance

Aspects	Relevant Laws and Regulations and Guideline	Internal Policies
Pharmacovigilance	• Pharmacovigilance quality management practices	• Recall Management Procedures

7.4.1 Pharmacovigilance Management

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

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

7.4.2 Reporting of Adverse Drug Reactions

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

In terms of risk identification and control, safety analysis of adverse reactions of each variation are performed annually to generate analysis reports. The Periodic Safety Update Report is prepared and submitted within the prescribed time limit according to the internal Periodic Safety Update Report submission schedule and annual submission plan.

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



Traceability at the Source

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

> Our Focuses

Supply Chain Management

> Our Actions

Ensuring Sustainability of Supply Chain

8.1 Sustainable Supply Chain Management

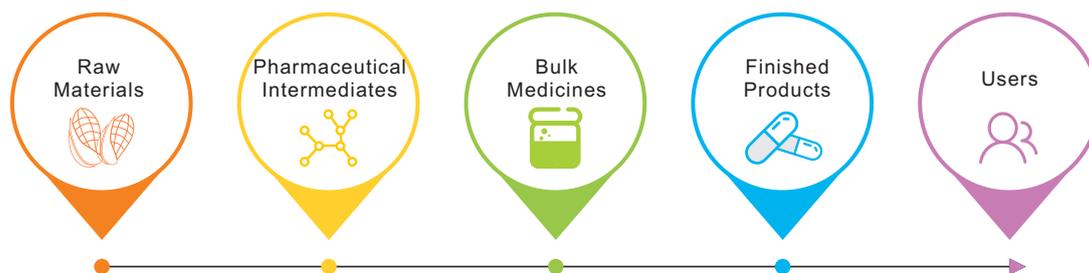
Superior supply chain management is the basis for production enterprises to maintain stable and efficient production. The United Laboratories is of the view that sustainable operation of the supply chain as a prerequisite for securing business operations, and it is also taken as a great opportunity to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

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

Aspects	Relevant Laws and Regulations	Internal Policies
Supply Chain	<ul style="list-style-type: none"> Standards for Quality Control of Pharmaceutical Production Measures for the Supervision and Administration of Drug Production Contract Law of the People's Republic of China Measures for the Supervision and Administration of Circulation of Pharmaceuticals 	<ul style="list-style-type: none"> Sustainable Procurement Policy Supplier Code of Conduct Supplier Management and Review Process Anti-corruption Agreement Procurement Process Management Document

8.1.1 Production and Operation Model

The Group has established a vertical integration of production and operation model of "pharmaceutical intermediates - bulk medicines - finished products". Inner Mongolia Company purchases major raw materials for the production of pharmaceutical intermediates and active pharmaceutical ingredients, and then delivers them to the Group's other production sites for the production of bulk medicines and finished products, which are finally sold to end users through various channels.

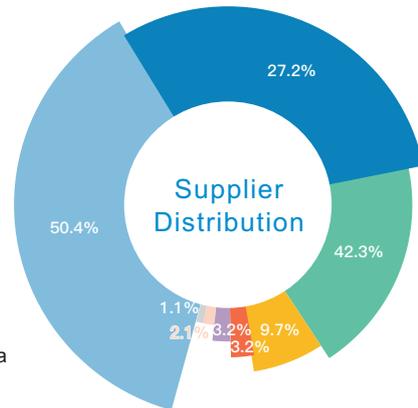


This production and operation model helps the Group to reduce the external demand for major raw materials used in the production process, lower the risk of unstable supply and market price fluctuations on the supply chain, so that we can effectively control production costs and ensure product quality. In addition, full control of the supply chain also helps the Group to retroactively manage the production process, so as to find the root cause of potential problems, continue to explore room for improvement, and enhance the sustainability of the supply chain. In addition, as a raw material supplier for many antibiotic companies, the Group has been giving the highest priority to quality that the pharmaceutical intermediates and bulk medicine produced by the Group have attained many authoritative certifications such as Chinese GMP, EU CEP, and US FDA.

8.1.2 Supplier Distribution

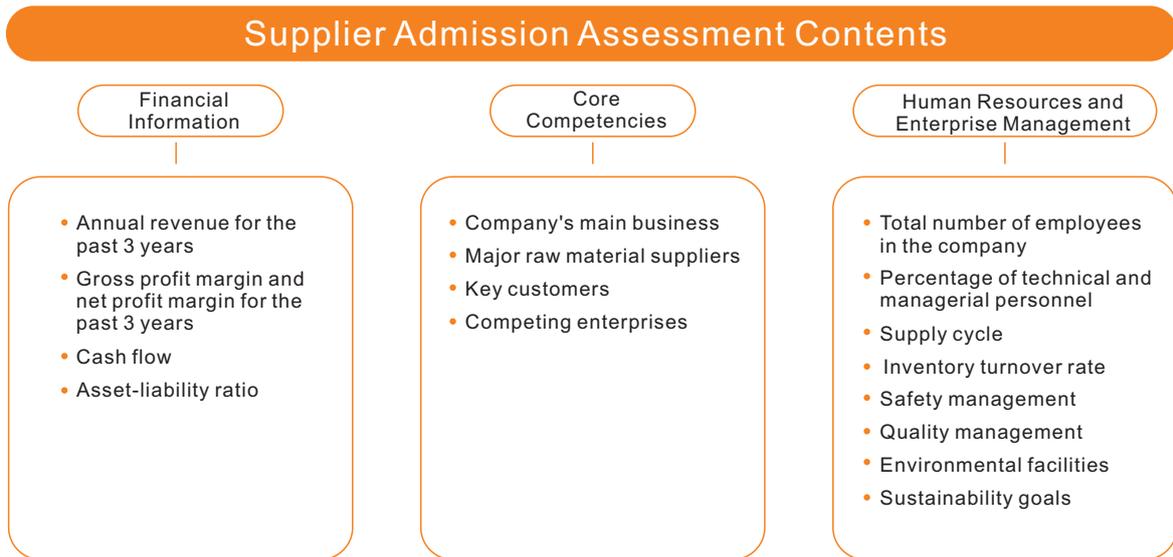
During the Year, the Group had a total of 137 major suppliers in terms of purchase amount, providing the Group with raw materials, auxiliary materials and packaging materials.

- East China ■ North China ■ Northwest China ■ Central China
- South China ■ Southeast China ■ Northeast China ■ Outside of China



8.1.3 Supplier Admission Supplier Admission Assessment

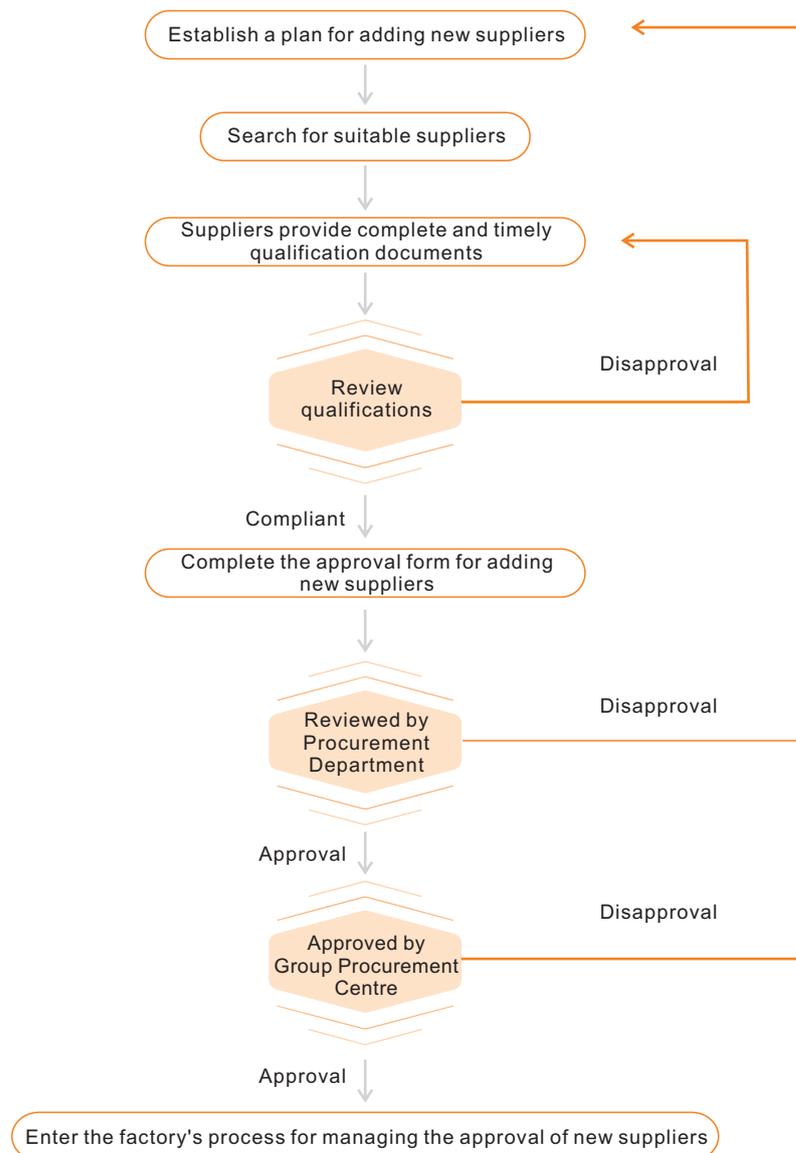
All suppliers are required to provide qualification documents and complete the Potential Supplier Assessment Form during the selection process. These documents are then reviewed and approved by the department head of the Procurement Department, the procurement officer of the Group Procurement Centre, and the General Manager of the Group Procurement Centre to assess the overall qualifications of the suppliers before they can be included in The United Laboratories' Potential Supplier Database.



Supplier Admission Process

To ensure the continuous supply security and cost reduction, the Procurement Department selects new sources of supply based on procurement needs. Suppliers who meet the initial assessment and evaluation criteria are included in the Potential Supplier Database and can be benchmarked against qualified suppliers. In addition to searching for suitable sources of supply through relevant websites, exhibitions, and other channels, procurement personnel may also request other suppliers to fill out forms based on actual conditions through information inquiries. The reviewed forms serve as a basis for adding new suppliers and also assess the suppliers' level of cooperation and integrity. When selecting new sources of supply, procurement personnel may add two or more suppliers simultaneously. Each supplier is compared horizontally according to the information requirements, so that the relevant information of the newly added suppliers can be compared in one list during the review process.

New Supplier Approval Process



8.1.4 Supply Chain Stability

The United Laboratories is committed to building a stable, reliable, and flexible supply chain to meet customer demands and ensure product quality and delivery reliability. To ensure the stability of the supply chain, The United Laboratories has developed the "Group Procurement Process Management Document". For core materials, we require a minimum of three suppliers and prioritize direct sourcing from manufacturers to avoid additional impacts on price or quality caused by intermediate links. This reduces reliance on a single supplier and increases the flexibility of the supply chain. However, for materials with a relatively limited number of manufacturers, we allow a supplier range of one to two, striving to ensure the stability and reliability of the supply chain.

The United Laboratories will continue to closely monitor the operation of the supply chain and make corresponding adjustments based on market changes and demand fluctuations. We will establish good cooperative relationships with suppliers, ensuring timely communication and information sharing to address any potential supply risks. Additionally, we will proactively explore new suppliers and technologies to continuously enrich and expand our supply chain, ensuring the continuous supply of products and stable quality.

8.2 Supplier Risk Assessment and Management

8.2.1 Supplier Risk Management

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

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

To enhance the effective governance of supplier behavior, Inner Mongolia Company has developed and implemented the "Supplier Code of Conduct" at its Inner Mongolia subsidiary. This code primarily outlines the social responsibility and environmental management requirements for suppliers, providing clear guidance on compliance with national and local laws and regulations, relevant international standards such as SA8000 for corporate social responsibility, and International Labour Organization conventions. Suppliers are also expected to extend these requirements to their own supply chains and fulfill their social responsibilities accordingly.

Summary of "Supplier Code of Conduct"

01

Supplier shall not employ individuals under the age of 16, unless permitted by national or local laws and in accordance with the principles of the International Labour Organization. When employing individuals who are 16 years of age but under 18, the Group shall ensure that their working environment and hours comply with national or local laws and regulations.

02

Supplier shall fairly remunerate and provide benefits to all employees in accordance with applicable laws, ensuring fairness and impartiality.

1. Supplier shall ensure that all paid working hours meet at least the minimum legal wage or the higher local industry wage standards.
2. Supplier shall pay overtime and bonuses as required by law.
3. Supplier shall provide all legally mandated benefits without any unlawful deductions.
4. Supplier shall communicate verbally or in writing with all employees regarding their wages, rewards, benefits, and bonuses, as well as their rights under applicable laws and the terms of their employment.

03

Supplier shall refrain from any form of physical, sexual, psychological, verbal, or other types of harm. Additionally, all employees shall be treated with respect and dignity. The employment terms at Supplier, including hiring, training, working conditions, compensation, benefits, promotions, discipline, termination, or retirement, shall be based on individual qualifications, performance, skills, and experience. Supplier shall ensure that the workplace is free from discrimination based on race, age, gender, social class, political affiliation, religion, marital status, sexual orientation, disability, pregnancy, or any other factors unrelated to job performance.

04

Supplier shall respect the rights of employees to form and join industry or trade unions and have the right to engage in peaceful and lawful collective bargaining in accordance with applicable laws.

05

Supplier shall employ workers on a voluntary basis, refraining from using prison labor or forced labor, and shall not subject employees to physical harm or any other form of compulsory labor.

06

Supplier shall comply with applicable national or local environmental health and safety laws and regulations. Supplier shall continuously strive to improve environmental health and safety performance.

1. Supplier shall provide a safe and healthy working environment, ensuring appropriate living spaces, lighting, temperature, ventilation, and restroom facilities if accommodations are provided by the company.
2. Supplier shall manage the handling of hazardous materials and equipment properly.
3. Supplier shall provide systems and training to help prevent accidents and injuries.
4. Supplier shall take appropriate measures to conserve resources, energy, and avoid waste.
5. Supplier shall handle and dispose of hazardous substances and waste in a reasonable, safe, and lawful manner.

07

Intentional provision of false market information or unauthorized handling of events resulting in losses to the company shall be strictly prohibited, and depending on the severity of the circumstances, warnings and demotions shall be imposed.

8.2.2 Annual Review

The Group also implements a supplier classification and rating system, conducting monthly assessments of our cooperative suppliers. The evaluation criteria include supply quality, pricing, delivery capability, financial strength, and service capability. This assessment is scored on a scale of 100, and suppliers with identified areas for improvement are deducted points based on the severity of the issues. These suppliers are then required to implement corrective measures for improvement.

In addition to completing monthly assessment forms for suppliers, we also conduct regular written or on-site audits of their facilities, processes, and daily operations. The Group assigns employees or third-party auditors to conduct on-site or investigative evaluations of indirect/secondary suppliers' facilities and processes. The audit covers areas such as resource management, quality management, design and development management, production and procurement management, and warehouse management. After the evaluation, the auditor provides a report and recommendations based on the audit findings. The audit of daily operations includes qualifications and licenses, personnel qualifications, environment and facilities, equipment quality, material management, production management, product transportation, and quality management.

Supplier Monthly Assessment Form



Comprehensive Indicators

- Whether there are material returns or exchanges that affect the quality acceptance rate
- Whether there have been complaints arising from product use due to quality issues
- Compliance with the company's qualifications, transportation services, delivery documentation requirements, etc.
- Timeliness and quantity of deliveries in accordance with specified requirements
- Whether the lead time for commonly used materials exceeds one month



Management Indicators

- Whether there have been instances where the supplier was unable to accept orders due to financial constraints or only partially fulfilled orders
- Timely and accurate issuance of invoices
- Instances of delayed after-sales service, communication difficulties, lack of honesty and integrity, etc.



Additional Indicators

- Willingness to independently provide energy-saving and environmentally friendly materials, collaborative development, and energy-saving measures to enhance factory efficiency

Supplier On-Site Evaluation Form



Qualification Audit

- Completeness and validity of business license, operating permits, production permits, authorized agencies, etc.



Resource Management

- Company scale: financial situation, personnel, organizational structure, land area
- Sales revenue in the past three years, market share of the product, industry position
- Percentage of The United Laboratories' annual order volume in relation to the supplier's annual revenue
- Any legal disputes over the past three years, with a brief description of the reasons and judgment outcomes



Production and Procurement Management

- Understanding the origin of raw material sources and whether the supply can guarantee stable production
- Number of production lines, specialization or shared lines, batch quantities, monthly production volume
- Compliance of production site management and sophistication of equipment
- Existence of environmentally friendly facilities and advanced technologies to meet national (or local) environmental requirements



Quality Control

- Establishment of a comprehensive quality control system: process specifications, production records, deviation management, change management, batch management, quality standards, inspection methods, stability testing, quality reviews, etc.
- Complaints, returns and exchanges, rework rates, product acceptance rate



Warehouse Management

- Adequate inventory management for normal operations
- Sound warehouse management systems for raw materials, packaging materials, and finished products, including proper zoning
- Management and handling procedures for non-conforming products



Design and Development Management

- Acquisition of patents, specific patent projects, and provision of patent documentation
- Improvement projects related to The United Laboratories
- Company development plans and vision, research and development of new projects

Additionally, the Group conducted a total of 440 online and offline audits for all major collaborative suppliers, achieving a 100% qualification rate.

Supplier Classification	Internal Audit Time Requirements	2023 Online Audit		2023 Offline Audit	
		Amount	Qualification Rate	Amount	Qualification Rate
Raw Materials and Auxiliary Materials (Total)	N/A	53	100%	27	100%
Raw Materials and Auxiliary Materials (Critical)	Offline audit every three years	0	/	3	100%
Raw Materials and Auxiliary Materials (Other)	Online audit	53	100%	24	100%
Hardware, Labor Protection Tools	Timely audit	290	100%	10	100%
Equipment	N/A	48	100%	12	100%

8.3 Supplier Training

In the Year, the Group conducted integrity training for all suppliers and safety transportation training for approximately 80 raw material clients.

8.3.1 Supplier Quality Training

After monthly assessments and regular on-site audits of suppliers, the Group provides feedback to the suppliers. Following the audit process, if any non-compliance is identified, the supplier must provide corrective measures and an implementation schedule for the identified issues. Suppliers found with any non-conforming performance are marked as "high risk" and undergo monthly on-site training as a quality assurance measure to ensure improvements are made until our standards are met. Our procurement team follows up on corrective measures to ensure the resolution of compliance issues. The Group reserves the right to terminate business relationships with suppliers who seriously violate these guidelines and fail to correct within the specified timeframe.

8.3.2 Supplier Integrity Training

We also provide reporting channels to encourage relevant personnel in the business to report any suppliers suspected of violating the practices and conditions outlined in these guidelines. The Group has signed the "The United Laboratories Anti-Corruption Cooperation Agreement" with all collaborative suppliers, clearly stating the Group's requirements for integrity and the respective obligations of both parties in complying with integrity regulations. Complaints and reports can be made through various channels, such as telephone, email, and mail, to effectively reduce the risk of corruption and ensure the integrity of all collaborative suppliers.

Summary of "The United Laboratories Anti-Corruption Cooperation Agreement" —

01

Suppliers shall comply with relevant laws, regulations, departmental rules, and other normative documents related to anti-corruption and anti-unfair competition.

03

Complaint channels:
Report hotline:
0760-87133973
Email: tults@tul.com.cn
Mailing address:
No. 12 Jialian Road, Tanzhou
Town, Zhongshan City,
Guangdong Province.

02

Suppliers shall not engage in the following behaviors in order to obtain opportunities to provide products or services to the demand side or to gain preferential treatment in competition with other suppliers:

1. Offering any form of improper benefits, including but not limited to cash, gifts, favors, or opportunities, to any individual or entity.
2. Reimbursing expenses that should be borne personally by employees of the demand side or other interested parties.
3. Providing free or significantly discounted housing, motor vehicles, or facilitating housing renovations, job arrangements for relatives, as well as facilitating foreign travel or trips for employees of the demand side.
4. Engaging in the buying and selling of goods related to cooperative projects with employees of the demand side and their relatives, or acting as intermediaries.
5. Violating the requirements of procurement bidding management of the demand side.

