



The United Laboratories International Holdings Limited

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



2020

Environmental, Social and Governance Report

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ABOUT THIS REPORT

The United Laboratories International Holdings Limited (the “Company”) (Stock Code: 03933.HK) issued the Environmental, Social and Governance (“ESG”) Report elaborating various works and performance of the Company and its subsidiaries (collectively “The United Laboratories” or the “Group” or “We”) from 1 January 2020 to 31 December 2020 (the “Year”) in the aspect of supporting sustainable development.

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 the 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 26 to 32 of the Company’s Annual Report.

REPORTING FRAMEWORK

The ESG Report was prepared in accordance with the Appendix 27 of the Environmental, Social and Governance Reporting Guide under the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (“HKEX”).

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.

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.

ANNUAL CORPORATE AWARDS



- 🏆 Ranked 21st in 2019 Top 100 Enterprises among the Pharmaceutical Industry of China
- 🏆 Ranked 18th in 2019 Top 100 Pharmaceutical Enterprises of China
- 🏆 2020 China's Pharmaceutical Industry Top 100 Companies with Comprehensive Strength
- 🏆 2020 Leading Export Brand of Bulk Medicine of China's Pharmaceutical Industry
- 🏆 The United Laboratories donated RMB4.22 million and anti-pandemic supplies worth around RMB1 million
- 🏆 WXSH0150, a new drug for treating rheumatoid arthritis, was approved for clinical trial
- 🏆 The fourth annual Golden Hong Kong Stocks - the most Socially Responsible Listed Company
- 🏆 2019-2020 China Healthcare Enterprises of Best Investment Potential
- 🏆 2020 Sina Finance Golden Kylin Most Valuable Hong Kong Stocks - Best IR Team
- 🏆 Guangdong Private Enterprise of Outstanding Contribution in Fighting COVID-19
- 🏆 Guangdong Province Legal Culture Construction Demonstration Enterprise
- 🏆 Guangdong Province Contract Abiding and Trustworthy Enterprise
- 🏆 Mr. Tsoi Hoi Shan, the Chairman of the Board, was awarded "Outstanding Innovative Entrepreneur" of the 3rd Zhongshan Phoenix Award for the Non-Public Economy
- 🏆 2019 Zhuhai 100 High-tech Enterprises of Economic Contribution
- 🏆 2020 Top 100 Enterprises in Zhuhai
- 🏆 10 Most Competitive Enterprises of National-level Foreign Trade Transformation and Upgrade Bases (Biopharmaceutics) of Zhuhai Jinwan District
- 🏆 "Top 10 Companies of Comprehensive Competitiveness" and "Caring Company" at 2019 Zhuhai Pharmaceutical Industry Celebration of the 40th Anniversary of Reform and Opening Up
- 🏆 Advanced Unit in Ideological and Political work and Construction of Enterprise Culture of Zhuhai 2020



CHAIRMAN'S STATEMENT

In 2020, the coronavirus pandemic has dealt a heavy blow on global economy, and has posed great challenge on different industries. Being the leading pharmaceutical company in China, The United Laboratories joins hands with all sectors and shoulders the burden to face the challenge on human's health. This Year, we focused on preventing and controlling the spread of the pandemic, health protection, and caring for employees. Yet, we did not forget accomplishing our mission and responsibility. Guided by the direction of sustainability for business development, we actively engaged in charity and strive to establish an outstanding Chinese pharmaceutical brand.

Facing the serious outbreak, The United Laboratories actively cooperated with the national and local governments to fight against the pandemic during the Year. By producing anti-pandemic supplies and providing technical assistance, The United Laboratories strengthened its disease control and helped in fighting against the pandemic. We also focused on operation with safety and health to promote the growth of the industry and society. In recent years, we have seen deepening reform of medical and healthcare system. The United Laboratories insists on advancing with the times. In line with the corporate objective of "Production of First-class Products, Provision of First-class Services", we improve the quality of products and services with the help of a scientific management system, and enhance every aspect of production and sales in pursuit of excellence. The Group has established a comprehensive quality management system for pharmaceutical products, from pharmaceutical raw materials and bulk medicine to finished products, so as to ensure product quality. At the same time, we attach great importance to customer evaluation and have established a comprehensive service management system to ensure the patients' safety when administering pharmaceuticals.