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

8.4 Green Supply Chain

When selecting new suppliers, we conduct a comprehensive evaluation on the suppliers' industrial standard, reputation, product price, quality of samples, etc. based on the internal principles of "5S", namely suitable price, suitable place, suitable quality, suitable quantity and suitable time, so as to ensure the overall quality and material quality of the supply chain. Only the suppliers who meet the related requirements can be included in the list of qualified suppliers. In terms of environmental protection, the Group follows the principle of proximity for procurement. Suppliers are concentrated in nearby provinces, which effectively reduces transportation costs and carbon emissions during transportation. At the same time, the Group encourages the selection of suppliers who provide energy-saving products and environmentally friendly products promoted by the state to reduce the impact on the environment.

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

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

The United Laboratories recognizes that enhancing the social and environmental performance of our supply chain is an ongoing process. We encourage suppliers to better understand and effectively manage the impacts they have on society and the environment. In this regard, Inner Mongolia Company has established the "Sustainable Procurement Policy", which emphasizes the need for corporate social responsibility to be reflected in supply chain management. We are committed to gaining a deeper understanding and effectively managing the social and environmental impacts of our production and service procurement operations. The Procurement Department conducts monthly quotation negotiations with qualified suppliers listed in accordance with product categories, based on procurement requests from the production departments. This process enables us to select and utilize suppliers' products and services that minimize adverse effects on society and the environment. We prioritize suppliers who can effectively utilize resources and implement supplier management systems that address environmental and social risks. We encourage the procurement of energy-efficient products promoted by the national government, ensuring the quality of procured products and services, strengthening communication with suppliers, and involving them in research and development activities. We strive to provide energy-saving, green, renewable, non-toxic and harmless, non-polluting, and resource-recycling products for use and promotion across all departments. The United Laboratories hopes that our extensive network of suppliers actively responds to these initiatives, endeavors to improve service standards, and lays the foundation for better cooperation. While complying with legal and regulatory requirements, we expect suppliers to make their due contributions and fulfill their responsibilities to society and the environment.

Summary of " Sustainable Procurement Policy "

01

- We strive to select and utilize suppliers' products and services in a manner that minimizes adverse impacts on society and the environment, thereby contributing to social well-being.
- We choose suppliers who can effectively utilize resources and implement robust supplier management systems to address environmental and social risks.
- We ensure the quality of procured products and services and strengthen communication with suppliers. Where feasible, we provide feedback on their social and environmental performance.

02

- We procure and use more energy-efficient products and services that support sustainable procurement practices.
- We are committed to enhancing suppliers' awareness of sustainable procurement and encouraging innovation by widely adopting new technologies and designs.
- Throughout our collaboration with suppliers, we adhere to ethical standards and responsible codes of conduct, seeking to establish long-term relationships based on trust and cooperation.



People-Oriented ESTABLISHING A SOLID FOUNDATION FOR DEVELOPMENT

> Our Focuses

Talent Development
Occupational Health

> Our Actions

Building a Diverse Training System
Increasing and Ensuring Employee Diversity
Establishing a Sound Labour Union System
Implementing Employee Safety Systems for Manufacturing



9.1 Employment

We always believe that employees' contribution is the cornerstone of the Group continuous growth, while establishing a professional, effective and reliable team is the key to success in our business. To consolidate the foundation of business development, we have been striving to build a working environment where employees could work safely and effectively, and where they could keep growing and showcasing their talents since the establishment. Adhering to the philosophy of "People-oriented", The United Laboratories is committed to investing resources in the training and development of our employees, while providing a safe, comfortable and harmonious working environment, so as to continue to drive the sustainable development of the Group in the future through "Professionalism and Efficiency". During the Year, we set the strategic goal of human resources development and focused on the overall development of the Company. The Group optimized team allocation, improved management capabilities, strengthened the reserve of outstanding talents, and introduced high-end talents. The Group was awarded the "Hong Kong and Macao Youth Talent Internship Practice Base" and other related honours.

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

9.1.1 Employee Recruitment

Aspects	Relevant Laws and Regulations and Internal Guidelines	Internal Policies
Recruitment	<ul style="list-style-type: none"> • Labour Law of the People's Republic of China • Labour Contract Law of the People's Republic of China 	<ul style="list-style-type: none"> • Measures for the Management of Recruitment • Measures for the Management of Labour Contract

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

In order to expand our talent pool and enrich our talent pipeline, the Group actively cooperates with multiple universities to sign talent cultivation agreements and holds regular recruitment talks on campus at universities to recruit quality graduates who meet the Company's needs. In addition, the Group has also established an internship training programme to nurture reserve talents for the Company. During the Year, Zhongshan Company conducted eight internship onboarding trainings. Upon entering their positions, interns receive job-specific knowledge and skills training according to the training plan.

Furthermore, The United Laboratories has implemented a management trainee system to recruit suitable candidates from society and schools for management and allocation purposes. Take Inner Mongolia Company as an example, the Director of Human Resources will be responsible for the recruitment and allocation of management trainees, as well as establishing training mechanisms and programs for them. The department managers and directors of the management trainees are responsible for their performance evaluations. Inner Mongolia Company's "Management Trainee Development System" outlines three main training approaches:

- Three-year program** Through three years of "learning through practice and combining training," trainees are cultivated to become candidates for grassroots management positions and enter the talent reserve pool.
- Mentoring program** Designated mentors are assigned to sign development agreements with trainees and assume corresponding responsibilities. The three-year program involves guidance and follow-up to facilitate the rapid growth of trainees, enabling them to shoulder corresponding responsibilities.
- Goal-oriented program** Defining overall goals and phased objectives, mentors develop training plans based on the phased objectives. Talent development and selection are accomplished through assessments.

In the Year, Inner Mongolia Company employed 142 management trainees and The United Animal Healthcare employed 13 management trainees. Looking ahead, we hope to cultivate more outstanding managerial talents through continuous improvement and development of the management trainee system, injecting a steady stream of motivation into the Group's sustainability and growth.



Industry-University Collaboration - Promoting Win-Win Cooperation in "Industry, Academia, and Research"

Leaders from the Chinese Academy of Sciences' Institute of Microbiology visited The United Laboratories, engaging in in-depth discussions on establishing long-term cooperation in the field of synthetic biology. They reached a strategic cooperation framework agreement.

The leaders of the Institute provided a brief introduction to their research achievements, talent allocation, and areas of expertise. The United Laboratories provided a detailed presentation on the company's product deployment, talent structure, development plans, research and development needs, and other relevant information. Subsequently, the two parties held detailed discussions on specific collaboration projects and reached a consensus, signing a cooperation agreement. Through the exchange, both parties unanimously agreed that there are extensive prospects and strong willingness for cooperation in areas such as new product development, enhancement of existing products, scaling up new product processes and rapid industrialization, and the cultivation of research and development talents.

Through industry-university collaboration and leveraging each other's strengths, the strong alliance formed will promote the practical implementation of "industry, academia, and research", achieve mutual benefits, and fulfill the strategic requirement of high-quality development.

The United Laboratories actively promotes employment and makes positive contributions to social development and economic prosperity. In the Year, we signed the "Employment Promotion Commitment" and initiated an employment promotion plan, as detailed below:

Strengthening internal and external resource integration

We will collaborate with government departments at all levels to jointly formulate and implement employment-friendly policies, actively participate in relevant activities and projects. We will cooperate with other enterprises and institutions, leveraging advantages in human resources, information, and other aspects, to promote employment together.

Actively expanding employment channels

We will seek and create employment opportunities through various channels, increase efforts in talent introduction, and attract outstanding talents from both domestic and international sources. At the same time, we will actively participate in campus recruitment and talent markets, providing more job opportunities for graduates and job seekers. Additionally, we will pay attention to issues related to rural labor transfer, providing opportunities for migrant workers to start businesses in their hometowns and find employment in urban communities.

Providing a favorable employment environment and benefits

We will create a good working environment and provide generous remuneration and benefits to our employees. By strengthening employee training and career planning guidance, we aim to enhance their professional competence and employability. We will also adopt various methods to motivate employees for innovation and entrepreneurship, providing them with more development opportunities.

Addressing employment issues faced by vulnerable groups

We will pay high attention to the employment issues faced by vulnerable groups and actively promote inclusive employment. We will collaborate with disability welfare organizations to provide customized employment positions and training opportunities for people with disabilities. Similarly, we will also focus on employment issues faced by veterans, providing them with support and assistance.

Strengthening social responsibility

We will actively fulfill our social responsibilities and contribute to social stability and development. In addition to promoting employment, we will participate in community welfare activities, donate educational resources, and make further contributions to society.

9.1.2 Talent Retention

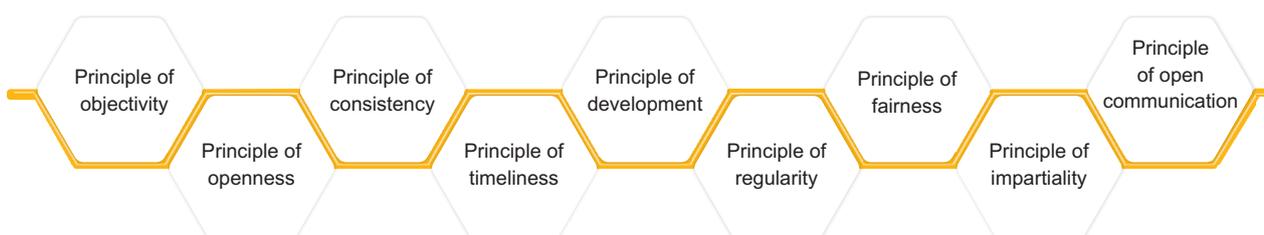
In order to retain professional personnel, the Group has established a dual - channel promotion management system. Under the two-way management system, employees can select management or professional function channels based on their career development direction, which helps to improve the matching of employees' positions and give full play to employees' values. The main consideration for promotion via the management channel is the ability of the management personnel, including team management, judgment and decision-making, as well as communication and coordination. Promotion via professional function channel focuses on seniority, professional knowledge and experience, including job performance, level of professional knowledge, experience and seniority. Upon application for promotion, employees will undergo relevant promotion assessments such as job qualification review, comprehensive evaluation of professional and technical skills or interviews according to his/her grade and promotion channel. Employees will be promoted after he/she passes the promotion assessment and his/her application is approved. In 2023, the Group's employee turnover rate is 18%, a 5-percentage-point increase from the 13% in 2022. The average length of employment of male employees in the Group in 2023 was 7.1 years, while the average length of employment female employees in the Group was 6.8 years. Both of these figures demonstrate the effectiveness of the Company's talent retention plan.

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

9.1.3 Employee Incentive

In order to boost employees' motivation at work and facilitate employees' career development, the Group has established a comprehensive performance appraisal and promotion system. Under the performance appraisal system, the Group will regularly conduct comprehensive evaluations on employees' work performance, training records, personal qualities, etc. based on the nine principles of fairness, consistency and objectivity etc. The performance appraisal leading group is responsible for formulating performance management policies, handling related disputes and appeals, and monitoring the effectiveness of performance appraisals in accordance with the principles of performance appraisal. Employees' performance appraisal results will be used as the main reference basis for evaluating the employee's ability to take up the post, personal salary adjustment and job promotion, so as to offer employees rewards and promotion opportunities that they deserve. We also provide bonus to employees with outstanding performance or employees who have made special contributions to the Group to strengthen their enthusiasm for work.

Principles of Performance Appraisal



The Group is also pushing an employee share award scheme, providing the employees that have demonstrated excellent performance with benefits such as ownership in the company, financial rewards, retirement benefits, and tax incentives to motivate and reward employees for their contributions to the Group.

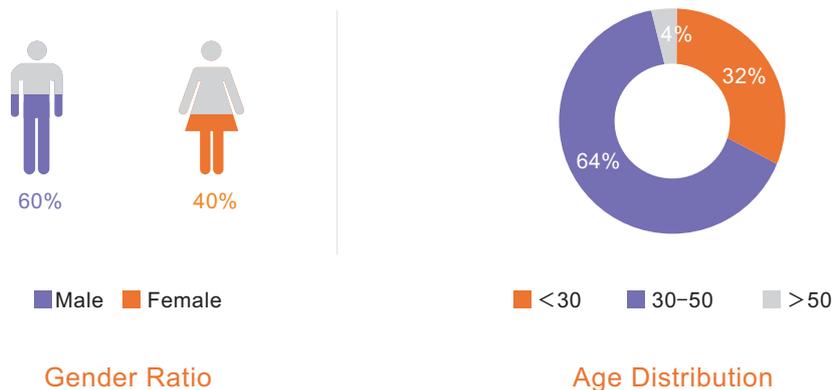
During the Year, the Group's shareholders' meeting approved the incentive plan:

On 13 November 2023 ("Date of Grant"), the Board resolved to grant a total of 12,096,900 unvested Shares (the "Award Shares") to Selected Participants (the "Grantees") in accordance with the terms of the 2023 Share Award Scheme. The shares granted to the Directors amounted to 1,805,700 unvested shares, while the remaining 10,291,200 unvested shares were allocated to other grantees of the Group.

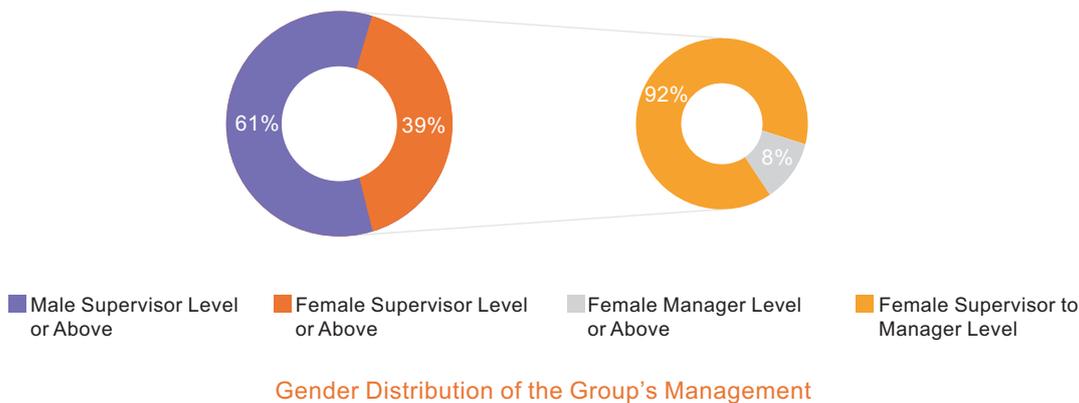
9.1.4 Employee Diversity

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

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



The Group also focuses on the proportion of women in the management level of the company, with the goal of avoiding gender homogeneity and ensuring gender equality and diversity in the company's workforce. Our aim is to progressively increase the level of participation of female employees and to create a more gender-balanced work environment. Information on the gender distribution of the Group's management and the hierarchical distribution of female in the management level is as follows:



To ensure the diversity of our employees, we are committed to building a diverse working environment and providing training on diversity to make our company and society stronger and more harmonious. The Group is committed to supporting working women and safeguarding women's health . During the year, female gynaecological health examinations were provided to our female employees.



Free Screening Activity for “Two Cancers”

Zhongshan Company, in collaboration with the Guangdong Provincial Federation of Trade Unions, invited a medical team from the Guangdong Provincial Workers' Hospital to conduct a free "Two Cancers" screening activity, demonstrating care for female employees and safeguarding their health. Prior to the event, the union extensively promoted the activity, resulting in the participation of 220 female employees from various workshops/departments.



Medical personnel conducted detailed and professional examinations for each female employee and provided further examinations and recommendations for those with abnormal preliminary screening results. The screening included cervical cancer checks, breast cancer checks, gynecological examinations, and bone density tests. During the activity, volunteers and medical staff actively provided standardized, precise, and professional medical services to the female employees of the company, effectively enhancing their awareness of prevention and treatment regarding the "Two Cancers".

9.2 Talent Cultivation and Development

Talent cultivation and development are the bases for the continued progress of The United Laboratories. Therefore, the Group has established a comprehensive and diversified employee training system. The system integrates internal and external training in forms of offline and online to form the most suitable training plans for the employees in different departments, positions and levels, so as to strengthen employees' working capabilities and enhance the Group's operational efficiency. In the meantime, we provide employees with subsidies for continuing education and courses on professional qualifications, so as to encourage employees to improve and foster the development of our team.

Training and Development System



Offline and Online Training

Every year, each branch of the Group formulates training programmes for its employees. The training content encompasses different areas, such as production safety, environmental protection, production quality, management ability and professional technology, aiming to provide comprehensive training for employees (including the part-time employees and contractors) of all levels and positions of the Group.

Scope of Training and Annual Training Case

Production quality

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

Environmental protection

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

Compliance with laws and regulations

- Contract management measures
- Promoting code of conduct compliance
- Legal risks in advertising and promotion
- Measures of the Supervision and Administration of Online Drug Sales

Training for new employees

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

Production safety

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

Professional technology

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

Management ability

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

9.2.1 Career Development

Induction Training

Every year, we attract a large number of talents to join the family of The United Laboratories. To facilitate an effective integration of new employees into the work environment and provide necessary training, our branches and departments arrange a number of orientation programmes and activities each year, tailored to the specific jobs and positions of the employees, and designed to best facilitate their adaptation and integration into the team. With diversified and tailored training programmes, it is well ensured that all trainees have received the essential information, resources and skills required for the new position.



Training for New Employees

On July 18, the Group's 2023 New Employee Orientation Ceremony was held at the Zhuhai Company. A total of 859 new employees from Zhuhai Company, Zhongshan Company, Inner Mongolia Company, The United Animal Healthcare, The United Bio-Technology, Zhuhai Sales Company, China Sales Department, and the Group participated in the event. The orientation ceremony was conducted in a blended format, combining online and offline elements. It included informative classroom sessions as well as visits to production workshops and cultural attractions in Zhuhai. This comprehensive approach effectively assisted new employees in transitioning roles, adapting to the corporate culture, and planning their career development.

The Human Resources Centre covered four main topics: Introduction to The United Laboratories, Development, Innovation, and Talent, providing new employees with insights into the company's development journey. Through interactive sessions, new employees gained a deeper understanding and familiarity with the organization. Representatives of the new employees expressed their eagerness to quickly integrate into the team, demonstrating their confidence and determination to work diligently and strive for success. Experienced employees shared their own experiences and insights since joining the company, providing guidance for the growth of new employees. Since early July, various departments have conducted training courses for new employees, covering topics such as corporate culture, career development, business etiquette, fire safety, and team building. These diverse and rich training programs aim to facilitate the role transition and integration of new employees into the company.



Apart from providing induction training for new employees, the Group also provides targeted job training for them, in which senior employees act as mentors and new employees as mentees. With this mentorship training, the new employees could adapt to their new roles faster and their sense of belonging is increased. Prior to the commencement of the apprenticeship training, the Group provides training on teaching objectives, methods and skills to the mentors to enhance their teaching abilities. During the programme, the senior staff will pass on the skills required for the job and points to note to the new staff. The communication with the new staff will also create a positive working atmosphere, speeding up the new employee's familiarisation with the job skills and enhancing their commitment to work.



Apprenticeship Training

Zhuhai Company held a 4-day mentorship training for apprentices in May. A total of 601 new and experienced mentors participated in the training. During this program, new mentors learned methods for guiding and teaching newcomers, while experienced mentors focused on enhancing their emotional management and self-control abilities.

The Group provided mentors with guidance on effective mentoring techniques, such as understanding the background and capabilities of apprentices, developing detailed training plans, providing adequate guidance and support, encouraging self-directed learning, and offering timely feedback and evaluations. Through observation, inspection, and communication, mentors were able to promptly identify issues faced by apprentices and provide targeted guidance and recommendations.

The mentorship approach and its effectiveness have long been regarded as an efficient pathway for talent development in modern industries. Mentors can assist newcomers in their growth, enabling them to quickly integrate into the team and perform their job responsibilities competently. At the same time, mentors can gain new knowledge and learn communication skills through coaching. It is a mutually beneficial arrangement where both parties learn from each other, contributing to the company's development in a positive way.

Professional Development

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

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

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

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



Product Knowledge Training

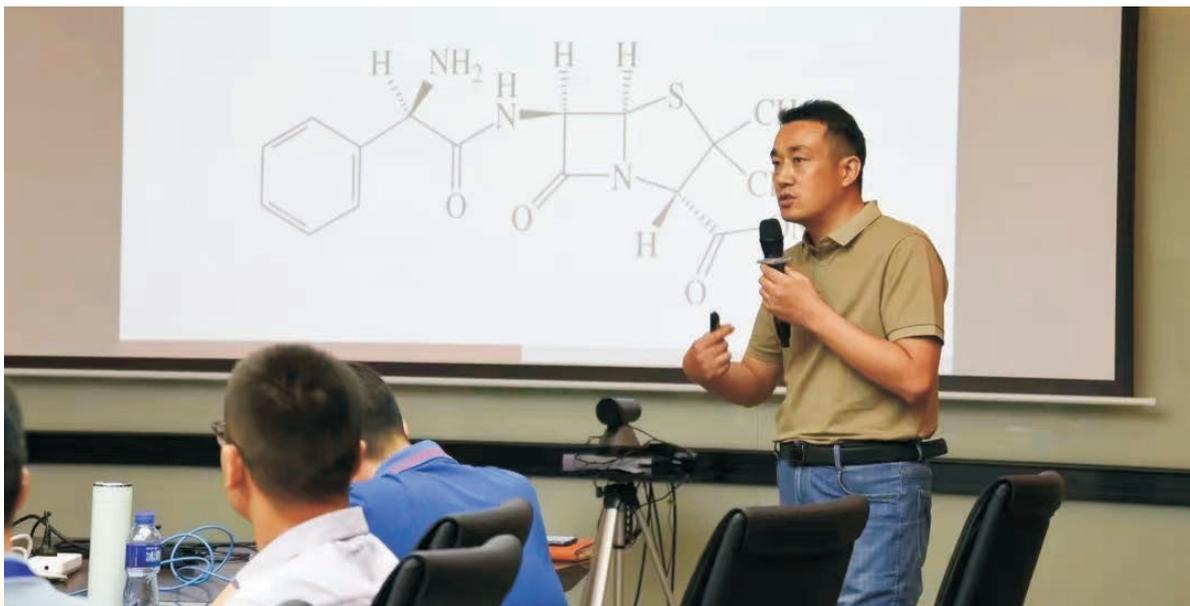
Cephalosporins product Knowledge Training

Cefuroxime Sodium and Cefotiam belong to the second and third generation of cephalosporin antibiotics. These two products have a large market capacity, wide clinical applications, and proven efficacy. The United Laboratories is a major production base for antibiotic active pharmaceutical ingredients (APIs) and intermediates in China. The introduction of Cefuroxime Sodium and Cefotiam enriches the cephalosporin API product line at our Zhuhai production base and optimizes our product portfolio.

Sterile cephalosporin products are currently undergoing the stage of consistency evaluation. Customers not only demand high-quality products but also require our sales representatives to adapt to changing circumstances, acquire more product knowledge and skills, and carry out professional market marketing activities. For our newly recruited sales elites, they also need to undergo this type of training to quickly enhance their product knowledge and grow into pillars in their respective sales regions.

Amoxicillin Sodium Product Knowledge Training

Amoxicillin Sodium belongs to the penicillin class of antibiotics. This training began with a comprehensive introduction to the product, covering various aspects. A key focus was on comparing and analyzing the production processes of different manufacturers of Amoxicillin Sodium, explaining the differences in their processes and production equipment. The workshop also made improvements to product quality to meet the high standards required for current stage consistency evaluation orders.



Collaborative Training

To enrich the training content, the Group has partnered with external professional training institutions to provide employees with more comprehensive and diversified training programs, enabling them to better adapt to the ever-changing work environment and market demands. In the Year, we have launched the Spark Program and the Illumine Program, which provide employees with more opportunities and resources to enhance their success in their work.



Spark Program - Internal Trainer Training Camp

In the Spark Program, we are committed to enhancing the professional capabilities and teaching quality of internal trainers. To achieve this, we have collaborated with external professional training institutions to provide faculty development courses, aiming to enhance trainers' teaching abilities and professional knowledge.

Through systematic instruction, external trainers clarify the roles and responsibilities of trainers, as well as the positioning and design of training topics. These courses are designed to provide trainers with the instructional strategies and skills they need to effectively convey knowledge, stimulate learners' interest, and facilitate learning outcomes.

Through the Spark Program, we ensure that internal trainers possess excellent teaching abilities and extensive professional knowledge, enabling them to provide employees with high-quality training experiences. This not only helps enhance employees' skills and knowledge levels but also has a positive impact on the Group's development and competitiveness. We believe that through continuous professional training, employees will be better equipped to face challenges and achieve mutual growth for both themselves and the organization.



Illumine Program - Manager Training Camp

In the Illumine Program, we focus on enhancing the management skills of sales team managers, aiming to help them better understand market trends, develop effective sales strategies, and manage and motivate their teams.

This program places a strong emphasis on team collaboration training, aiming to assist sales team managers in learning how to build and manage cohesive teams. These courses cover topics such as team building, collaboration, and communication. Sales team managers will learn how to construct an efficient sales team, foster a team spirit, and effectively allocate tasks and resources. Such training will contribute to building a united, cooperative, and proactive sales team.

The Illumine Program also provides leadership training, assisting sales team managers in developing their leadership capabilities. These courses emphasize the roles and responsibilities of leaders and teach them how to inspire and unleash the potential of their subordinates. Sales team managers will learn how to set clear goals, provide effective feedback and guidance, and encourage the growth and development of team members. Such leadership training will contribute to establishing a motivated and highly efficient sales team.



Multiple Training Platforms

Further to the conventional training modes, the Group also set up a learning centre in the online mobile office platform system “Smart United Laboratories” to allow employees to conduct online learning with the help of online videos and documents. The Group’s Human Resources Centre has set up the “Five Micro-Classes” and “A Lesson A Day” columns to provide training courses on areas such as interpersonal skills and business etiquette. The Audit and Legal Affairs Centre has self-set up a Legal Training column to provide training courses on relevant laws and regulations in daily operations, covering topics such as contract, antitrust compliance and legal risks in advertising. The Marketing Department, Information Centre and other departments of the Group have also held training courses on product and information security. All departments of the Group can upload and share the training courses in the learning centre after review. This will facilitate mutual understanding among departments, widen the horizons and deepen the knowledge base of employees, and create a good atmosphere for self-set directed learning.

Smart United Laboratories



9.2.2 Academic Promotion and Professional Qualification

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

During the Year, in order to comprehensively meet the needs of pharmaceutical production, enhance employee professional capabilities, and optimize the company's talent structure, Zhuhai Company collaborated with universities such as Xiangtan University, Hunan University of Technology, and Shunde Polytechnic to offer courses on pharmacy, chemical engineering, bioengineering, electrical engineering and automation, mechanical design and manufacturing, and automation, among others, for on-the-job employees in quality, production, equipment, and IT-related fields. Currently, there are 21 students in the 2021 cohort, 26 students in the 2022 cohort, and 41 students have been admitted to the 2023 cohort.

The Group also places great importance on the professional qualifications and skills improvement of its employees. During the Year, Zhongshan Company carried out the assessment of professional and technical titles for talents, with a total of 15 individuals successfully passing the assessment and obtaining certificates at various levels. Among them, 1 person achieved a senior title, 6 people attained intermediate titles, and 8 people received junior titles.

9.2.3 Succession Planning and Leadership Development

Succession Planning

In order to establish a comprehensive mechanism for selecting, cultivating, and managing successors, the Group has formulated the "Succession Personnel Management Policy". For individuals who have been selected and included in the successor list through assessment and evaluation, the Group provides them with increased attention and targeted development to help them progress rapidly and prepare for greater responsibilities.

Summary of the "Succession Personnel Management Policy"

01

Successor Selection and Nomination

- Pathways for successor nomination: incumbent position, supervising leaders, recommendations from the HR department, etc.
- Every incumbent middle-level and above managerial staff has the responsibility to develop successor candidates to meet the company's development needs. Each managerial staff member who is approaching retirement within three years or has special circumstances preventing them from performing their duties should recommend at least two successor candidates.
- Adhering to openness, fairness, and advocating for public supervision.
- Generally, successor candidates are determined at a ratio of 1:2.

02

Successor Development

- Identify the direction and plan for development, implement training measures, evaluate the effectiveness of the development, and conduct tailored development based on individual circumstances.
- Strengthen practical exercises for successors. Implement job rotation and assign them to important positions.

03

Successor Tracking and Management

- The Group's HR department should timely grasp the situation of potential retirees and successor candidates within the entire Group. The HR department should follow up and understand the development of successors. If the responsible department in charge of the organization conducts investigations on eligible successors, they should focus on evaluating the candidates' leadership abilities, management potential, job performance, values, and cultural adaptability, and submit assessment reports.
- The HR department should establish successor files. The successor files include the successor list, resumes, investigation materials, development plans, annual assessment records, learning and training materials, etc.

Leadership Development

Managers are important decision-makers in various aspects of the business and need to demonstrate good leadership, communication, learning, and coordination skills within their teams. Therefore, regular training for managers is crucial. In the Year, the Group organized training activities for mid-to-senior-level managers through online training methods.



Comprehensive Skills Training for Managers

In order to enhance the competencies of the management team and stimulate innovative vitality within the team, The United Laboratories conducted a dedicated training session titled "MTP Comprehensive Skills Enhancement for Managers" in the Year.

The training consisted of three segments: skills transmission, exchange and sharing, and experiential games. Participants learned about the qualities of effective managers, role awareness, mindset, and self-reflection theories. The attendees gained a deeper understanding and recognition of the work of middle-level managers, enhancing their confidence in facing challenges and improving their problem-solving abilities in future practical work. The comprehensive skills of the management team play a significant role in promoting the sustainable development of The United Laboratories. The company will continue to strengthen manager training efforts to drive sustainable development throughout the organization.

9.3 Benefits and Welfare

Employees are the key to success of an enterprise. The Group has been treating employees by aligning itself with the principle of "Equality, Care and Mutual Development" to guarantee that our employees are entitled to corresponding benefits and welfare and care for their well-being. The Group strictly abides by relevant laws and regulations to secure employees' legal rights and benefits. While providing quality career development opportunities and working environment for our employees, we also put emphasis on employees physical and mental development, encourage employees to actively participate in various types of cultural and sports activities held by the Group and enrich their spare time.

Aspects	Relevant Laws and Regulations	Internal Policies
Protect legal rights	<ul style="list-style-type: none"> • Labour Law of the People's Republic of China • Labour Contract Law of the People's Republic of China • Law of the People's Republic of China on the Protection of Women's Rights and Interests • Special Rules on the Labour Protection of Female Employees • Provisions on the Special Protection for Underage Employees Labour Dispute • Mediation and Arbitration Law of the People's Republic of China • Trade Union Law of the People's Republic of China • Articles of Trade Union of the People's Republic of China 	<ul style="list-style-type: none"> • Appeals and Dispute Resolution Policy • Compliance Incident Reporting Policy • Compliance Incident Reporting and Handling Policy • The United Laboratories Code of Business Conduct
Employee welfare	<ul style="list-style-type: none"> • Order of the Ministry of Human Resources and Social Security • Social Insurance Law of the People's Republic of China 	<ul style="list-style-type: none"> • Compliance Incident Reporting Policy • Compliance Incident Reporting and Handling Policy

9.3.1 Protecting Employee Rights

To ensure the protection of employees' rights, the Group established the "The United Laboratories Code of Business Conduct" during the Year, which explicitly outlines the business conduct standards for The United Laboratories. The Group attaches great importance to human rights and prohibits all discrimination on the basis of race, colour, religion, sex, nationality, age, pregnancy, physical disability or illness, marital or family status, sexual orientation, political opinion, social status, etc. In addition, we strictly enforce the regulations on equal pay for equal work and ensure that men and women enjoy equal treatment in the same positions.

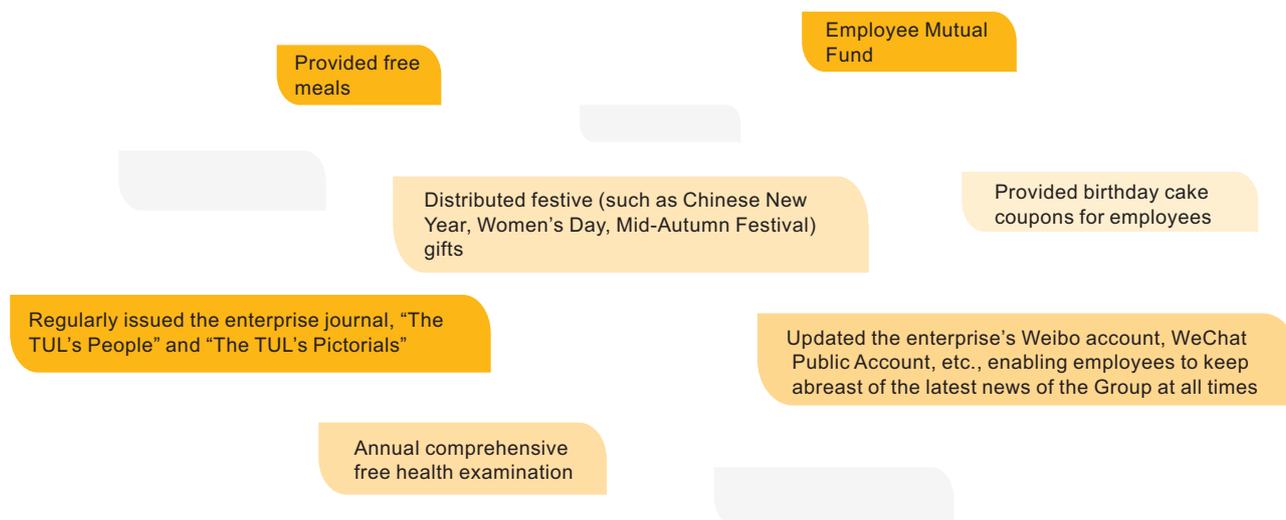
We protect the legitimate rights and interests of all employees in accordance with the law and strictly abide by relevant laws and regulations. We oppose slavery, exploitative child labor and human trafficking, and ensure that we will not knowingly do business with organizations involved in such activities. We have established strict rules that employees must be at least 18 years old to work in any position in the Group, and it is strictly prohibited to employ children under 16 years old. For this reason, the Group requires applicants to provide proof of identity during the recruitment process to verify their age and avoid wrongful employment of child Labour. Employees are required to sign a labor contract before joining the company, which should clearly state the employee's work content, salary, insurance, benefits, working hours and holidays to avoid the situation of forced work. If child labor or forced labor occurs by mistake, the Group will immediately stop the work of the relevant persons, take remedial measures and trace the reasons to avoid the recurrence of similar situations. Employees who propose to leave the company must apply according to the relevant procedures, so that the Group can know the reasons for their resignation in detail and provide proper resignation arrangements, such as salary payment.

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

9.3.2 Employee Rights and Benefits

All employees of the Group are entitled to statutory holidays, such as annual leave, sick leave, marriage leave, maternity leave, breastfeeding leave, paternity leave, childcare leave, nursing leave, compassionate leave, and work-related injury leave, in accordance with legal requirements. The Group also provides employees with "Five Insurances and One housing provident fund" and high-temperature subsidies in compliance with relevant laws and regulations, ensuring comprehensive protection of employees' basic welfare.

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





Heartwarming Festive Blessings

Warm Mid-Autumn Welfare

To express gratitude for the hard work of our employees and create a warm and harmonious festive atmosphere, The United Laboratories distributed mooncakes and employee welfare in advance to all staff members. The distribution of welfare was conducted in an orderly manner, and the joyous atmosphere was palpable. These thoughtful gifts, filled with the company's blessings, enhanced employees' sense of belonging and motivation in their work.



Affectionate Dragon Boat Festival, Warming Employees

As the Dragon Boat Festival approached, The United Laboratories distributed Dragon Boat Festival welfare to all employees and members. The distribution site was filled with celebration and harmony, creating a lively atmosphere. Each welfare package conveyed heartfelt wishes for a healthy and joyful Dragon Boat Festival.

Work-Life Balance

The Group values the physical and mental well-being of its employees and is committed to helping them achieve work-life balance. We believe cultural and sports activities help enhance the physical and psychological quality of employees, establish the teamwork spirit among them and increase their sense of belonging to the Group. Therefore, the Group, including its various production sites and subsidiaries, has established cultural activity teams, and regularly organised employee activities, thereby providing employees with a platform to enrich their spare time. The Group has organised numerous cultural and sports activities during the Year, such as sports competitions, staff travelling, departmental team building, film watching activities and festival activities. The Group will continue with the good corporate culture of having employees actively participating in activities, enabling all employees to attain work-life balance and stay both physically and mentally healthy.



Employee Activities

Enjoyable Picnic Activity

To enhance employees' work-life balance and care for their physical and mental well-being, Zhongshan Company organized a fun-filled picnic activity for the workshop teams. The employees safely cooked a variety of food at the picnic site and engaged in some entertaining games after the meal. After the activity, the employees expressed that it was a joyful and healthy event, uplifting their spirits and injecting positive energy into their work for the upcoming week.



Team Building Activity

The Engineering Department of the Zhongshan Company organized a team building activity at Zhuhai Xiangshan Park. The activity fostered friendship among personnel in different positions, strengthened team cohesion, and promoted a spirit of unity and cooperation. It laid a solid foundation for a positive work and living environment for the participating individuals in the future.

9.4 Employee Communication

The Group listens to the voices of grassroots employees through various channels, gathering the strength of employees to understand their thoughts and attitudes towards work and life. The company analyses and responds to employee opinions and suggestions. The mutual communication between the company and employees enhances trust between each other and allows employees to truly feel the company's genuine care.

9.4.1 Labour Union

Labour union is the bridge and link between employees and the company, the Group values and respects the employee's rights to build a Labour Union. Abides by the rights and obligations conferred by the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》) and the Articles of Association of Chinese Trade Union (《中國工會章程》), the Group strive to build a labour union team that serves employees wholeheartedly. Currently, Zhuhai Company, Zhongshan Company, and the Inner Mongolia Company has already established a sound employee union systems, mainly responsible for safeguarding the legitimate rights and interests of employees, democratic management of employees, and management of employee welfare activities. The annual workers' congress is held to deliberate and pass major decisions of the company, to improve the company's democratic management level, and to promote harmonious labour relations. The union includes multiple committees and grassroots organizations such as union groups and clubs, which pay attention to employees' personal and family situations, solicit and listen to employee opinions, and regularly organize various sports and cultural activities and mutual aid activities.

Currently, 100% of the Group's employees participate in the labour union.



Awarded the Title of Exemplary Base for Corporate Culture Construction

In the Year, the "2022 Guangdong Province Summary Meeting on Corporate Culture Construction", jointly organized by the Guangdong Enterprise Culture Research Association and the Guangdong Market Economy Promotion Association, was held in Foshan. At the meeting, outstanding units in corporate culture construction for the year 2022 were recognized and commended. The United Laboratories was honored with the title of "Exemplary Base for Corporate Culture Construction in Guangdong Province for 2022-2023" due to its excellent construction achievements.



Employee Service Centre Rated as Provincial Demonstration Point

In the Year, The United Laboratories' Zhuhai Company's Employee Service Centre was rated as a demonstration point for employee services in Guangdong Province. Currently, the Employee Service Centre of The United Laboratories' Zhuhai Company consists of the Employee Cultural and Sports Activity Centre, Employee Library, "Love Mother's Cottage", Employee Home, and other service points, covering a total area of 2,600 square meters. It is equipped with separate functional rooms and is conveniently located near the employees' office space to facilitate their access to services.