The Group considers its employees as the cornerstone of development. We deeply understand the importance of talents for corporate development and abide by the principle of "People-oriented". On the basis of protecting employees' safety, health and legal rights, we have created a diversified employee training and development system to help employees of different positions or levels comprehensively upgrade their professional skills and integrative capabilities

so as to mutually develop with the Group. We also care about employees' well-being. By organising various activities, we allow employees to achieve work-life balance and increase their sense of belonging. We adhere to the business principle of "Friendship, Equality, and Mutual Development" and strengthen the management of supply chain continuously. With efforts on enhancing the management of safety information and advocating on integrity, we strive to build a safe, sounding and robust pharmaceutical brand.

Under the Country's strong promotion of carbon reduction and ecological civilisation, the Group adheres to the sustainable development philosophy of "Priority for Environmental Protection", and continuously creates value for society while sustaining the long-term development and operation of the Group. Upholding a high sense of social responsibility, we put the environmental impacts caused by our production and operation into our overall consideration. We have been making efforts to construct an environmentally-friendly circular economic system, so as to create a national green factory. In the meantime, the Group adheres to the corporate philosophy of "Love China, For China" and actively participates in charity affairs. We have established "The United Laboratories Scholarships" in many colleges and universities across the Country to promote the development of medical education. At the same time, we have participated in the organisation of a number of professional academic activities to provide a learning platform for medical workers to communicate with each other. In addition, we also focus on social welfare such as disaster relief, poverty alleviation and elderly care, and give back to society with real actions to fulfil our corporate social responsibilities.

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

Tsoi Hoi Shan
Chairman

ABOUT THE GROUP

◆ INTRODUCTION OF THE GROUP

The Group is a comprehensive and modernised pharmaceutical enterprise engaging in the research and development, production and operation of intermediates, bulk medicine and finished products. The Group currently has six major production sites, namely The United Laboratories 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) Co., Ltd. ("Inner Mongolia Company"), and The United Animal Healthcare (Inner Mongolia) Co., Ltd. ("The United Animal Healthcare"), with a total of approximately 13,000 employees.

◆ CONCEPT AND VISION

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

Talents are the primary productive force of an enterprise. The Group emphasises high-quality workforce 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 "Making Life More Valuable" to promote the development of environmental protection and the charity sector with a high sense of social responsibility. As for environmental protection, we have made huge investment in creating a green enterprise. We actively support charities in multiple fields such as education, poverty alleviation and social welfare. Our efforts have been recognised by all walks of society, which reflected our responsibilities and missions as a modern enterprise.

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



Corporate Philosophy

Love China, For China



Business Concept

Friendly, Responsible, Hardworking and Efficient



Corporate Vision

Making Life More Valuable



Business Principle

Friendship, Equality, and Mutual Development



Corporate Objective

Production of First-class Products, Provision of First-class Service, Training of First-class Talents, and Becoming A Model Pharmaceutical Enterprise"

◆ ESG POLICY

The Group actively fulfils its social responsibility, and understands that excellent governance of ESG matters

results in better investment value and the delivery of sustainable returns to the Group and its shareholders.

Board Statement

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

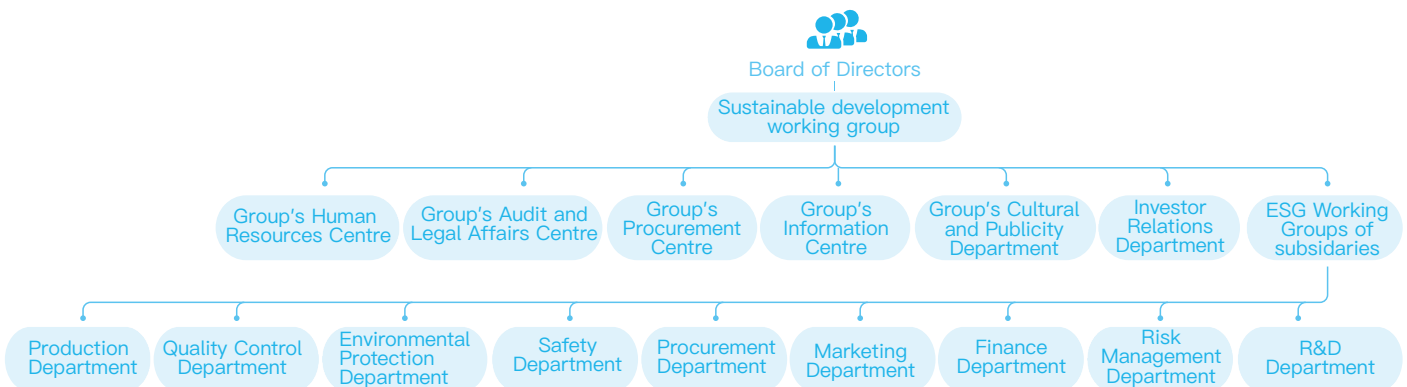
assist the Board in evaluating the Group's ESG performance by reporting to the Board.