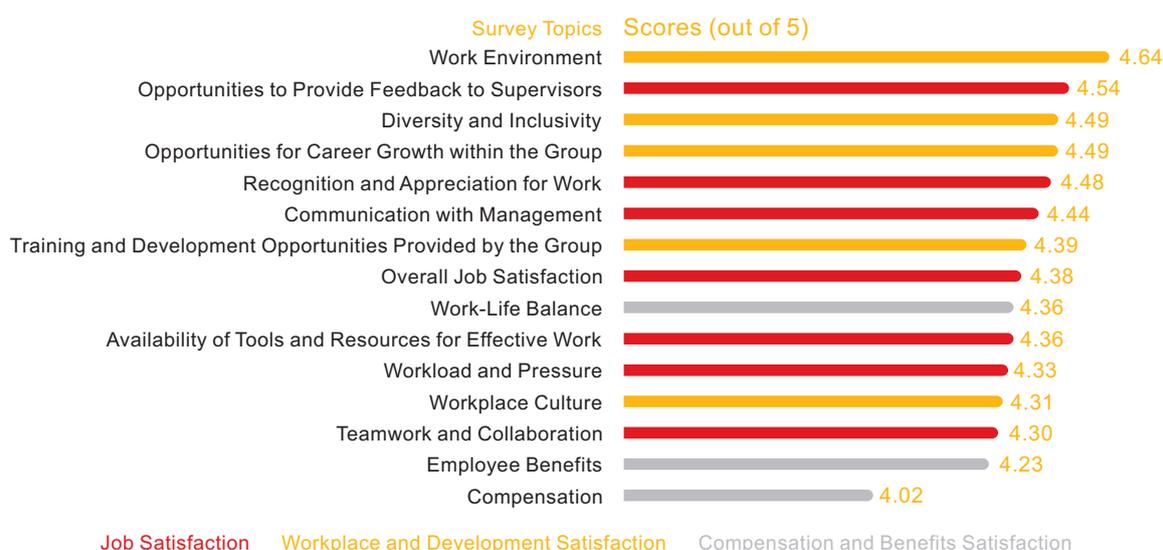
In the future, the labor union of the Zhuhai Company will continue to focus on the needs of the employees, strengthen humanistic care and ideological guidance, consolidate the achievements in serving employees, establish an inclusive and precise employee service system, and strive to promote the construction of harmonious labor relations, empowering employees to pursue a better quality of life.

9.4.2 Employee Satisfaction Survey

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

In the Year, the Group has distributed the annual satisfaction survey questionnaire to all employees. The questionnaire covers 15 topics, including employee job satisfaction, workplace and development satisfaction, as well as compensation and benefits satisfaction. It seeks relevant opinions from all employees. The survey results indicate that employees are generally satisfied with the work environment, opportunities to provide feedback to supervisors, and diversity and inclusivity. The following is a presentation of the employee satisfaction survey results in a bar chart format.

Employee Satisfaction Survey Results



Based on the survey results, the Group has initiated improvement actions and continues to monitor its performance. In the Year, a series of measures were implemented to enhance employee satisfaction. These measures include improving employee welfare and support, providing diverse and multidimensional training opportunities, strengthening training for managerial staff, and organizing multicultural activities. These ongoing efforts aim to enhance the Group's human resources management capabilities and promote sustainability.

9.4.3 Grievances and Suggestions

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

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

Summary of "Grievance and Mediation Policy"

01

Whistleblowing and Complaints

- Anonymous whistleblowing and complaints from employees are generally investigated and addressed by the relevant department within 5 working days, with a response provided to the reporting individual. In the case of significant incidents or special circumstances, the investigation and response period may be extended to 20 working days.
- The confidentiality of whistleblowers must be ensured by the department handling the complaints. Any unauthorized disclosure will be strictly handled by the Human Resources or the company's administration.
- Whistleblowers who report instances of abuse of power, harm to the collective interests of the company, favoritism, or financial theft by other employees, and whose reports are substantiated through investigation, may be eligible for rewards approved by the company, as reported by the Human Resources department.

02

Dispute Mediation

- The company has established a labor relations coordination and interaction platform, which includes the Labor Dispute Mediation Committee composed of employee representatives and company representatives. Employee representatives are selected from union members or elected by all employees, while company representatives are appointed by the company's management. The Chairperson of the Labor Dispute Mediation Committee is the union president.
- Upon receiving a mediation application, the company's Labor Dispute Mediation Committee arranges a mediation session between the parties involved within 10 working days. During the mediation process, the committee attentively listens to the statements of the parties involved regarding the facts and reasons, provides patient guidance, and assists in reaching an agreement.
- If a mediation agreement is not reached within 15 working days from the date of the mediation application received by the labor dispute mediation organization, either the employee or the company may apply for labor dispute arbitration with the local labor dispute arbitration institution in accordance with the law.

9.4.4 Logistic Services and Communication

The Group attaches great importance to the personal life of its employees and provides them with staff quarters, staff canteens, staff activity centres and staff commuter buses, etc. The Group also strictly formulates and implements relevant rules and regulations to implement the management of staff logistics, aiming to create a comfortable and warm working and living environment for its employees.



Platform for Logistic Services

In order to effectively guarantee the quality of work and life for employees, Inner Mongolia Company has set up a "Logistics Service" platform on its WeChat public account, which includes services in various areas such as "Canteen Management", "Staff Quarter Management", "Life Services", and "Flea Market". On this platform, employees can access the weekly menu and provide feedback, report malfunctions in staff quarter for repair, and obtain the latest information about living areas. This move provides employees with more convenient and caring services for their daily lives.

9.5 Occupational Health and Safety

Safety production is a fundamental principle of the Group's operations. The Group has established a comprehensive occupational health and safety ("OHS") management system that covers all subsidiaries and employees, ensuring the protection of their health and safety. In the Year, the Group organized a series of activities related to safety production and fire safety to enhance employee awareness of safety. Furthermore, the physical and mental well-being of employees is a key focus for the Group. During the Year, the Group conducted comprehensive health examinations for employees and organized health seminars. Additionally, preventive medication and supplies were provided to employees during the outbreak of the pandemic.

Aspects	Relevant Laws and Regulations	Internal Policies
Safety Regulations	<ul style="list-style-type: none"> • Work Safety Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Occupational Diseases • Fire Protection Law of the People's Republic of China • Rules for Fire Prevention and Control of Buildings 	<ul style="list-style-type: none"> • Safety Management System Manual
Management of Hazardous Chemicals and Work-related Injuries	<ul style="list-style-type: none"> • Regulation on the Safety Management of Hazardous Chemicals • Regulation on Work-Related Injury Insurance 	

Summary of “Safety Management System Manual”

01

Risk Assessment for Safety Production Management Policy

Conduct comprehensive occupational health and safety risk and hazard assessments to identify factors that may cause harm in the workplace. The risk assessment methods encompass qualitative and quantitative techniques, utilizing a combination of field investigations, data analysis, and expert opinions to comprehensively assess risks in areas such as physical, chemical, biological, human factors, and the environment. Factors that may trigger accidents, occupational diseases, and other health issues are identified and analysed. The assessment results are promptly recorded and reported, and corresponding control measures and emergency plans are implemented to ensure workplace safety and health.

02

Identification and Governance of Safety Risk Concerns for Safety Production Management Policy

Develop action plans based on the results of risk assessments and establish priorities to effectively control and manage safety risk concerns in the workplace. The development of action plans should involve the formulation of control and management measures specific to different risk concerns based on assessment results, with clear responsibilities and timelines. The setting of priorities takes into account factors such as risk levels, potential impact, and urgency. During the execution process, supervision, inspection, and evaluation should be conducted to ensure the effectiveness of measures and continuous improvement.

Enhance occupational hazard investigations to identify, detect, and control work-related diseases, injuries, accidents, and other occupational hazards. The investigation scope should cover all work and related work environments, including physical, chemical, biological, and human factors. Investigation results are promptly recorded and reported, and corresponding control measures and management plans are formulated based on the results to reduce or eliminate occupational hazards.

03

Supplier Safety Management Policy and Contractor Safety Management Policy

Evaluation is conducted when selecting suppliers and contractors, including their safety management capabilities, training programs, and emergency response capabilities, to ensure compliance with occupational health and safety standards during the course of their work. Additionally, contracts or agreements should clearly define the occupational health and safety responsibilities of both parties and specify safety standards and requirements. The Group also conducts regular monitoring and evaluation of supplier and contractor safety management to ensure ongoing compliance with occupational health and safety standards.

9.5.1 Targets and Metrics of OHS

To enhance OHS management, Inner Mongolia Company has established the OHS targets and metrics for the Year 2023.

OHS Targets



Fatalities and serious accidents

0



level 2 and above fire and explosion accidents

0



acute poisoning and occupational disease accidents

0



Employee accident rate of minor injuries and below not exceeding

2‰

OHS Metrics of Factories and Departments

- 100% completion rate for employee safety education and training plans and team activities plans; pass rate for safety education and training $\geq 95\%$
- 100% completion rate for emergency response plan drills; pass rate $\geq 90\%$
- Fire equipment and facilities compliance rate $\geq 98\%$
- Hazardous chemical storage and usage compliance rate $\geq 92\%$
- 100% completion rate for safety risk and hazard identification and governance plans; hazard rectification rate $\geq 99\%$; file pass rate $\geq 93\%$
- 100% certification rate for special operations (hot work, confined space, blind flange, working at heights, lifting operations, circuit breaking, excavation, temporary electricity); pass rate $\geq 96\%$
- Occupational health examination implementation rate $\geq 98\%$
- Occupational disease protection facility and equipment integrity rate $\geq 93\%$
- Employee compliance rate for wearing labor protective equipment $\geq 95\%$
- 100% onboarding rate for specialized operations

9.5.2 Production Safety Management

The United Laboratories adheres to the objective of "Safety First, Prevention Upmost", sees production safety as our operational focus, carefully enforces and implements occupational-health-and-safety-related regulations and systems, and strives to reduce the occurrence of safety accidents. The Group has formulated a comprehensive occupational health and safety management system and obtained the OHSAS18001:2007 certification. Inner Mongolia Company has also passed the level two production safety standardisation review and obtained the ISO45001:2018 certification on Occupational Health and Safety Management Systems. With the management system, all departments have to strictly comply with the relevant laws and regulations and related internal regulations, regularly analyse the condition of work safety and figure out the dangerous factors and potentials risks, and hence to formulate improvement measures. At the same time, the person in charge of the production department or the safety management committee are responsible for conducting regular safety inspections and enforcing safety education to strengthen employees' awareness of safety and reduce the potential risks of accidents.

In regard to the management of hazardous chemicals, the Group strictly complies with laws and regulations of hazardous chemical management, and highlights the risks and damages brought by the maltreatment of hazardous chemicals. The Group has formulated strict regulations in the areas of warehouse management, material safety management in warehouse and upon entering and leaving to monitor the storage and transportation of various types of chemicals. Inner Mongolia Company has also introduced strict hazardous waste collection facilities and procedures for hazardous waste treatment. Each type of hazardous waste has to undergo harmless treatment to secure the health and work safety of employees. The Group has also developed treatment procedures for the issues of safety and work injuries, to equip employees with sufficient knowledge in case of injuries, and enable them to promptly respond in an effective manner, so as to minimise the casualties and financial loss. For the injured employees, the Group strictly enforces the relevant provisions of wages, subsidies and fees related to work injury to protect the basic rights and interests of our employees.

To ensure that safety comes first, the Group organized a series of training sessions as part of the Safety Production Month activities, ensuring that employees in each workshop are familiar with safety regulations and proficient in the operational procedures for safe production.



2023 Production Safety Month

The United Laboratories, with the theme of "Safety for All, Emergency Response for Everyone," has formulated specific implementation plans and actively organized a diverse range of activities as part of the "Safety Production Month." These initiatives aim to promote the concept of safety development within the company, strengthen safety production awareness, and ensure the continuous stability of safety production practices.

Creating an atmosphere of activities to enhance safety promotion

Prominent locations in office areas, living areas, production plants, and construction sites have been adorned with banners, thematic posters, updated bulletin board content, and rolling displays of safety knowledge and educational videos. These efforts aim to disseminate safety knowledge and foster a culture of safety.

Hosting the 11th Firefighting Skills Competition

To further enhance the company's overall firefighting skills and improve the firefighting abilities of personnel in various production workshops/ departments, as well as enhance the physical fitness of emergency response personnel, the Group organized the 11th Firefighting Skills Competition. Employees actively participated in various competitions, including a 400-meter material rescue and evacuation race, a hose connection competition, a 200-meter weighted evacuation race, and a 3000-meter endurance test. The successful organization of this competition has not only enhanced the internal firefighting skills and emergency response capabilities of the company but also promoted communication and cooperation among employees. We will continue to organize such activities to inspire employees to actively participate and continuously improve their skills and response capabilities, making greater contributions to the company's safety and development.



Normalization of practical fire extinguisher drills for new employees

"Being prepared in times of peace leads to no worries in times of crisis." Safety is the foundation for successful work. To enhance the fire safety awareness and emergency operational capabilities of new employees, and to ensure their correct and proficient use of firefighting equipment and understanding of its performance, preventive measures are taken. During the Safety Production Month, the Group organized on-site training and practical exercises on firefighting equipment for 120 newly recruited employees from March until now at the Fire Extinguisher Training Base within the factory area.



Conducting training and skills competitions for safety management personnel and assessing professional competence

In order to enhance the practical work capabilities of the company's safety personnel and achieve the goal of reducing workload and saving resources through optimized safety education, this competition adopted a video-based teaching format for the first time. 17 employees who obtained the qualifications of registered safety engineers within the Group served as judges and evaluated the teaching videos submitted by 60 participating safety management personnel. After evaluation by the company's leadership panel, six safety management personnel were awarded first, second, and third prizes for their teaching videos.

Organizing emergency drills to strengthen emergency response capabilities

This drill simulated a leakage accident during the dispensing process of ethyl acetate storage tanks. When the on-duty personnel discovered a significant ethyl acetate leakage, they immediately reported it to the section head of the liquid storage department and simultaneously reported the incident to the vehicle framework due to the large-scale leakage, as per the drill's procedures and scene design. Through this emergency drill, not only were the preparations for emergency materials, equipment, and techniques tested in response to unforeseen events, but also any deficiencies identified were promptly addressed and supplemented, ensuring comprehensive emergency preparedness. By disseminating emergency knowledge, we aim to enhance the risk prevention awareness and self-help and mutual assistance capabilities of company employees in responding to emergencies.

9.5.3 Fire Safety Management

To enhance the awareness of fire safety among employees, the Group actively conducts fire safety education and organises fire emergency drills to equip every employee with basic firefighting skills. The Group has also strengthened employee safety training and increased inspection efforts to eliminate fire safety hazards in a timely manner.



Fire Safety Operations

Fire Safety Training

In response to the requirements of the Zhuhai Municipal Government, the United Laboratories' Sanzao Fire Emergency Rescue Brigade conducted fire safety training for employees within its jurisdiction. The training was delivered by professional firefighters who provided explanations, analyzed safety cases, and aimed to cultivate a sense of safety awareness and the proper use of firefighting equipment. A video training session was conducted specifically addressing recent fire incidents, emphasizing the importance of safety. After the training, the company intensified its promotional efforts, establishing a collective sense of safety responsibility and mobilizing everyone to prioritize summer fire prevention and control. This specialized training and safety meetings have enhanced the fire safety awareness and emergency evacuation and self-rescue capabilities of all workshop personnel, providing strong support for the fire safety development of the company.

Fire Safety Drills

To enhance employees' emergency response speed and handling capabilities in dealing with accidents in confined spaces, the Inner Mongolia Company's Workshop 107 organized an emergency response drill for accidents in confined spaces. A total of 43 workshop section managers and workers participated in the drill.

Before the start of the drill, the organizers provided detailed explanations of each step and detail, from reporting the emergency incident, entry of rescue personnel, on-site inspection, rescue of the injured, to site recovery. This drill simulated an accident where a disinfection section employee collapsed due to asphyxiation while performing a cleaning inspection inside a fermentation tank. After the accident occurred, all participants followed the instructions provided in the drill program and scene design to conduct a simulated practical drill.

This drill, tailored to the characteristics of confined space operations, focused on practical scenarios such as recognizing hazards, reporting quickly, activating contingency plans, and rescuing personnel. It further consolidated the effectiveness of simulated drills for confined space operations. The participants acquired the correct operating methods for confined space operations, enhanced their safety awareness, and improved their self-protection and self-rescue skills, thereby safeguarding production safety.

9.5.4 Caring for the Physical and Mental Health of Employees

The Group has always prioritized the health and safety of its employees. In addition to the aforementioned safety measures and practices, various initiatives such as employee health examinations and informative training sessions have been arranged. We recognize the crucial role of mental well-being in employee happiness and work performance. Therefore, The United Laboratories also places great emphasis on the psychological health of its employees. The Group is committed to providing comprehensive support and resources to ensure that each employee can enjoy a healthy, balanced, and fulfilling state in both work and life.



Employee Health Assessments

The United Laboratories' Inner Mongolia Company Union, in collaboration with the Linhe District Cultural, Tourism, and Sports Bureau of Bayannur City, conducted the Linhe District 2023 National Physical Fitness Monitoring and National Fitness Status Survey at the Cultural and Sports Center in the residential area. More than 800 employees of the company participated in the two major activities: physical fitness assessments and electronic questionnaire surveys. Over the course of four days, the assessment activities comprehensively evaluated aspects such as body morphology, functions, and qualities. Seventeen indicators, including height, weight, lung capacity, grip strength, reaction time, one-legged standing with eyes closed, and vertical jump, were monitored. Through these assessment activities, employees were able to timely identify, prevent, and treat their own health issues, thereby possessing a healthy physique and fully dedicating themselves to work with joy and leading a healthy lifestyle.



Health Lectures

To promote knowledge of healthy living and enhance workshop employees' awareness of healthy lifestyles through scientific methods, Workshop 16 of the Zhuhai Company organized a knowledge lecture on "Introducing Lifestyle Diseases and Improving Employee Health". The lecture introduced employees to concepts such as establishing correct perceptions of healthy living and cultivating healthy habits.

This lecture allowed employees to comprehensively understand the importance of a healthy lifestyle and also raised awareness of disease prevention and control. Employees gained insights into methods and techniques for developing healthy dietary habits.



Inner World Fun Salon - A Journey of Self-Discovery

In the midst of a busy work environment, we provide employees with an outlet for emotional and spiritual relaxation. To this end, we invited renowned psychologists to lead employees on a journey of self-discovery. Through Mandala, an art therapy method, employees had the opportunity to further explore their emotional and spiritual worlds.

Through the psychological salon, we aim to establish a culture that supports employees' mental well-being, enabling each employee to find balance and happiness in their work. We believe that only when employees' physical and mental health is cared for can they fully unleash their potential and achieve better work outcomes.



10

Green Development NURTURING THE ENVIRONMENT WITH CARE

> Our Focuses

- Towards Carbon Neutrality
- Pollution Control
- Green Operations

> Our Actions

- Promoting Low-Carbon Development
- Enhancing Energy and Water Efficiency
- Managing Wastewater and Waste Discharge
- Establishing Circular Economy Industrial Chains

10.1 Environmental Management System

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

In coordination with the Country's reduction targets, the local government of Inner Mongolia launched the 14th Five-Year Plan for Addressing Climate Change in Inner Mongolia Autonomous Region to strengthen the collaborative control and efficiency improvement of pollution reduction and carbon emission, reinforce the coordinated promotion of greenhouse gas emission reduction and pollution prevention, establish and improve the working mechanism of pollution reduction and carbon emission, and promote the overall integration of climate change response and ecological environment. As the production base with the largest scale and the greatest production of the Group, the operation and development of Inner Mongolia Company is closely related to the above policies. Therefore, the Group always sees environmental protection as the top priority, and continues to implement the corporate environmental policy of “Law-abiding Integrity, Preventive Control, Environmental Protection, Continuous Improvement, and Harmonious Development”. As of the end of the reporting period, Inner Mongolia Company has obtained certifications for ISO 50001:2018, ISO 14001:2015, GB/T 24001-2016, RB/T 114-2014, and GB/T 23331-2020 energy management systems. Inner Mongolia Company actively responds to the national environmental protection policies, and strengthens environmental protection in its operation and production process during the Year to save energy and reduce carbon emissions, fully cooperating with the Country to respond to the challenges brought about by climate change.

Aspects	Relevant Laws and Regulations	Internal Policies
Environmental Protection	<ul style="list-style-type: none"> • Environmental Protection Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste • Water Pollution Prevention and Control Law of the People's Republic of China • Atmospheric Pollution Prevention and Control Law of the People's Republic of China • Environmental Protection Tax Law of the People's Republic of China • Soil Pollution Prevention and Control Law of the People's Republic of China 	<ul style="list-style-type: none"> • List of Environmental Protection Laws, Regulations, and Other Requirements

10.1.1 Internal Audit

The United Laboratories, in accordance with the Company's Quality, Environmental, and Safety Management Manual, as well as relevant environmental management systems, national, industry, and local laws and regulations, has established an internal audit mechanism for environmental management systems to enhance environmental management performance in a targeted manner. We conduct an annual internal audit through interviews, document reviews, data and site inspections to assess the effectiveness of our environmental management within the following scope:

- | | |
|---|--|
| <input type="radio"/> Understanding and implementation of environmental policies and objectives | <input type="radio"/> Stakeholder impacts |
| <input type="radio"/> Maintenance and operation of environmental facilities and equipments | <input type="radio"/> Emergency preparedness and response |
| <input type="radio"/> Data and environmental analysis | <input type="radio"/> Management review |
| <input type="radio"/> Effectiveness of improvement measures | <input type="radio"/> Compliance evaluation with environmental law and regulations |
| <input type="radio"/> Effectiveness of corrective actions based on previous audit recommendations | |

10.1.2 External Audit

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



The United Laboratories Successfully Passes MSD Customer EHS Audit

MSD (Merck Sharp & Dohme) EHS consultants conducted an audit of The United Laboratories (Inner Mongolia) Co., Ltd.'s EHS management system. The audit was conducted through a combination of on-site inspections, document reviews, and meeting summaries. During the audit period, EHS experts visited and inspected areas such as raw material and finished product warehouses, workshops, laboratories, and environmental facilities. Relevant personnel engaged in in-depth discussions with the EHS consultants regarding challenges encountered in their work.

During the final meeting, the EHS consultants expressed recognition and affirmation of the company's EHS management system, and the EHS audit was successfully completed. Through this audit, the company actively learns from and adopts advanced concepts and practices, innovates its management approach, and strengthens its commitment to environmental protection, occupational health, and safety management, providing a strong guarantee for the high-quality development of the enterprise.

10.2 Towards Carbon Neutrality

In response to the Paris Agreement and the national goal of achieving carbon neutrality by 2060, the Group has promoted a series of carbon reduction efforts during the year, hoping to align with the pace of the Country and reach carbon peak by 2030 and carbon neutrality by 2060. The Group regards net zero emission as its ultimate goal and believes that carbon reduction must be persistent and progressive, and cannot be achieved overnight, so as to avoid affecting the Group's development in other aspects. During the Year, the Group was determined to set up strategies and annual targets in four directions to gradually reduce and offset carbon emissions and achieve carbon neutrality.

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

 <p>Strategies</p> <hr/> <p>Promoting Low-Carbon Development</p> <hr/> <p>Use of Renewable Energy</p> <hr/> <p>Improving Energy Efficiency</p> <hr/> <p>Align with Country</p>	 <p>Strategic Directions and Actions</p> <ul style="list-style-type: none"> Undertake low-carbon activities to become an energy-efficient enterprise Implement carbon reduction measures in the direction of energy conservation, both in the factory and office Organize Energy Conservation Promotion Week and Arbor Day to foster carbon reduction awareness Increase the use of renewable and green energy Initiate renewable and green energy projects Implement energy optimization projects to enhance technological capabilities Phase out high-consumption and low-energy efficiency equipment Performance of national carbon emission trading plan 	 <p>Targets</p> <ul style="list-style-type: none"> By 2025, reduce the GHG emissions of Unit Output Value¹ by 15.5% (set year 2020 as baseline) Increase the proportion of renewable and green energy usage year by year By 2025, reduce the energy consumption of Unit Product² by 5% (set year 2020 as baseline) Supporting and fulfilling the national carbon emission trading scheme 	 <p>Key Achievements in the Year</p> <ul style="list-style-type: none"> On Arbor Day, we planted over 2,000 trees taller than 5 meters, resulting in a reduction of approximately 50 tonnes of greenhouse gas emissions in terms of carbon dioxide equivalent Renewable and green energy usage accounts for 20% of the total electricity consumption Implementing distributed photovoltaic projects, expected to be completed in 2024, with an estimated annual electricity generation of 25 million Kwh. In the Year, the energy consumption of Unit Output Value¹ decreased by 13.1% compared to the previous year Implemented 5 energy-saving and optimization devices, resulting in an annual increase in electricity savings of 17,555 MWh and an annual increase in steam savings of 13,020 metric tons Launching a carbon trading system and participating in national voluntary emission reduction projects (CCER) The United Laboratories purchased a total of 695,461 tons of carbon quota
--	--	--	--

Notes:
 1. Unit Output Value, refers to industrial output value per RMB10,000.
 2. Unit Product, refers to the product per tonne.

10.2.1 Promoting Low-carbon Development

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

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

The Group has been adopting a multi-pronged approach and striving to reduce greenhouse gas emissions. The energy-saving and water-saving measures implemented by Inner Mongolia Company, as well as various innovative energy-saving and emission-reduction projects can not only reduce energy consumption, but also minimize greenhouse gas emissions and help slow down the rate of global warming.

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



Planting Trees to Add Fresh Greenery in the Splendid Spring

The United Laboratories organized a volunteer team of over 80 individuals to carry out tree planting activities in the residential and factory areas. Prior to the commencement of the event, a brief mobilization was conducted, during which the Greening Officer from the Administration Department explained the essentials and precautions of tree planting. Subsequently, everyone received tools, gloves, and other necessary items, and quickly proceeded to their designated planting areas according to their assigned groups.

During the tree planting activity, the volunteers demonstrated their spirit of perseverance and hard work, overcoming unfavorable factors such as dusty weather. Some adjusted the saplings while others prepared the soil, built enclosures, or watered the plants with buckets. With coordinated efforts and full dedication, a vibrant and enthusiastic labor scene unfolded.

After a morning of diligent work, a total of 60 early-ripening pear trees, 95 white wax trees, 12 golden elm trees, 50 cypress trees, and a 400-meter-long (12,000 plants) elm hedge were planted. The newly planted seedlings stood tall in rows, radiating vitality and vigor.



10.2.2 Improving Energy Efficiency

Energy consumption is crucial to pharmaceutical enterprises, and the derived environmental impacts from greenhouse gas emissions cannot be ignored. In the production and daily operations, Inner Mongolia Company needs to use different energy sources, including purchased electricity, steam, and motor vehicle fuel. In response to the Country's implementation of energy conservation in major industrial segments, Inner Mongolia Company has improved energy efficiency to achieve sustainable development according to the Energy Conservation Law of the People's Republic of China. In order to effectively manage energy consumption and reduce carbon emission, Inner Mongolia Company has formulated a comprehensive energy management system according to the National Requirements on Energy Management System and Energy Management System Implementation Guide, including the electricity consumption management system and steam consumption management system. Inner Mongolia Company has also set up an enterprise energy management organization to coordinate energy consumption and energy conservation measures of each production plant or department. In the meantime, to effectively foster energy conservation, Inner Mongolia Company has formulated control measures of energy consumption, so that targets and plans of energy conservation can be delivered to production plants, teams and even individual positions, prompting all plant employees to jointly perform energy-saving work, reducing emission and mitigating global warming. During the Year, the Group also set a long-term target for production to gradually reduce energy consumption per unit of product. The target for this year has been successfully achieved, and the comprehensive energy consumption per unit of production value of the Company has decreased by 13.1%.

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

Corporate Energy Management Bodies

Task Force on Energy Consumption

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



Energy Saving Office

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



Control Centre of Energy and Raw Materials

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



Energy Saving and Emission Reduction

Under a well-established energy management system, Inner Mongolia Company implements energy conservation work from different aspects every year. Through regular inspections of the factories' machinery operation, investigation of the feasibility of various technological updates and transformations and practical implementation of energy conservation measures, the efficiency of energy consumption has been enhanced. During the Year, apart from continuing the strict implementation of regular energy conservation measures in factories and offices, Inner Mongolia Company also implemented different types of energy-saving optimisation projects to improve energy efficiency and provide new ways of reducing consumption and conserving energy.

Energy Conservation Measures in Production Plants

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

Energy Conservation Measures in Offices

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



The Energy-saving Optimisation Project of This Year

- Collaboration between Workshop 505 and the Power Department:
 - ✓ Installation of dynamic compensation energy-saving devices for the fourth-phase brine unit, with an expected annual electricity savings of 11.97 million kWh
 - ✓ Installation of self-adjusting dynamic compensation energy-saving devices for air compressors, with an expected annual electricity savings of 4.35 million kWh
 - ✓ Energy-saving transformation of cooling tower fans, with an expected annual electricity savings of 500,000 kWh
- Workshop 105 underwent energy-saving transformations for fermentation tanks and seed tanks, implementing automatic connection and shutdown systems. It is projected to achieve an annual steam savings of 11,520 tonnes.
- In Workshop 107, a new type of continuous sterilization system for glycerol and sterile water was installed, with an expected annual energy savings of 55,000 kWh and an annual steam savings of 1,500 tonnes.
- Workshop 503 underwent frequency conversion transformation for slurry circulation pumps, with an expected annual electricity savings of 680,000 kWh.

Usage of Clean Energy

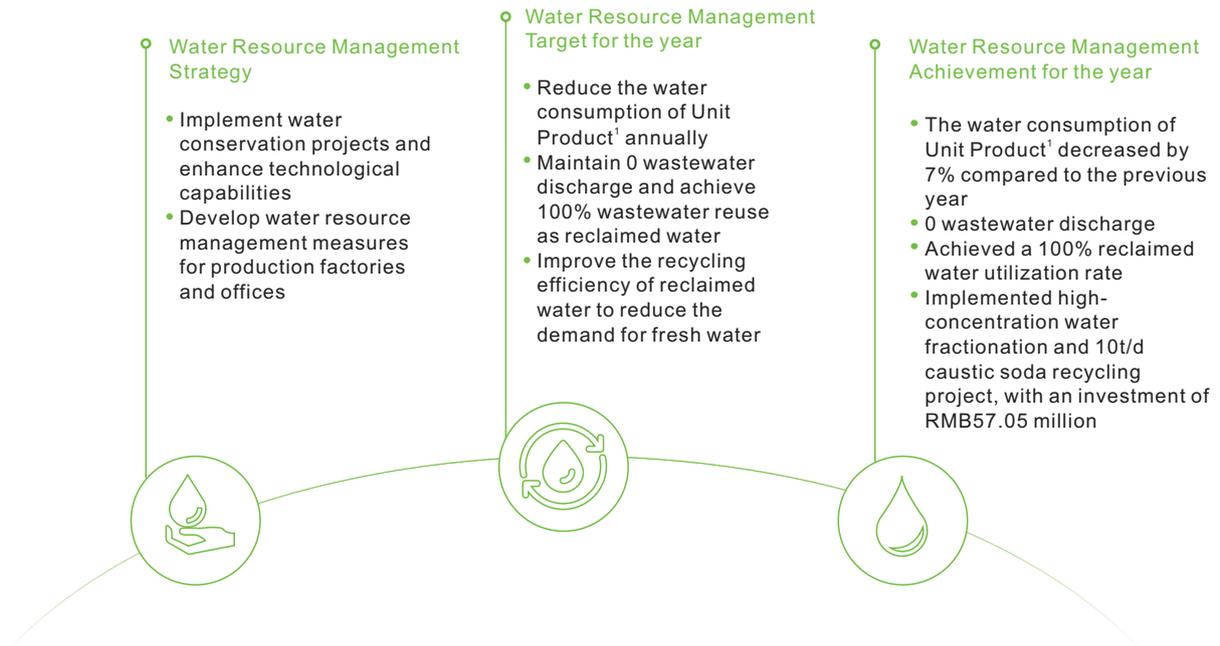
We place great emphasis on the use of clean energy and are committed to introducing renewable energy sources across the entire Group's facilities. In the Year 2022, the Group initiated plans to begin implementing renewable energy, such as solar panels, in a short period of time. This initiative aims to provide clean energy to the company, reduce carbon emissions associated with electricity consumption, and achieve emissions reduction at the source, contributing to our journey towards carbon neutrality.

To achieve this, we have planned to construct three distributed photovoltaic projects with a total capacity of 6 MW in a phased manner by the Year 2024, totaling 18 MW. Upon completion, these projects are expected to generate 25 million kWh of electricity annually.

10.2.3 Align with Country

Inner Mongolia Company actively responds to the national carbon emission plan and participates in the verification to verify its carbon emission. Since 2019, Inner Mongolia Company opened an account for carbon trading and opened different systems, including the national carbon emission registration system and trading system, and the national voluntary emission reduction registration system and trading system, which laid the foundation for contract performance. In November 2023, we purchased a total of 695,461 tons of carbon quota to offset the shortfall in carbon emission quotas.

10.2.4 Management of Water Resource



Note:
1. Unit Product, refers to product per ton.

Linhe District, where Inner Mongolia Company is located, has a diverse natural ecological environment and ecological environment care and remediation has always been the main task of the provincial government. The comprehensive aquatic ecology governance action is an important part of the construction of ecological environment protection in Inner Mongolia. In this connection, Inner Mongolia Company actively coordinates with the policy to reduce water consumption in every step of its production and daily operation in different ways. In addition, greenhouse gas will be generated in the process of sewage treatment, leading to carbon emission. Therefore, the consumption of water resources is closely related to climate change. Inner Mongolia Company thoroughly understands the details of the use of water resources and strives to reduce the consumption or waste of water resources in every detail, so as to reduce greenhouse gas emission and its impacts on climate change.

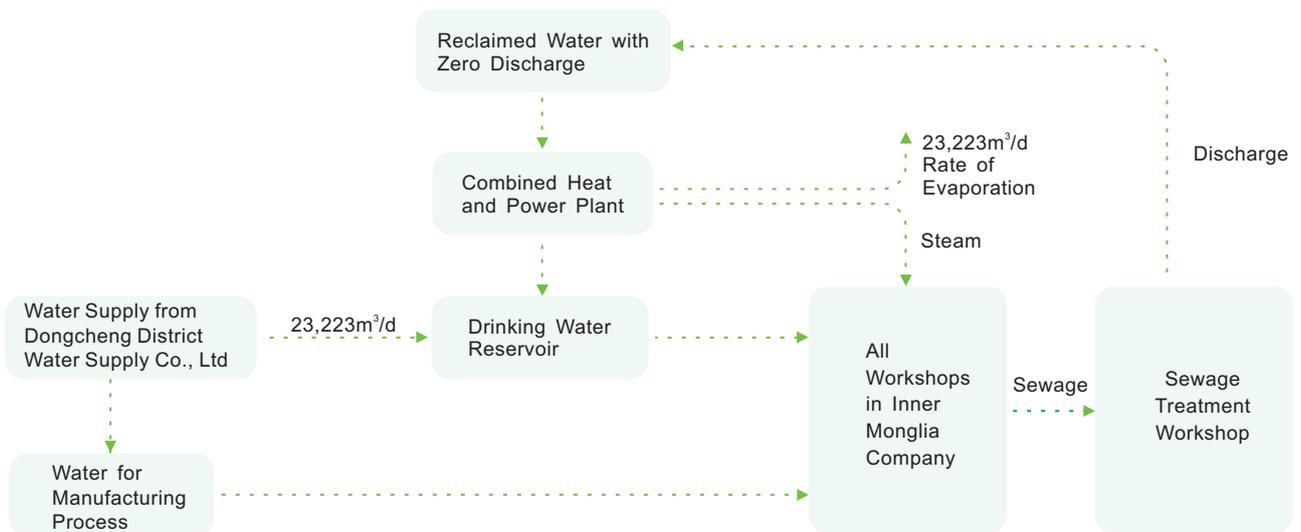
The Group has designated water resource management strategies for all operating locations, with main measures including water conservation in Inner Mongolia production workshops and daily office water conservation.

Water Conservation Measures in Production Plants

- Innovated the production processes to reduce water consumption, such as:
 - ✓ Recycle and reuse the condensate water of the whole plant, including steam pipeline condensate, machine seal cooling water, condensate water from material concentration, etc.;
 - ✓ Recycling and reuse of laundry water;
 - ✓ Implementation of Phase I Salt and Acid-Alkali Transformation Project results in the production of 40–50% reclaimed water for power and water circulation purposes.
- Incorporated consumption reduction indicators into the annual assessment of each production plant.

Water Conservation Measures in Offices

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



Water Balance Diagram

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

The Group does not operate in water-stressed areas. As a non-water-stressed location, the Inner Mongolia Company purchased 7,893,952 cubic meters of external water sources in the current year. The supplying unit of the external water sources is the Lin He Dong Cheng District Tap Water Co., Ltd. of Bayannur City. The total amount of investment in water resource paid by the Inner Mongolia Company during the year was RMB15,328,061. All wastewater has been reused without discharge this year.

Amount of Water(Cubic Metre)	2023	2022	2021
Non-water-stressed Location: Water Purchased of the Inner Mongolia Company ¹	7,893,952	6,823,440	6,384,124
Water-stressed Location: Not Applicable	N/A	N/A	N/A

Note:

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

Amount of Water(Cubic Metre)	2023	2022	2021
Amount of Recycled Wastewater ²	17,961,933	13,286,551	13,686,190
Amount of Discharged Wastewater	N/A	N/A	N/A

Note:

2: The wastewater management for the Inner Mongolia Company has all of the wastewater recycled, with no discharged wastewater.

In order to promote water conservation work, Inner Mongolia Company fully implemented the key environmental protection project for reuse of reclaimed water and set the goal of reusing all reclaimed water during the Year. The treated wastewater is discharged to the reclaimed water reuse system for treatment, achieving zero discharge of wastewater and reducing new water consumption. At the same time, Inner Mongolia Company implemented water conservation measures in production plants and offices and carried out water conservation optimization projects in the plants, bringing an increase in water reuse rate and reduction in unnecessary water consumption. The water reuse of Inner Mongolia Company is satisfactory, with 17,961,933m³ of water reclaimed.

10.3 Responding to Climate Change

The Group proactively monitors potential climate change risks in its operations and is committed to implementing energy-saving and emission-reduction measures and formulating contingency plans to mitigate and adapt to the potential impacts of climate change on its business. To strengthen the identification, assessment, and management of risks and opportunities related to climate change, and to establish measures for managing risks and opportunities, the Group has established the “Regulations for Managing Climate Change Risks” in the Year to enhance its risk resilience.

To comprehensively identify, assess, and respond to the risks and opportunities of climate change in production, operation, and management activities, each unit should establish a list of potential climate risks and opportunities and corresponding measures. This includes identifying and confirming the risks and opportunities present in the department and recording the assessment results in the Checklist for Identifying and Assessing Climate Risks and Opportunities'. Identification evaluations should generally be conducted annually based on changes in environmental factors.

To systematically implement response measures, the Group evaluates identified risks based on time, likelihood, and financial impact, comprehensively assessing the severity. Based on the severity of the risks, measures are determined to reduce or eliminate risks and seize opportunities. Below is a table showing the climate-related risks and opportunities identified for the current year.

RISK CATEGORY	RISK	POTENTIAL IMPACT	RESPONSE MEASURES
Climate-related Risks: Physical Risks			
Immediate Risks	Extreme Heat	<ul style="list-style-type: none"> Increased ventilation and cooling needs for production facilities and offices, leading to higher energy consumption and operating costs. During high temperatures, the power system may experience peaks in electricity demand, causing power outages and affecting normal production. Sudden high temperatures increase the risk of factory fires. Increased risk of heat-related illnesses such as heatstroke, affecting employee health. 	<ul style="list-style-type: none"> Develop staggered electricity use plans and work schedules during peak electricity demand periods. Establish contingency plans for energy use and develop energy emergency plans in advance. Arrange hazardous material shipments in the morning or afternoon during summer to avoid high-temperature periods, reducing the risk of fires. Provide heatstroke prevention and cooling supplies during summer and ensure outdoor work safety for employees.
Immediate Risks	Extreme Cold	<ul style="list-style-type: none"> Increased heating needs for production facilities and offices, leading to higher energy consumption and operating costs. Icy roads causing transportation disruptions for production materials, leading to material shortages and production delays or halts. Dry weather conditions can lead to accidents such as fires, explosions, leaks, and poisoning, posing safety risks to employees. Low temperatures can cause equipment failures and property damage. 	<ul style="list-style-type: none"> Develop contingency plans for energy use and establish energy emergency plans in advance. Regularly analyze supplier supply risks, develop key raw material stocking strategies, and strengthen supplier relationships. Establish emergency plans to prevent accidents such as fires, explosions, leaks, and poisoning. Strengthen employee winter safety training and ensure safe work operations for employees. Implement insulation and anti-freezing measures in each workshop to prevent equipment damage and production interruptions.
Long-term Risk	Global Warming	<ul style="list-style-type: none"> Increased ventilation and cooling needs for production facilities and offices, leading to higher energy consumption and operating costs. Increased probability of heat-related illnesses such as heatstroke, leading to decreased production efficiency. 	<ul style="list-style-type: none"> Implement energy-saving renovations for air conditioning and ventilation systems in production facilities and offices to increase energy efficiency. Provide adequate heat prevention supplies for employees during summer and conduct annual employee health checkups.