Through meetings, the Board of Directors reviews and revises the Group's sustainable development policy to ensure that it effectively meets 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.

ESG System

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

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



Stakeholder Engagement

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	Requirements and Expectations	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 development Regular fulfilment of tax obligations Production safety Fulfilment of emission standards Energy saving, emission reduction and ecological protection 	<ul style="list-style-type: none"> Regular information submission Regular conversation with regulatory authorities Dedicated reports Inspection and supervision Communication with local environmental departments Report submission Investigation and inspection
 <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 Email, telephone and Company's website Dedicated reports On-site inspections
 <p>Suppliers and Partners</p>	<ul style="list-style-type: none"> Operation with integrity Fairness and openness Compliance with laws and fulfilment 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 fulfilment of agreements Operation with integrity 	<ul style="list-style-type: none"> Customer service centre and hotline Customer opinion survey Customer meetings Social media platforms
 <p>Industry Associations</p>	<ul style="list-style-type: none"> Formulation of industrial standards Facilitating industrial development 	<ul style="list-style-type: none"> Participation in industrial forums Mutual visits and inspections
 <p>Employees</p>	<ul style="list-style-type: none"> Protection of rights Occupational health Remunerations and benefits Career development Humanity cares 	<ul style="list-style-type: none"> Online questionnaires Employee meetings Company's internal publications and intranet Mailbox for employees Training and workshops Activities for employees
 <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"> Communication with local residents Company's website Announcements Media interviews Social media platforms

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



Environment	Labour Practices	Operation Practices	Community Investment
1. Environmental Compliance	14. Employment Compliance	21. Operational Compliance	34. Charity
2. Exhaust Gas Management	15. Employees' Remuneration and Benefits	22. Managing Environmental Risks of Supply Chain	35. Promotion of Community Development
3. Fleet Emissions Management	16. Employees' Working Hours and Rest Period	23. Managing Social Risks of Supply Chain	36. Poverty Alleviation
4. Wastewater Management	17. Diversity and Equal Opportunity	24. Procurement Practices	
5. Greenhouse Gas Emission	18. Occupational Health and Safety	25. Quality Management	
6. Waste Management	19. Training and Education	26. Customer Health and Safety	
7. Energy Consumption	20. Prevention of Child Labour and Forced Labour	27. Responsible Sales and Marketing	
8. Use of Water Resources		28. Customer Service Management	
9. Green Energy Project		29. Protection of Intellectual Property	
10. Use of Raw Materials and Packaging Materials		30. Research and Development	
11. Ecological Protection		31. Information Security	
12. Responding to Climate Change		32. Customer Privacy Protection	
13. Prevention and Handling of Environmental Incidents		33. Anti-corruption	

Through the above materiality assessment process, the Group finally identified 7 important ESG issues. The following table lists the major ESG issues determined based

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

Perspectives	Material Issues	Corresponding
 Environment	1. Environmental compliance 2. Exhaust gas management 4. Wastewater management	Dedication to Environmental Protection-Responding to Climate Change; Pollution Control and Treatment; Green Operations Dedication to Environmental Protection-Pollution Control and Treatment Dedication to Environmental Protection-Pollution Control and Treatment
 Labour Practices	15. Remuneration and Benefits 18. Occupational Health and Safety	Being People-Oriented-Talent Attraction; Benefits and Welfare Being People-Oriented-Occupational Health and Safety
 Operational Practices	25. Quality Management 30. Research and Development	Outstanding Operation Management-Production and Service Quality Research and Innovation-Research, Development and Innovation

JOINING HANDS TO COMBAT THE PANDEMIC

"As a Chinese pharmaceutical company, 'Love China, For China' is the philosophy of The United Laboratories. Therefore, we should act when our country is in need."

Tsoi Hoi Shan
Chairman



During the Year, the outbreak of the coronavirus disease has dealt a serious blow to society. Anti-pandemic work is directly related to the health and safety of many lives, thus as a part of society and the pharmaceutical industry, The United Laboratories strives to convey its vision of "Making Life More Valuable" by fully cooperating with the national and local governments' anti-pandemic work. With capability and experience, the Group and its employees engaged in producing anti-

pandemic medicines and supplies, providing technological support and donating in cash and in kind. In the meantime, the Group safeguards its employees' health and safety with effective infection control, and pays close attention to the needs of employees. With joint efforts from all sides, the pandemic was under control, and the Group will continue to focus on infection control to ensure the safety of its employees and the general public.