RISK CATEGORY	RISK	POTENTIAL IMPACT	RESPONSE MEASURES
Climate-related Risks - Transition Risks			
Regulatory	Increased Greenhouse Gas Emission Pricing	<ul style="list-style-type: none"> The country has implemented a carbon emissions trading mechanism. Self-owned power plants of the company are included in the national carbon emissions trading industry, which may increase operational costs due to purchasing carbon emission quotas for compliance. Increasing greenhouse gas emission pricing significantly affects the electricity and chemical industries, leading to rising energy prices or material supply shortages and indirectly increasing operating costs. 	<ul style="list-style-type: none"> Set energy-saving and emission reduction targets, actively take measures to reduce greenhouse gas emissions, and gradually reduce carbon intensity and total emissions. Improve energy efficiency by using high-efficiency energy-saving equipment instead of obsoleted high-energy consumption equipment and retrofitting high-energy-consuming equipment for energy savings. Improve energy structure by using clean energy and renewable energy sources such as photovoltaic power generation. Strengthen energy-saving and emission reduction management, training, and promotion throughout the production and operation process to enhance employee energy-saving awareness. Strengthen energy control, establish energy (such as steam) use application systems, and enhance energy use assessments in production workshops.
Regulatory	Dual Control of Energy Consumption and Carbon Intensity for Existing Products and Increased Supervision	<ul style="list-style-type: none"> To comply with policy requirements, research and develop low-energy-consuming new technologies and processes, thereby increasing research and development expenditures. Replace and procure new energy-saving equipment, leading to increased capital costs. Stringent policies lead to increased compliance costs. 	<ul style="list-style-type: none"> Hire consultants to assess our energy-saving status and implement targeted improvements based on professional assessment results to minimize risks due to policy and regulatory changes. Improve product yields to reduce unit product raw material and energy consumption.
Market	Rising Raw Material Costs	<ul style="list-style-type: none"> Impacted by climate change, global energy transformation, etc., prices of energy (coal, electricity, steam), water, raw materials (glucose, corn starch, etc.) are rising, and some bio-based raw materials are difficult to obtain, leading to increased production costs. 	<ul style="list-style-type: none"> Actively engage in technological innovation, seek alternative raw materials and energy sources, establish multiple energy supply channels. Strengthen strategic cooperation with suppliers (such as signing long-term contracts to avoid price fluctuations), increase key supplier inventories, regularly analyze supplier supply risks. Based on market conditions, prepare raw material reserves in advance to avoid supply disruptions. Improve production technology, increase product yield, control production costs, and reduce raw material and energy consumption. Establish emergency plans and make relevant arrangements to cope with sudden power and water restrictions.

RISK CATEGORY	RISK	POTENTIAL IMPACT	RESPONSE MEASURES
Climate-related Risks - Transition Risks			
Market	Market Information Uncertainty	<ul style="list-style-type: none"> Impacted by climate change or national dual-carbon policies, sudden power and water restrictions, electricity price increases may occur, affecting normal production, timely delivery, and increasing production costs. 	<ul style="list-style-type: none"> Monitor market information and energy policy changes closely to ensure timely information. Establish communication mechanisms with power and water supply departments and develop emergency response-related systems.
Reputation	Stakeholders' Concerns and Negative Feedback	<ul style="list-style-type: none"> Government no longer approves expansion of energy-intensive factories. 	<ul style="list-style-type: none"> Implement a series of energy-saving and carbon reduction measures to reduce environmental impact, ensure EHS compliance, and strictly control EHS risks.

RISK CATEGORY	RISK	IMPACT LEVEL	LIKELIHOOD	EXPECTED TIMEFRAME	SEVERITY
Climate-related Risks - Physical Risks					
Immediate Risks	Extreme Heat	Medium	Very Likely	Short-term	Medium
	Extreme Cold	Medium	Very Likely	Medium-term	Medium
Long-term Risks	Global Warming	Low	Possible	Short-term	Moderate
Climate-related Risks - Transition Risks					
Regulatory	Increased Greenhouse Gas Emission Pricing	Medium	Very Likely	Medium-term	Medium
	Dual Control of Energy Consumption and Carbon Intensity for Existing Products and Increased Supervision	Medium	Possible	Medium-term	Medium
Market	Rising Raw Material Costs	High	Very Likely	Short-term	Severe
	Market Information Uncertainty	Medium	Very Likely	Short-term	Severe
Reputation	Stakeholders' Concerns and Negative Feedback	Medium	Low Probability	Short-term	Moderate

OPPORTUNITY TYPE	OPPORTUNITY	OPPORTUNITY DESCRIPTION	RESPONSE MEASURES
Energy Substitution	<ul style="list-style-type: none"> Clean energy and renewable energy Participation in carbon trading markets 	<ul style="list-style-type: none"> Reduce operating costs (e.g., using the lowest-cost carbon reduction measures) Reduce the risk of future fossil fuel price increases Reduce greenhouse gas emission risk, thereby reducing sensitivity to changes in carbon trading prices Improved reputation and increased demand for products 	<ul style="list-style-type: none"> Develop photovoltaic power generation projects and actively explore other feasible clean energy options Regularly conduct clean production audits and continue to apply comprehensive preventive environmental protection strategies to production processes and products Establish incentives for clean production to ensure its continued effectiveness and reduce greenhouse gas emissions to increase profitability potential in the carbon trading market
Market	<ul style="list-style-type: none"> New market opportunities Subsidies and other benefits from government policy encouragement New financing opportunities brought by the development of green finance 	<ul style="list-style-type: none"> Enter new and emerging markets (e.g., cooperate with government and development banks) to increase revenue Diversify financial assets (e.g., green deposits) to diversify risks 	<ul style="list-style-type: none"> Continue to monitor new markets and actively prepare for new market and business opportunities due to climate change-induced emerging diseases Actively explore the green finance market, such as green deposits and other financial products Strengthen follow-up on environmental policies and timely apply for subsidies. For example, by building green factories, carrying out energy efficiency certification, and other measures to obtain low-carbon subsidies and incentives from government departments, thereby increasing the competitiveness of our products in the market and increasing product sales volume
Resilience	<ul style="list-style-type: none"> Renewable energy projects and energy-saving measures Energy substitution/diversification 	<ul style="list-style-type: none"> Increase the market value of infrastructure, land, and buildings through resilient planning Improve operational resilience through energy substitution and other means 	<ul style="list-style-type: none"> Opt for environmentally friendly materials and processes for product production, build green factories, and green office buildings to enhance the market value of fixed assets Actively promote photovoltaic power generation and explore other clean energy sources to improve energy supply reliability Research the feasibility of energy-saving projects such as photovoltaic battery storage to further enhance production power supply guarantee and improve operational resilience

The Group has identified climate-related physical risks and implemented response measures to mitigate their impact on business operations. Inner Mongolia Company has developed an emergency response plan for sudden environmental incidents in accordance with national laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Emergency Response Law of the People's Republic of China. The company is committed to enhancing the prevention, emergency response, and disposal capabilities of various departments to reduce the risk of losses to business operations due to climate change. The emergency plan includes measures for flood prevention during the flood season, which helps in addressing floods and other flood-related disasters. The plan also clearly specifies the response measures that relevant units should take in the event of extreme weather events, as well as the establishment of an emergency rescue system and procedures to prevent harmful substance leaks. For example, in the event of a flood submerging a sewage station, the relevant departments must immediately close the water inlet and outlet valves of the sewage station, suspend system operations to prevent sewage overflow and widespread pollution.

As the largest production base within the Group, Inner Mongolia Company is committed to energy and water conservation, reducing greenhouse gas emissions, and contributing to international efforts to mitigate climate change. The company has also developed an emergency response plan for sudden environmental incidents, strengthened control measures for extreme weather events, and enhanced emergency response capabilities.

To coordinate emergency rescue work, Inner Mongolia Company has established an emergency rescue command center, enhancing its capabilities to respond to extreme weather events, crisis resolution, and accident management. For hazardous chemicals, the company has developed detailed procedures for handling chemical leaks, aiming to minimize disaster risks. Additionally, Inner Mongolia Company has organized training on emergency response plans for sudden environmental incidents, ensuring that employees in all positions understand and are familiar with emergency procedures and responsibilities. Furthermore, the company conducts drills for emergency response to sudden soil pollution accidents, allowing employees to participate in simulated exercises and evaluating their performance for improvement.

10.4 Pollution Control and Treatment

While making good use of resources, Inner Mongolia Company also pays attention to emission reduction and proper handling of emissions generated in production and daily operations. The Group strictly abides by the relevant laws and regulations on air pollution, water pollution and solid waste, and has established an internal emission management system to systematically manage and reduce emissions to reduce the impacts on the environment.

Category	Relevant Laws, Regulations, Guidelines and Technical Specifications	Internal Policies
Wastewater treatment	<ul style="list-style-type: none"> • Law of the People's Republic of China on the Prevention and Control of Water Pollution • Integrated Wastewater Discharge Standard • Technical Guidelines for Environmental Impact Assessment - Groundwater Environment 	<ul style="list-style-type: none"> • Sewage Treatment Management Program
Exhaust Gas Treatment	<ul style="list-style-type: none"> • Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution • Emission Standard of Air Pollutants for Thermal Power Plants • Emission Standard of Air Pollutants for Pharmaceutical Industry • Standard for Fugitive Emission of Volatile Organic Compounds • Technical Guidelines for Environmental Impact Assessment Atmospheric Environment 	<ul style="list-style-type: none"> • Atmospheric Pollution Management Policy
Waste disposal	<ul style="list-style-type: none"> • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste • Technical Code for Seepage Prevention in Petrochemical Engineering • Technical Guidelines for Solid Waste Treatment and Disposition Engineering • Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Wastes 	<ul style="list-style-type: none"> • Solid Waste Management Procedure • Responsibility System for Environmental Prevention and Control of Hazardous Waste Pollution • Management Rules for Hazardous Waste in the Workshop

10.4.1 Wastewater Treatment

The complicated production process of pharmaceutical intermediates and active pharmaceutical ingredients involves different kinds of emissions. As such, Inner Mongolia Company has implemented sewage treatment system that integrates biochemical, physicochemical, aerobic, and anaerobic feature to handle different wastewater produced such as wastewater from production process, circulating cooling water, and equipment cleaning water. Since 2007, Inner Mongolia Company has built a sewage treatment station, and has been expanding and renovating it according to the demand during operation, covering a total area of 500 acres. Through the treatment process of “pretreatment + hydrolytic acidification + Upflow Anaerobic Sludge Blanket (UASB) + Cyclic Activated Sludge System (CASS) + catalytic oxidation + secondary sedimentation tank”, the sewage treatment station can effectively treat various water pollutants generated during the production processes in Inner Mongolia Company. The sewage treatment station is operated by professional technicians, and the system is designed with a processing capacity of nearly 50,000 cubic meters per day. The treated wastewater is then discharged to the reclaimed water reuse system for treatment, and the wastewater is fully reused to achieve zero wastewater discharge and completely avoid the risk of environmental pollution caused by wastewater discharge.

In addition, Inner Mongolia Company strictly monitor chemical oxygen demand (COD) and ammonia nitrogen (NH₃-N) concentrations of the wastewater in the waste water treatment system, preventing underground water pollution triggered by the “running, emitting, dropping and leakage” of wastewater during the wastewater treatment process. Furthermore, Inner Mongolia continues to implement wastewater pollutant reduction projects to reduce the pressure on wastewater treatment facilities.

To enhance the wastewater treatment goals, the Group has built a three-effect evaporation system and a multi-functional high-efficient waste mineral oil and mechanical vapour recompression (MVR) system as a backup facility to complement the existing MVR evaporation system in 2022. This ensures the stable operation of the company's sewage treatment system, reclaimed water recycling system, and the production system.



Triple-effect Evaporation System Project

The company has invested RMB12 million to build a new set of Triple-effect Evaporation System, with a designed processing capacity of 300 tonnes per day. This system is designed to treat concentrated wastewater generated during various production processes in order to reduce the operational load on the sewage treatment system and ensure the stable operation of the reclaimed water membrane system.



Multi-functional MVR System

The existing MVR evaporation systems in the company are used for pre-treatment of high-concentration wastewater during production processes. As the system's operation length increases, the failure rate of the equipment rises. To ensure the stable operation of the company's wastewater treatment system and reclaimed water system, we have constructed an additional multi-functional MVR system as a backup facility. The project was commissioned and commenced operations on 31 July 2023.

This Year, The United Laboratories has newly constructed a high-concentration water separation and 10t/d recycled concentrated alkaline project, which processes high-concentration water from the zero-discharge recycled water system for salt separation to achieve environmental governance and promote resource utilization in a virtuous cycle. Additionally, in this year, Workshop 407 has completed the amoxicillin mother liquor top washing water recovery project, increasing the recovery rate of amoxicillin mother liquor and reducing wastewater discharge through the reuse of top membrane water.



High-concentration Water Fractionation and 10t/d Caustic Soda Recycling Project

The company invested RMB57.05 million yuan to build a 4,000m³/d high-concentration water fractionation and 10t/d caustic soda recycling project, which processes high-concentration water from the zero-discharge reclaimed water system to separate sodium chloride and sodium sulfate from wastewater. Monovalent salts are converted into acid and alkali for recycling through bipolar membrane technology, achieving the goal of acid and alkali recycling. Divalent salts are evaporated and concentrated using MVR technology to improve purity for external sales, thus exploring the circular economy of waste salt.

After the implementation of this project, not only can the generation of solid waste be reduced, but it can also achieve the benign cycle of waste reduction and resource utilization at the source.

10.4.2 Exhaust Gas Treatment

Inner Mongolia Company generates air pollutants in the production process, including exhaust gas with a peculiar smell generated from sewage treatment process, exhaust gas generated from production process, phenylacetic acid exhaust gas generated from the fermentation process of phenylacetic acid recycling, smoke of coal-fired boiler and the exhaust gas emitted by the used motor vehicles. In regard to the various types of exhaust gas, Inner Mongolia Company has set corresponding treatment facilities and systems to undergo recycling or purification treatment, and has implemented organic exhaust gas treatment projects, so as to ensure that all exhaust gas have reached the national emission standard before being emitted. In order to ensure that the amount of emission does not exceed the legal standard, Inner Mongolia Company has formulated systems relating to pollutant monitoring. In addition to maintaining the automatic monitoring systems for relevant exhaust gases, the company has also engaged a third party monitoring institution to regularly monitor the gas from pollution sources in monthly or quarterly, so as to ensure that the emission of exhaust gas complies with exhaust gas pollution control standards such as the Emission Standard of Air Pollutants for Pharmaceutical Industry (GB37823-2019). During the Year, Inner Mongolia Company has conducted 4 quarterly monitoring of exhaust gas outlets, all of which met the standards, and no excessive gas emissions occurred.



Removal of odours from sewage treatment processes

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



Treatment of exhaust gases from different workshop processes

In regard to the technical processes of different factories and the exhaust gas released, Inner Mongolia Company deal with them by adopting treatment measures such as "Triple cooling + spraying + active carbon and resin regeneration absorbing", alkali spraying and catalytic oxidation, so as to greatly reduce the emission of pollutants.

In the 2022, the Company constructed a new activated carbon adsorption and regeneration waste gas treatment system with a processing capacity of 5,000 cubic meters per hour. This included the addition of three sets of activated carbon adsorption and regeneration beds, one 5,000 cubic meters per hour induced draft fan, one drying fan, and two 50 square meters condensers as the main equipment. The system adopts the 'condensation recovery + water spraying + activated carbon adsorption and regeneration' treatment process, ensuring stable compliance with emission standards for waste gases. Additionally, it can recover some organic solvents, reduce the consumption of activated carbon, minimize the production of waste activated carbon, and achieve energy efficiency.

To achieve the environmental targets, the Group has also invested in the renovation of the existing waste gas facilities. In the Year, the Group has invested RMB5.15 million to optimize the acetone tail gas recovery system in Workshop 201. This initiative aims to enhance the collection measures for unstructured exhaust gases. Acetone is one of the commonly used organic solvents in pharmaceutical processes, widely employed in dissolving, extracting, and synthesizing steps. Given its relatively high cost, recovering and reusing acetone can significantly reduce cost expenditures. Through the optimization and renovation of the recovery system, the group aims to enhance acetone recovery rates and purity, reduce waste, and lower procurement costs. Additionally, acetone is a volatile organic compound, and if emitted untreated into the atmosphere, it may have adverse effects on the environment and health. The optimization and renovation conducted will effectively capture and recover acetone from waste gas, thus reducing environmental pollution.



Acetone Tail Gas Recovery System Optimization and Renovation

The design treatment capacity of the acetone exhaust gas system is 1,400 tons. Through optimization and adjustments, it successfully meets the factory's amine tail gas treatment requirements, achieving compliant emission of tail gas and a 43% increase in tail gas processing capacity.

Additionally, the system is expected to recover 130 tons of acetone for the company each month, significantly increasing company profitability.

10.4.3 Waste Management



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

The non-hazardous wastes include waste diatomite, sludge and glass generated during production, as well as the general garbage generated in daily operation. Inner Mongolia Company considers recyclable wastes as resources, and collects and delivers them to the qualified units for reuse, so as to effectively minimize the amount of wastes disposed. For example, waste diatomite could be used for producing fertilizer, sludge could be used for producing fuel and waste glass could be used for recycling.

In order to reduce the costs of sludge generation and outsourcing utilization, the company invested RMB4 million to upgrade the original sludge horizontal screw centrifugal dewatering technology to the "concentration+high-pressure diaphragm filter press dewatering" technology. The project is to build a two-storey steel structure factory with a single storey building area of 912m². The project will add major equipments including two sludge concentrators with a processing capacity of 110m³/h, two sludge tanks with a volume of 75m³, two PAC dosing tanks with a volume of 25m³, and four high-pressure plate and frame filters with a filtering area of 450m². The design processing capacity is 2,000 tons per day (for sludge and water mixture), aiming to reduce sludge generation.

Inner Mongolia Company complies with the "Guiding Opinions on Improving the Capabilities of Environmental Monitoring, Utilization and Disposal, and Environmental Risk Prevention for Hazardous Wastes" and has formulated strict treatment procedures to handle hazardous wastes, including hyphae slag, waste activated carbon, waste enzyme, concentrated solution of phenylacetic acid, used mineral oil and concentrated liquid in Mechanical Vapor Recompression (MVR). In order to reduce the amount of waste discarded, Inner Mongolia Company has reused the recyclable hazardous wastes for production. For the hazardous wastes that could not be recycled, treatment for turning them into harmless wastes was made through the incineration system of Inner Mongolia Company. The used mineral oil, which was sealed in barrels to ensure zero leakage, was transferred to the unit qualified for hazardous waste treatment for subsequent treatment. The fermented fungi residue was delivered to the qualified unit to produce organic fertilizers. Zhuhai Company also vigorously promoted waste sorting in response to the Group's goal. This year, we have achieved the safe and harmless disposal and utilization of all waste and the Group has also successfully reduced the amount of hazardous waste generated, reducing it by 36% compared to 2022 level.

10.4.4 Cleaner Production

In order to better manage the Group's sewage discharge process, reduce pollutant emissions and avoid causing adverse effects to the environment, Inner Mongolia Company has developed cleaner production management measures to further improve cleaner production strategies, which include four foci:

- Incorporate the results of cleaner production audit into the daily management of the company, and integrate the cleaner production awareness and methods into the company's production and quality management.
- Through the implementation of performance appraisal and post duty system, we establish a cleaner production incentive mechanism, and link the reward and punishment measures such as employee bonuses, wage distribution, criticism and recognition to cleaner production performance, so as to enhance employees' eagerness to participate in cleaner production.
- Establish a special fund for cleaner production of enterprises, and use the economic benefits generated by the implementation of cleaner production for cleaner production in the future, so as to secure the source of funds for cleaner production. This can continuously facilitate the work of cleaner production.
- Establish long-term cleaner production planning, and further reduce material consumption and energy consumption according to the specific conditions of the enterprise, and hence gradually recycle various energy and waste generated in the production process. Production, energy conservation and environmental protection can be equally valued.

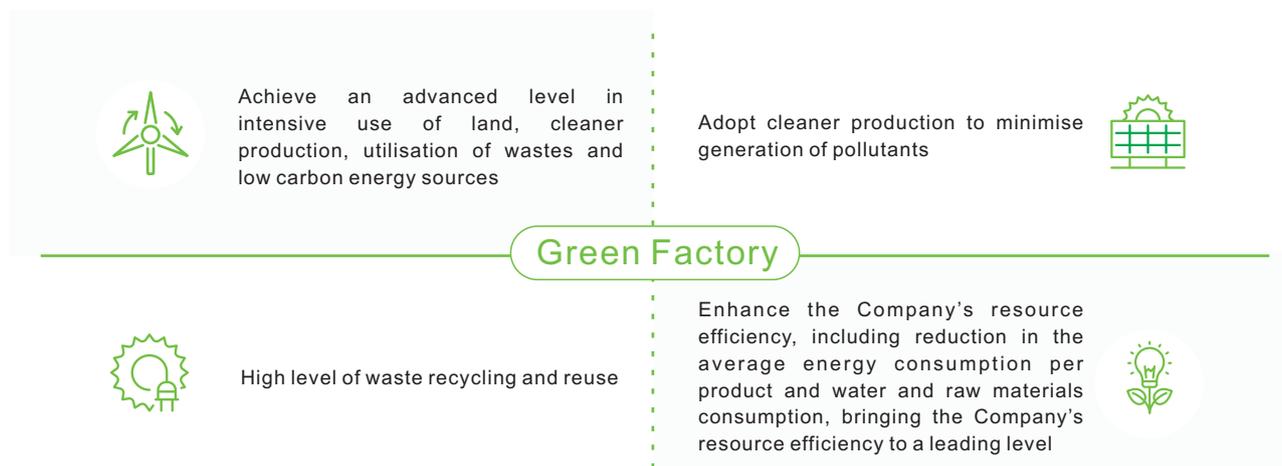
Inner Mongolia Company persists on strictly implementing clean production management methods, and maintaining production quality while gradually reducing resource consumption and pollution. We also raise employees' awareness of cleaner production, and incorporate relevant awareness into daily operations to reduce the impacts on the environment.

10.5 Green Operations

The Group regards water as the source of life, electricity as the development leverage, and at the same time, it gives back to nature. The Group always keeps in mind the environmental impacts triggered by each action in the course of business operations and production, so as to conceive corresponding response strategies and implement effective solutions to reduce the impacts.

The Group attaches great importance to the environmental governance of its subsidiaries, and conducts environmental audits on the Group's relevant operation locations to reduce impact and promote ecological and environmental construction. The Group has undergone annual compliance audits on the environmental management systems at the Inner Mongolia and Zhuhai Company, which both locations have obtained the ISO 14001:2015 environmental management system certification, accounting for 33% of the group's business premises. Zhuhai Company has also established an annual toxic emission plan named the "Hazardous Waste Management Plan". Measures that can reduce the generation of toxic emissions have been set, realising emission reduction at source, implementing environmental protection policies and achieving higher environmental goals, becoming a "green factory" and actively promoting green production. With the expansion of the Group's development scale, the amount of electricity and water consumption also increased inevitably. During the Year, with the slogan of "Saving Electricity, Starting from Scratch", Zhuhai Company continued to advocate water and electricity conservation, and has zero tolerance for waste. It actively carried out electricity and water conservation activities, and advocated a fashionable and civilized green and low-carbon lifestyle. The Group also realises the recycling of resources through the circular economy industrial chain. Zhuhai Company also promotes the classification of domestic waste, strengthens the recycling of resources, and cultivates employees' daily habits of waste classification. To cope with climate change, the Group has strengthened the prevention and control measures for extreme weather events, strengthened environmental education and training to enhance the Group's resilience, and to establish the company's overall environmental culture. At the same time, Inner Mongolia Company also held a tree planting festival, planting more than 300 trees to support low-carbon development and strive to build a green community.

10.5.1 Green Factory



Inner Mongolia Company is a national “Green Factory”, which vigorously promotes cleaner production, improves production processes, formulates emergency plans for environmental emergencies and provides training on environmental protection. It actively promotes environmental protection, and gradually incorporates the concept of green production into its corporate culture. Inner Mongolia Company has established an implementation plan for the construction of green factories. It has invested a lot of resources in the realms of “intensive land use, turning raw materials into harmless, cleaner production, waste recycling, and low-carbon energy” to systematically formulate corresponding work measures and targets, normalise green factory operation mode and green development management, hoping to reach the advanced level of the industry in the various objectives of green factories. In order to effectively manage and maintain the characteristics of green factories, the Company has implemented assessment and reward methods for employees to carry out green environmental protection work in an orderly and efficient manner. The Group will guarantee the investment of funds in Inner Mongolia Company, strengthen technological innovation, and ensure that production technology, equipment, inputs of energy resources, products, environmental protection emissions, performance, etc. all meet the standards of national green factories.

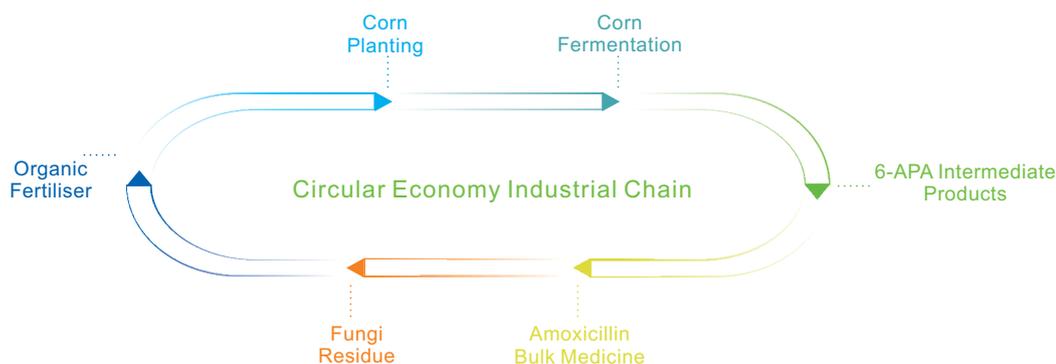
Inner Mongolia Company has always attached great importance to energy measurement management, and advocated energy conservation, emission reduction and energy consumption control. From the standardized collection network to the measurement and flow of internal audit energy, Inner Mongolia Company adopts a rigorous attitude and establishes a sound energy management system. During the Year, the energy measurement review group, which was jointly formed by the Institute of Measurement and Testing of Inner Mongolia Autonomous Region and the Administration for Market Regulation of Bayannur City, conducted on-site review of the energy measurement of Inner Mongolia Company, which highly affirmed the Company's energy measurement management.

To cultivate the habit of energy conservation among all employees, the Group regularly conducts electricity-saving activities. Leaders of each company carry out publicity campaigns on electricity conservation, lead by example, and enhance the awareness of all employees about saving and using electricity scientifically. When there is sufficient natural light, they try to turn off lighting or reduce the number of light sources and always turn off lights when leaving a room to eliminate the use of daytime lights or lights left on overnight. Air conditioning is set at 26°C or higher, and its usage time is reduced. Office equipment and household appliances are promptly turned off when not in use to minimize standby power consumption. They also try to reduce the use of elevators. High-power electrical appliances are not used during peak electricity consumption periods. Rational control of streetlights and unnecessary lighting is practiced, and energy-saving products are used reasonably while eliminating high-energy-consuming equipment. The Group supports and cooperates with various departments to manage electricity usage scientifically. Printers and copiers, among other office equipment, are turned off when not in use for extended periods. When leaving the office, staff members turn off lights, air conditioning, office equipment, and instrument power. Daylighting is utilized by promptly turning off corridor lights and restroom lighting during the day, as well as using energy-efficient lamps and appliances as much as possible, and optimizing all electrical equipment for energy-saving mode.

10.5.2 Circular Economy Industrial Chain

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

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



10.5.3 Training in Environmental Protection

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

According to the plan, each new employee will be arranged to receive new employee training in environmental protection knowledge so as to let them acquire the most fundamental knowledge of Inner Mongolia Company's environmental issues. For environmental protection specialists, Inner Mongolia Company provides targeted training. The content covers the interpretation of legislation and related emission standards such as Emission Standard of Air Pollutants for Pharmaceutical Industry, pollution control situation, hazardous waste storage standards and emergency plans for environmental emergencies. For the methods of pollution treatment and sampling, Inner Mongolia Company also arranges relevant training such as the standardized setting of exhaust gas sampling ports, explanation of wastewater treatment process and emergency response drills for sudden soil pollution accidents to ensure that personnel understand the treatment process and reduce the pollution of the business to the environment. Through written and oral examinations, Inner Mongolia Company can clearly understand the learning outcome of employees. Upon completion of the training, Inner Mongolia Company will issue a training outcome evaluation questionnaire to employees to collect opinions and analyse the training content and effectiveness in order to make improvement on the course. In addition, there are written and oral assessments at the factory level to ensure that employees can grasp and apply their knowledge of environmental protection. During the Year, in order to support the national carbon reduction target, Inner Mongolia Company also arranged training for employees on carbon asset management strategies and practices to understand the knowledge of carbon emission rights. In addition, the Inner Mongolia Company organizes Annual Environmental Protection Knowledge Competition to further promote the dissemination of environmental knowledge and regulations, and enhance employees' awareness and proficiency in environmental protection at The United Laboratories.



Energy Conservation Promotion Week

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



During the activity, each participating unit organised energy-saving knowledge quizzes at the entrance of the factory area, and small gifts were distributed on-site. The Production Technology Department will continue to perform energy conservation effectively, contributing to the company's energy conservation and environmental protection efforts.



Garbage Sorting, Action is Key

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

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

10.6 Protecting Biodiversity

Biodiversity has always been an integral part of ecosystems, providing valuable natural resources and ecological services to humanity. At the same time, biodiversity is the foundation for human survival and development, forming the material basis for all social activities; without biodiversity, human existence would not be possible. Biodiversity is of vital importance in maintaining ecological balance, preserving human well-being, and promoting sustainable development.

The United Laboratories attaches great importance to biodiversity conservation and strictly adheres to relevant laws and international conventions such as the Forest Law of the People's Republic of China, the Implementation Regulations of the Forest Law of the People's Republic of China, the Wild Plant Protection Regulations of the People's Republic of China, the Wild Animal Protection Law of the People's Republic of China, and the United Nations Convention on Biological Diversity. The company has developed and actively promotes measures related to biodiversity conservation.

To protect biodiversity, our group has formulated the "Biodiversity Conservation Management Regulations", with responsibilities assigned to the Group's Environmental Protection Department and ESG Working Group for developing corresponding measures and conducting supervision and inspections. In order to maintain ecological balance, the Group is committed to:

- 1 Not using any animal or plant materials from species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) for product manufacturing.
- 2 Verifying the raw materials provided by suppliers to ensure they do not belong to species listed in the CITES appendices for animal or plant materials.
- 3 We do not engage in deforestation-related activities in our business operations, and we commit to maintaining zero deforestation in our future operations.
- 4 We will enhance awareness among employees and suppliers regarding biodiversity conservation in all our business operations, continuously strengthen internal biodiversity protection campaigns and training.
- 5 Continuously reducing adverse impacts on biodiversity and fulfilling our commitment to biodiversity conservation.



Biodiversity Conservation

Ulan Suhai Lake is located in Urad Front Banner, Bayannur City, Inner Mongolia Autonomous Region, and is one of China's eight major freshwater lakes as well as the largest lakeside lake in the Yellow River Basin. It is a large grassland lake with biodiversity and environmental protection functions, which is extremely rare in desert and semi-desert areas globally. Ulan Suhai Lake plays a crucial role in maintaining ecological balance in the northwest region of China and beyond, and in protecting species diversity. In 2016, the comprehensive treatment of Ulan Suhai Lake was included in the national '13th Five-Year Plan' outline. Bayannur City has followed the comprehensive treatment concept of 'ecological replenishment, source control and pollution reduction, restoration and management, resource utilization, and sustainable development,' accelerating the implementation of the Ulan Suhai Lake treatment plan, completely eliminating point source pollution hazards in Ulan Suhai Lake, and achieving zero discharge of point source pollutants into the lake.

The United Laboratories actively responds to the government's call, adhering to the environmental protection concept of "Green Waters and Green Mountains are Golden and Silver Mountains" and "Environmental Protection is the Lifeline of Enterprises", firmly supporting the construction of the "Western Ecological Security Barrier". By the end of October 2019, the company completed the construction and installation of the reclaimed water project, and by the end of December, successfully completed the debugging work, achieving zero discharge of sewage from the entire factory and full reuse.

As of this year, The United Laboratories has maintained zero discharge of sewage for more than three years, with all water being reused. This contributes to the governance and protection of biodiversity in Ulan Suhai Lake.

11

Working Together BUILDING A BETTER COMMUNITY

> Our Focuses

- Public Welfare Activities
- Supporting Education
- Love-filled Volunteering

> Our Actions

- The "Filial Piety Swallows" Charity
- The United Laboratories
- Medical Education Scholarship
- Caring for the Community



Since its establishment, The United Laboratories has been adhering to the corporate philosophy of “Love China, For China”, bearing social responsibilities in mind while pursuing economic development, promoting the development of China’s medical and health industry, and creating more high-quality medical products for the society. At the same time, the Group also actively participates in social welfare undertakings and gives back to the society with practical actions. The Group held a number of charity events during the Year, covering many fields such as education donation, anti-epidemic and disaster relief, poverty alleviation, taking care of the needs of different people in the society and actively promoting a healthy lifestyle in the community to foster positive community development.

11.1 The “Filial Piety Swallows” Charity

Giving back to the society is a social responsibility that the United Laboratories need to fulfill. The “Filial Piety Swallows” public welfare activity, organised by the Zhuhai United Laboratories Co., Ltd., has held 63 public welfare activities by the end of this year since officially launched in 2019, benefiting a total of 5,192 people. The initiative encompasses the elderly, children, and disabled individuals, providing comprehensive, high-quality, and diversified care services. It continues to embody the humanistic care of The United Laboratories while instilling the spirit of “giving back” into the company’s culture.

This year, the “Filial Piety Swallows” public welfare activity has been held 18 times. The initiative encompasses the elderly, children, and disabled individuals, providing comprehensive, high-quality, and diversified care services. It continues to embody the humanistic care of The United Laboratories while instilling the spirit of “giving back” into the company’s culture.





“Filial Piety Swallows” Public Welfare Activity

The "Filial Piety Swallows" charity team, organized the first charity event of the Year at the Home Care Service Station in Pingsha Town. Accompanied by social workers and station staff, the team delivered epidemic prevention kits and hearing aids to the elderly, conveying care and hope for their well-being.

During the meaningful moment of the elderly residents moving to the new premises at Xiaolin Social Welfare Centre, The United Laboratories presented custom-made photo albums through the Filial Piety Swallows charity event, capturing their beautiful memories and moments. Amidst laughter and joy, the elderly bid farewell to the old welfare center, and Filial Piety Swallows will continue to organize more charity activities for them.



In order to convey care and warmth to the elderly in nursing homes, the Filial Piety Swallows team brought love and supplies from The United Laboratories to visit the elderly in the Jinwan District of Zhuhai. The team accompanied the elderly, engaging in conversations and walks, and the limited time was filled with laughter and warmth. Filial Piety Swallows will continue to uphold the commitment of making charity a habit, spreading "love" further and making lives more valuable.

At the Home Care Service Center in Pengjiang District, Jiangmen, The United Laboratories' Filial Piety Swallows team, along with seven families and their children, participated in this charity event. During the activity, team members, young and old, interacted warmly with the elderly, engaging in conversations and calligraphy practice together. The team also visited the handicraft workshop of Wu Weiquan, a disabled person, and was impressed by the exquisite handicrafts produced by the disabled individuals. Some team members purchased handicrafts as souvenirs.

The Filial Piety Swallows campaign adheres to the loving concept of caring for the elderly and disabled individuals, continuously spreading love. May the spirit of giving back be passed on, as the swallows fly into thousands of households and into the hearts of everyone. With the continuity of love, Filial Piety Swallows eagerly anticipates the next encounter.

11.2 Supporting Education

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

The Group also actively maintains in-depth technical and personnel exchanges with major universities. This year, The United Bio-Technology Co., Ltd invited faculty and students from Jinan University's International Business School to visit and intern, aiming to enhance the interaction between academia and industry and contribute to the expansion of the company's talent pool.



Learning and Visiting Activity

To further promote collaboration between academia and industry and the establishment of industry-academia-research bases, under the leadership of the Group's Human Resources Center, the International Business School of Jinan University visited Zhongshan Company for an exchange visit, jointly exploring the path of industry-academia collaboration.

The faculty and students from Jinan University first visited The United Laboratories' production workshops for amoxicillin and eye drops, experiencing firsthand the intricacy of pharmaceutical manufacturing and the complexity of the production process. They then proceeded to the product exhibition hall of the Zhongshan Company, where they had the opportunity to learn and witness the modernized processes of pharmaceutical manufacturing and the composition of The United Laboratories' key products.

During the discussion and exchange session, the Group's Human Resources Center highlighted the corporate development and core cultural concepts of The United Laboratories, showcasing the training platform and career development pathways offered by the Group. The session also emphasized the diversity and significance of Jinan University's platform, providing students with broader career development opportunities and enhancing their competitiveness in future professional careers.

The United Laboratories will continue to support educational initiatives and collaborate with the International Business School of Jinan University to provide students with more practical opportunities and professional guidance, jointly assisting in the cultivation and growth of talents in the pharmaceutical industry. In the future, both parties will maintain close cooperation and explore the path of innovation in the field of pharmaceuticals together.



11.3 Love-filled Volunteering

11.3.1 Non-remunerated Blood Donation

Considering the needs of the community is an important part in leading the enterprise towards sustainable development, hence we always regard the subsidiaries and the communities in which the production sites are located as important stakeholders of the Group. The Group has been paying attention to the medical needs of the community. In addition to our unremitting efforts in developing and popularising various types of drugs, we are also enthusiastic about the community's voluntary blood donation, in which we encourage our employees to help those in need in the community.



Non-remunerated Blood Donation Public Welfare Activity

In the Year, the Party Affairs Office of Inner Mongolia Company, in collaboration with the Epidemic Prevention and Control Office of the Development Zone and the Central Blood Station, jointly conducted the theme "Learning from Lei Feng's Exemplary Deeds, Leading the Way in Loving Blood Donation" blood donation event. A total of 37 employees participated in this event, with a cumulative blood donation volume of 13,000ml. The staff members were awarded blood donation certificates and souvenirs, and the company's labor union will provide each blood donor with a nutrition subsidy of RMB200 in the form of shopping cards. This event showcased the positive and supportive spirit of Federal employees, highlighting the company's enthusiasm for public welfare and its role in shouldering social responsibilities.



In addition, Zhongshan Company also held its annual Love Blood Donation event. A total of 141 employees from Zhongshan Company and China Sales Department (Headquarters) participated, with a cumulative blood donation volume of 35,520ml.

11.3.2 Caring for the Needy

The Group actively cares for the needy, giving back to society, spreading love, and contributing to the harmonious development of society.



The United Laboratories Donates Funds to Sichuan Disabled Persons' Welfare Foundation

In support of the development of the disabled persons' cause in Sichuan Province, The United Laboratories donated funds to the Sichuan Disabled Persons' Welfare Foundation. The donated funds will be used for rare diseases and major diseases assistance for the disabled community. Chairman of the Sichuan Disabled Persons' Welfare Foundation and Secretary-General, expressed heartfelt gratitude for The United Laboratories' compassionate gesture.

Deputy General Manager of the China Sales Department stated that disabled persons are a special and vulnerable group, and he hopes that through the platform of the Sichuan Disabled Persons' Welfare Foundation, the Group can contribute its strength to the cause of assisting the disabled.



11.3.3 Poverty Alleviation

The Group is actively helping impoverished families in remote areas. In the Year, the Labor Union of Inner Mongolia Company, in collaboration with the Linhe District Federation of Trade Unions, launched the first "Clothes with Deep Affection, Spreading Love" clothing donation charity event.