◆ FIGHT AGAINST PANDEMIC WITH PROMPT ACTIONS

Since the very beginning of the outbreak, the Group was highly concerned and fully cooperated with the national and local governments' anti-pandemic work. As an outstanding pharmaceutical company with years of experience and technological expertise, the Group leveraged its strengths and helped in fighting against the

pandemic by producing supplies and providing technological assistance. Other than direct support, the Group and its employees also donated in cash and in kind to support the healthcare system and the general public, fighting against pandemic with society.

Special Arrangements for Resumption of Work

At the beginning of the outbreak, the Group was aware of Wuhan's urgent need of support from all sides. We have set the policy of "Full Support for Wuhan, Fight against Pandemic Together", targeting to combat the pandemic with joint efforts from employees and the management. To meet the demand of medicines in clinical use during the pandemic, the Group promptly arranged relevant factories and employees to resume work in advance, and sped up the production of pharmaceuticals. The Group also effectively communicated and coordinated with the logistics and shipment and ensured the production and supply of upstream intermediate products and bulk medicines, contributing to the maintenance of

stable supply chain of bulk medicines at home and abroad.

The Group's management convened an emergency meeting right after the outbreak to discuss arrangements for resumption of work and pandemic supports. Some production units in factories were decided not to take the Chinese New Year holiday and continued their production. Under the threat of the coronavirus, the employees unanimously agreed with the management's decision and stayed on the manufacturing frontline to produce medicines of urgent need. The employees achieved production targets and supported Wuhan with effective actions.

Production of Anti-pandemic Supplies and Technological Support

A pharmaceutical enterprise should shoulder its responsibility when the country is facing pandemic and strive to guarantee medicines supply and to provide production technologies in support. In light of the huge demand of pharmaceutical supplies in the Country at the beginning of the outbreak, The United Laboratories adopted multiple measures to satisfy the demand of the community.

Other than anti-pandemic medicines, there was also shortage of disinfectants at the early stage of the outbreak. In this connection, the Group arranged part of the productivity of The United Animal Healthcare to help alleviate the shortage among the community. The United Animal Healthcare has two fully-automated production lines for solid and liquid sanitisers, and is capable of producing sanitisers for human use. Therefore, the local government gave The United Animal Healthcare special permission for producing disinfectants which meet the standards for combating the pandemic during the special emergency response period, so that The United Animal Healthcare helped to ease the shortage of sanitising supplies with its own producing capacity.

Apart from directly supporting the anti-pandemic

work with its production capacity, the Group also leveraged its years of knowledge and experience on the pharmaceutical industry and supported the production of anti-pandemic supplies and patients affected during the pandemic. In response to the proposal of the Zhuhai government early in the Year, the Group formed an emergency technical team, including mechanic, electric and automation expertise, to travel to Zhuhai Chuangmeijian Company (珠海創美健公司) and help with the assembly of masks production line there, supporting the production of supplies in shortage. With its knowledge and technique in handling machines, the team of the Group completed the machine assembly, running and testing of the masks production line in three days, while all the masks produced meet the national quality standards after inspection.

In addition, as a manufacturer of diabetes drugs, we attach great importance to the health and safety of diabetes patients. To help the patients on buying medicines during the pandemic, the Group launched the Map of National Diabetes Pharmacies, making it easier to buy medicines for patients and reducing the unnecessary risk of going out and finding pharmacies.

The United Laboratories Map of National Diabetes Pharmacies

Helping patients to purchase medicines conveniently

During the pandemic, the Notice of National Healthcare Security Administration on Optimising Healthcare Security Services and Promoting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19) was issued. Under the notice, diabetes patients could acquire up to three months of supply of prescribed medication after the assessment by their doctors at hospitals where they were treated, so as to minimise the risk of transmission when going out to get their medicines. For diabetes patients who were running out of medicines, The United Laboratories

launched the Map of National Diabetes Pharmacies to help them search information on nearby pharmacies selling diabetes medicines. As such they could go and buy directly, lowering the risk of going outdoors and searching for medicines. After the pandemic, the map could also serve the patients in daily life and continuously improving the process of buying medicines.



Support in Donation

Anti-pandemic donations

RMB4.22 million in total

During the early stage of the outbreak, The United Laboratories held multiple fundraising activities to help combat the pandemic with funds. Other than the Group's donation, the employees of the Group also demonstrated their full support to the anti-pandemic work, practising the corporate philosophy of "Love China, For China". A total of RMB4.22 million was raised from the Company and different

branches and employees of The United Laboratories in the fundraising. The donation went to Red Cross Society of China (Zhuhai Branch), Red Cross Society of China (Zhongshan Branch), Red Cross Society of China (Linhe District of Bayannur) and Bayannur Municipal Finance Office of Economic Development Zone for helping Wuhan and the frontline to curb the pandemic.