"Clothes with Deep Affection, Spreading Love" Clothing Donation Charity Event

The Labor Union of Inner Mongolia Company, in collaboration with the Linhe District Federation of Trade Unions, launched the first "Clothes with Deep Affection, Spreading Love" clothing donation charity event. After thorough preparations, the labor union mobilized volunteers to collect over 3,000 pieces of clothing in donation boxes placed in residential areas. The collected clothing was carefully cleaned, disinfected, and promptly sent to the Linhe District Love Donation Centre for the convenience of the disadvantaged workers and the public to select according to their needs. Some of the thicker clothing items were sent to impoverished mountainous areas by the district's Love Donation Centre.



11.3.4 Building a Better City Together

Assisting in building a civilized city and constructing a beautiful home is an inescapable responsibility of the Group. Under the guidance of the company's labour union and Youth League Committee, Zhuhai Company's Volunteer Association carried out the "Assisting in Building the City" volunteer service activity to contribute to the creation of a civilized city. The Group will also strictly fulfill its corporate environmental responsibility and encourage employees to participate in environmental volunteer public welfare activities to contribute to environmental protection and achieve the unified goal of environmental protection and development.



Environmental Cleanliness: Combining Education with Enjoyment

In this golden October, during the pleasant autumn season, the Group organized a birthday activity for the October celebrants at Yangguangzhu Beach in Zhuhai. The theme of the activity was "Beautifying the Environment, Starting with Ourselves", focusing on a beach environmental cleanup for public welfare.

Upon reaching the destination, volunteers eagerly picked up their tools and enthusiastically began their cleaning efforts. Some cleared away litter on the beach, while others removed weeds from the surroundings. Some volunteers inspected and cleared sharp objects from the beach, and so on. The teamwork and collaborative spirit among the participants exemplified their support and concern for environmental protection through tangible actions. Soon, they harvested three large bags filled with the "spoils" of their efforts and sorted them based on recyclability. As they witnessed the gradually cleaner golden beach, despite the sweat they shed, everyone felt a sense of satisfaction and contentment, expressing their joy through smiles.

11.4 Pet Welfare

In recent years, the Group has been actively practicing its social responsibility and investing in the protection of stray pets. To date, The United Laboratories has contributed pharmaceutical and healthcare supplies worth over RMB3 million, providing support to hundreds of pet rescue centers across the country and improving the health and well-being of small animals in these shelters.

In addition to promoting pet welfare initiatives, The United Laboratories continues to enhance its research capabilities and comprehensively develop the pet industry value chain. The company is dedicated to providing end-to-end services for the healthy lives of pets in China. The United Laboratories believes that only by offering superior products and services can true blessings be brought to pets.

At the same time, The United Laboratories appeals to every pet owner to prioritize the health of their pets and to not abandon them. The company encourages the adoption of pets as a means of expanding one's family, replacing the practice of purchasing pets. This way, more furry companions can have a warm and loving home. The United Laboratories is committed to continuing its efforts in pet protection and spreading love.



Caring for Stray Pets

In June 2023, the Third Shanghai Civilized Pet Care Carnival was successfully held. During the event, The United Animal Healthcare donated pharmaceutical and healthcare supplies worth RMB1 million to the Shanghai Volunteer Service Public Welfare Foundation. These supplies were allocated to stray pet rescue stations nationwide, helping these furry friends endure the sweltering summer days.



Appendix: Key Performance Indicators

Employment

As at 31 December 2023, the Group employed 15,611 employees, representing an increase of 8.3% compared with the same period last year. During the Year, the Group did not have any work-related fatalities or any confirmed violations or complaints relating to human rights, labour practice, occupational health and safety that have significant impact on the Group.

Indicators	2023	2022	2021
Number of employees	15,611	14,410	13,384
By gender			
Male	9,298	8,592	7,898
Female	6,313	5,818	5,486
By age group			
< 30	4,997	4,603	4,477
30 to 50	9,956	9,268	8,437
> 50	658	539	470
By geographical region			
Mainland China	15,522	14,322	13,297
Hong Kong, China	89	88	86
India	0	0	1
By employment type			
Full-time staff	14,385	13,687	12,974
Interns	1,226	723	410
Employee Turnover Rate (%)	18	13	19
By gender			
Male	18	15	21
Female	17	10	16
By age group			
< 30	29	26	33
30 to 50	13	7	12
> 50	11	11	15
By geographical region			
Mainland China	18	13	19
Hong Kong, China	3	13	20
India	N/A	100	0
Number and Rate of New Hired Employees (%)	2,453 (16)	-	-
By gender			
Male	1,333 (14)	-	-
Female	1,120 (18)	-	-
By age group			
< 30	1,175 (24)	-	-
30 to 50	1,263 (13)	-	-
> 50	15 (2)	-	-
By geographical region			
Mainland China	2,449 (16)	-	-
Hong Kong, China	4 (4)	-	-

Indicators	2023	2022	2021
Total number of training hours (hours)	562,649	730,021	548,728
Average number of training hours (hours) and percentage of employees trained (%)	36.0 (75)	50.7 (96)	41.0 (95)
By gender			
Male	40.2 (81)	51.9 (96)	40.5 (95)
Female	30.0 (66)	48.8 (95)	41.7 (93)
By employee level			
Senior	24.3 (76)	67.2 (98)	52.7 (100)
Middle level	23.2 (68)	54.7 (100)	48.3 (100)
Basic level	37.4 (76)	50.0 (95)	40.2 (94)

Occupational Health and Safety

Indicators	2023	2022	2021
Number of work-related deaths	0	0	1
Number of working days lost due to work-related injuries	984.25	2,114.00	653.00

Supplier Management

Indicators	2023	2022	2021
Number of major suppliers ¹	137	119	111
By geographical region			
East China	50	36	33
South China	27	21	21
Central China	3	3	5
North China	42	26	21
Southwest China	9	6	6
Northwest China	3	24	23
Northeast China	2	2	2
Outside of China	1	1	0

Notes:

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

Environmental Management

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

Indicators	2023	2022	2021
Exhaust gas (tonnes) ^{1,2}			
Nitrogen oxides (NO _x)	284	204	522
Sulphur oxides (SO _x)	149	120	401
Particulate Matter (PM)	22	14	64
Waste (tonnes)			
Total non-hazardous waste ³	23,701	27,426	38,828
Non-hazardous waste produced per tonne of products	0.48	0.75	0.91
Total hazardous waste ⁴	281,811	194,684	246,950
Hazardous waste produced per tonne of products	5.69	5.31	5.81

Indicators	2023	2022	2021
Greenhouse Gas (tones of CO₂e)			
Total emission	1,793,319	1,216,069	1,481,113
Scope 1 – direct emissions ⁵	1,412,549	965,987	1,245,851
Scope 2 – energy indirect emission ⁶	377,650	247,666	232,415
Scope 3 – other indirect emission ⁷	3,120	2,416	2,847
Emission of greenhouse gas per tonne of products	36.21	33.19	34.83
Energy Consumption (MWh)⁸			
Total consumption	4,858,007	3,256,904	4,107,517
Direct energy consumption	4,327,601	2,976,834	3,844,693
Fuel combustion for stationary sources	4,327,355	2,976,663	3,844,271
Fuel combustion for vehicles	246	171	423
Indirect energy consumption	530,407	280,070	262,823
Purchased electricity	530,407	280,070	262,823
Energy consumption per tonne of products	98.09	88.88	96.59
Water Consumption (m³)			
Total consumption ⁹	6,429,002	4,970,837	5,900,247
Water consumption per tonne of products	126.05	135.66	138.74
Amount of reclaimed water ⁹	17,961,933	13,286,551	13,686,190
Amount of purchased water saved ¹⁰	10,434,312	8,023,456	9,393,307
Packaging materials Consumption			
Total consumption (tonnes) ¹¹	3,372	2,444	2,682
Plastic products	491	383	499
Paper products	2,734	1,963	2,132
Metals	148	98	51
Consumption of packaging materials per tonne of products (kg)			
Plastic products	9.91	10.46	11.73
Paper products	55.20	53.56	50.13
Metals	2.98	2.67	1.20

Notes:

- The standard of exhaust gas based on the amount of air emission stated on the pollutant discharge license. The parameter standard for exhaust gas: Nitrogen Oxides (Nox): 820, Sulphur Oxides (Sox): 805, Particulate Matter (PM): 246.
- The sources of exhaust gas emission includes the exhaust gas emission from production and vehicles. The data is calculated based on the actual amount of emission and the Reporting guidance on Environmental KPIs published by HKEEX.
- The data refers to the actual amount of non-hazardous wastes generated.
- The data refers to the actual amount of hazardous waste generated.
- Sources of Scope1 – direct greenhouse gas emission includes the fuel combustion for stationary sources and vehicle, and the consumption of refrigerants, while the reduction of greenhouse gas comes from tree planting in the production plant. The data is calculated based on the Chinese national standards GB/T32151.10 - 2015 Requirements of the greenhouse gas emissions accounting and reporting – Part 10: Chemical production enterprise and the Reporting guidance on Environmental KPIs published by the HKEEX. The conversion factors used in the calculation of emissions from the combustion of fuels in stationary sources, vehicles, and refrigeration and air conditioning equipment are based on the "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Chemical Production Enterprises" and "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Land Transportation Enterprises" provided by the National Development and Reform Commission ("NDRC") as well as the Sixth Assessment Report provided by the Intergovernmental Panel on Climate Change (IPCC).
- Sources of Scope2 – indirect greenhouse gas emission of energy includes the greenhouse gas emission involved in purchased electricity. The data is calculated based on "2021 Carbon Dioxide Emission Factor of Electricity" issued by the Ministry of Ecology and Environment of PRC and National Bureau of Statistics of China on 12th April 2024. The conversion factors used in the calculation are based on the Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Enterprises, Power Generation Facilities (Revised in 2022), page 11.
- Sources of Scope3 – other indirect greenhouse gas emission includes the greenhouse gas emission generated from employee business air travel, electricity used for fresh water processing by the Water Services Department and sewage processing by the Drainage Services Department, and greenhouse gas emissions from paper disposal. Carbon emissions from employee business air travel are calculated using the carbon emissions calculator of the International Civil Aviation Organization. Carbon emissions from the electricity used for fresh water processing by the Water Services Department and sewage processing by the Drainage Services Department are calculated based on the research published by Tsinghua University in "China Urban Water Supply System Energy Consumption Study" and the statistical analysis and quantitative identification of the energy consumption law of urban sewage treatment plants in China published by Tsinghua University and the National Urban Water Supply and Drainage Engineering Technology Research Center. The carbon emissions from paper disposal are calculated based on Appendix 2 of the "Environmental Key Performance Indicators Reporting Guidelines" published by the HKEEX.
- The calculation of total energy consumption includes fuel combustion for stationary sources and vehicle, and purchased electricity. The data is calculated based on the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Road Transport Corporation (Trial) issued by the National Development and Reform Commission of the People's Republic of China, the Chinese national standards Gb17930 - 2016 Gasoline in Vehicles and the Chinese national standards GB/T32151.10 - 2015 Requirements of the greenhouse gas emissions accounting and reporting – Part 10: Chemical production enterprise. The conversion factors used in the calculation of fuel consumption for stationary equipment (including production, cafeteria, and heating), vehicle fuel consumption, and purchased electricity consumption are based on the "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Chemical Production Enterprises" and "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Land Transportation Enterprises" provided by the National Development and Reform Commission ("NDRC"), as well as the Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Enterprises, Power Generation Facilities (Revised in 2022), page 11.
- The data refers to actual water consumption record. Total water consumption did not increase due to increased production and full production throughout the year due to process improvements and vigorous promotion of recycling in each workshop of Inner Mongolia Company.
- The saved volume of purchased water is the amount of water saved through water reuse. During the Year, Inner Mongolia Company operated a water reuse system throughout the year and the volume of water reused was higher than that of the previous year, resulting in an increase in the saved volume of purchased water.
- The data is based on the Group's actual usage records of packaging materials.

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

ESG Indicators	Overview	Chapter	Page
Environment			
A1 Emissions	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Steps Towards Carbon Neutrality Pollution Control and Treatment	86 98
A1.1	Types of discharges and related discharge information.	Steps Towards Carbon Neutrality Pollution Control and Treatment Key Performance Indicators	86 98 115
A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and (where applicable) intensity (per unit of production, per facility).	Key Performance Indicators	115
A1.3	Total volume of hazardous waste generated (in tonnes) and (where applicable) intensity (per unit of production, per facility).	Key Performance Indicators	115
A1.4	Total volume of non-hazardous waste generated (in tonnes) and (where applicable) density (per unit of production, per facility).	Key Performance Indicators	115
A1.5	Description of the emission targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Pollution Control and Treatment Green Operations	86 98 103
A1.6	Description of the methods used to treat hazardous and non-hazardous wastes and description of the waste reduction targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Pollution Control and Treatment Green Operations	86 98 103
A2 Resource Use	General disclosure Policies on effective use of resources (including energy, water and other raw materials).	Steps Towards Carbon Neutrality	86
A2.1	Total direct and/or indirect energy consumption (e.g. electricity, gas or oil) by type (in thousands of kWh) and intensity (e.g. per unit of production, per facility).	Key Performance Indicators	115
A2.2	Total water consumption and intensity (e.g. per unit of production, per facility).	Key Performance Indicators	115
A2.3	Description of the energy efficiency targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Green Operations	86 103
A2.4	Description of whether there is any issue in sourcing water and the water efficiency targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Green Operations	86 103
A2.5	Total volume of packaging material used for finished products (in tonnes) and (where applicable) the amount per unit of production.	Key Performance Indicators	115
A3 Environmental and Natural Resources	General disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Green Operations	103
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operations	103
A4 Climate Change	General disclosure Policies for identifying and responding to significant climate-related matters which have caused and may have an impact on the issuer.	Steps Towards Carbon Neutrality	86
A4.1	Description of significant climate-related matters which have caused and may have an impact on the issuer and the responding actions.	Steps Towards Carbon Neutrality	86

ESG Indicators	Overview	Chapter	Page
Society			
B1 Employment	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Benefits and Welfare Employee Communication	60 72 75
B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	Key Performance Indicators	115
B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators	115
B2 Health and Safety	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	78
B2.1	The number and ratio of work-related deaths in each of the past three years (including the reporting year).	Key Performance Indicators	115
B2.2	Number of working days lost due to work-related injuries.	Key Performance Indicators	115
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	78
B3 Development and Training	General disclosure Policy on enhancing the knowledge and skills of employees to perform their job duties. Description of training activities. Policy on enhancing the knowledge and skills of employees to perform their job duties. Description of training activities.	Talent Cultivation and Development	64
B3.1	Percentage of employees trained by gender and type of employee (e.g. senior management, middle management).	Key Performance Indicators	115
B3.2	Average number of hours of training completed per employee by gender and type of employee.	Key Performance Indicators	115
B4 Labour Standards	General disclosure The information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer in relation to the prevention of child labor or forced labor.	Benefits and Welfare	72
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Benefits and Welfare	72
B4.2	Description of steps taken to eliminate such practices when discovered.	Benefits and Welfare	72
B5 Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management	49
B5.1	Number of suppliers by geographical region.	Key Performance Indicators	115
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	49
B5.3	Description of practices used to identify environmental and social risks at each stage of the supply chain, and how they are implemented and monitored.	Sustainable Supply Chain Management	49
B5.4	Description of practices used to promote environmentally friendly products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Supply Chain Management	49

ESG Indicators	Overview	Chapter	Page
B6 Product Responsibility	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Quality Management	36
		Product Marketing and Promotion	42
		Customer Service	46
		Information Security	31
		Pharmacovigilance	47
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Customer Service	46
B6.2	Number of products and service-related complaints received and how they are dealt with.	Customer Service	46
B6.3	Description of practices relating to observing and protecting intellectual property rights. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Protection of Intellectual Property Rights	33
B6.4	Description of quality assurance process and recall procedures.	Quality Management Customer Service	36 46
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security	31
B7 Anti-corruption	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering. Policy on enhancing the knowledge and skills of employees to perform their job duties. Description of training activities.	Business Ethics	26
		Business Ethics	26
		Business Ethics	26
		Business Ethics	26
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics	26
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics	26
B7.3	Description of the anti-corruption training provided to the directors and employees. The information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer in relation to the prevention of child labor or forced labor.	Business Ethics	26
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.	"Filing Piety Swallows" Charity	109
		Supporting Education	111
		Love-filled Volunteering	112
		Pet Welfare	114
		"Filing Piety Swallows" Charity	109
B8.1	Focusing on contributing areas (e.g. education, environmental matters, labour needs, health, culture, sports).	Supporting Education Love-filled Volunteering Pet Welfare	111 112 114
B8.2	Focus on contributing areas (e.g. education, environmental issues, labour needs, health, culture, sports).	"Filing Piety Swallows" Charity Supporting Education Love-filled Volunteering Pet Welfare	109 111 112 114

APPENDIX: VERIFICATION STATEMENT



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

SHINEWING Sustainability Advisory Services Limited (“SHINEWING Sustainability”) has been engaged by The United Laboratories International Holdings Limited (HKSE Stock Code: 3933) and its subsidiaries (collectively referred to as the “The United Laboratories”) to undertake an independent verification on Environmental, Social and Governance Report 2023 (“ESG Report”). The ESG Report set out the environmental and social performance of The United Laboratories from 1 January 2023 to 31 December 2023. The scope of the verification statement is limited to the data and information in the ESG Report. The United Laboratories selected several specified performance information in the ESG Report for the verification purpose, which included the Scope1&2 greenhouse gases emission data¹, electricity consumption data², water consumption data³, employment data⁴, and occupational health and safety data⁵. (Collectively referred to as “Specified Performance Information”).

Reporting Criteria

The Specified Performance Information are presented in accordance with the criteria set out under “ABOUT THIS REPORT” in the ESG Report (“Reporting Criteria”). Such Reporting Criteria are specifically designed for the purpose of the preparation of the Specified Performance Information included in the ESG Report and, as a result, those Specified Performance Information may not be suitable for another purpose.

Responsibilities of The United Laboratories

The United Laboratories is responsible for the data collection, calculation, making estimates and preparation of the ESG Report. The United Laboratories is also responsible for implementing sound internal control procedures to ensure the content and presentation of the ESG Report are free from material errors.

Responsibilities of SHINEWING Sustainability

SHINEWING Sustainability is responsible to provide an independent verification statement to stakeholders based on the scope and methodology described. We do not assume responsibility or accept liability to any other person for the contents of this report.

Independence and Quality Control

SHINEWING Sustainability have maintained our independence with reference to the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. We have also taken reference to Hong Kong Standard on Quality Management 1 (HKSQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have the required competencies and experienced to conduct this engagement.

Notes:

- 1 Refer to ESG Report Appendix: Key Performance Indicators (Environmental Management): Data of Greenhouse Gas
- 2 Refer to ESG Report Appendix: Key Performance Indicators (Environmental Management): Data of Purchased Electricity
- 3 Refer to ESG Report Appendix: Key Performance Indicators (Environmental Management): Data of Water Consumption
- 4 Refer to ESG Report Appendix: Key Performance Indicators (Employment)
- 5 Refer to ESG Report Appendix: Key Performance Indicators (Occupational Health and Safety)

Inherent Limitation

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. Further, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Reporting Framework and Procedures Performed

We conducted our verification under limited assurance engagement with reference to International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)") issued by the International Auditing and Assurance Standards Board. The standard require that we plan and perform this engagement to obtain limited assurance about whether the Specified Performance Information is free from material misstatement.

A limited assurance engagement undertaken with reference to ISAE 3000 (Revised) involves assessing the suitability in the circumstances of The United Laboratories's use of applicable criteria as the basis for the preparation of the Specified Performance Information, assessing the risks of material misstatement of the Specified Performance Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Specified Performance Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Within the scope of our work, SHINEWING Sustainability performed amongst others the following procedures:

- Interview the managers responsible for sustainability performance and data collection;
- Review the preparation process of the Specified Performance Information, including stakeholders engagement and materiality assessment;
- Verify the samples of the representative data and information selected, including review on conversion data and calculation as well as inspect the original data and supporting evidence of the data selected during the verification process;
- Perform analytical procedures over the Specified Performance Information; and
- Compare the definition as included in the Reporting Criteria against the definitions used by The United Laboratories to prepare the Specified Performance Information.

Conclusion

Based on the procedures that SHINEWING Sustainability has performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Specified Performance Information is not prepared, in all material respects, in accordance with Reporting Criteria of the ESG Report.

SHINEWING Sustainability
Hong Kong
15 April, 2024

Our mission is to make life more valuable