Apart from cash donation, the Group also organised several in-kind donation acts, providing the frontline and other places in need with protective gears to support the anti-pandemic work. The Group successfully sent the first batch of medicines to Wuhan at the end of January to support the frontline. Later on, the Group also donated medical supplies like surgical masks, protective goggles and gloves to a number of hospitals in other cities.


Other than the healthcare system, we also care about the safety of the community and partners. We donated anti-pandemic items to the government, committees, schools and partners to tide over the challenging time with the community. The Group understands the importance of cleaning and hygiene to the prevention and control of the disease. Therefore,

to safeguard the health of the general public, the Group spares no effort in distributing disinfectants to the community at the onset of the outbreak, which is when disinfectants were in shortage. For instance, we gave out 2,000 sets of our sanitising products to the community in Inner Mongolia. We also donated disinfectants worth RMB100,000 to the local government of Linhe District, Bayannur and the Management Committee of the Bayannur Economic Development Zone. School is one of the denser areas and students are at high risk under the pandemic. In this connection, the Group donated disposable gloves, protective clothing, face shields and disinfectant alcohol to school, so as to help them in preventing the spread of coronavirus and protect the safety of students and teachers.



In addition, the elderly is at the highest risk under the pandemic. In light of this, the Group donated surgical masks to multiple community care centres through the Group’s “Re-feeding Swallows” elderly-care charity act to protect the health of the elderly. Other than the general public, the Group also gave out our disinfection effervescent tablet products to the value of nearly RMB 1 million to customers and partners in other places to combat the coronavirus together.

During the pandemic, the Group donated anti-pandemic supplies worth nearly RMB 1 million, and gave out 78,000 masks and other disinfectants like sanitisers and disinfectant alcohol to medical institutions, community welfare centres and schools.

 In-kind donation
 Nearly RMB 1 million

◆ PANDEMIC PREVENTION AND CARING FOR EMPLOYEES

With the employees’ support and cooperation, the Group effectively carried out various anti-pandemic works during the Year to support society. In the meantime, the Group fulfils its responsibilities by emphasising and passing multiple internal measures on disease control, so as to protect the health and safety of employees. The Group also

demonstrated its care to employees during the pandemic by helping employees from other provinces to resume work, arranging nucleic acid tests and giving out masks to the children of our employees before classes resume.

Disease Prevention and Control

The Group has always put the safety and health of our employees first. We established various disease prevention measures since the resumption of work to maintain effective infection control internally while supporting the society’s anti-pandemic work. The Group’s Quality Inspection Department published the “General Requirements by the Quality Inspection Department on the Prevention of the Coronavirus Disease” and “Handbook by the Quality Inspection Department on the Prevention and

Control of the Novel Coronavirus Disease”. Knowledge and requirements on disease prevention are included to allow employees effectively carry out the anti-pandemic work. The Group’s major production plants has also done multiple work according to their needs for disease prevention, such as sanitising, promotion and monitoring to protect the health and safety of employees comprehensively and effectively.

Disease Prevention and Control



Boosting Disinfection and Cleaning

Establish a task force for the prevention and control of COVID-19 for arranging deep cleaning and disinfection, and trace the source of ingredients of foods provided in canteen and conduct hygiene inspection regularly.



Health Inspection

Strengthen inspection and information checking on employees returning to work, establish a record on the flow of personnel and the health of working employees, keep the temperature records of employees and visitors.



Observation Rooms

In response to possible suspected cases, observation rooms were set up for temporary isolation and reporting.



Promotion of Pandemic Prevention

Put up and distribute notices, banners and posters about the prevention of the coronavirus in production units and departments, and spread knowledge on infection control and prevention among WeChat groups.



Home Quarantine

Following the government requirement, employees returning from most affected areas were subject to quarantine. All employees returning from other areas were also subject to home quarantine, those who could not do so shall quarantine at staff quarters.



Anti-pandemic Special Arrangement

To avoid unnecessary gatherings, meals were distributed in batches, and scattered outdoor dining was arranged.

Caring for Employees

The Group's success in pandemic prevention relies on the full support of its staff. Apart from internal pandemic prevention measures to ensure the safety of our staff, the Group also cares for them in various ways. The Group organised a children's masks donation activity. A total of 50,000 children's masks were donated to the children of our employees to help them start school safely. During the year, Zhuhai Company also assisted a number of employees and their family members from other places to return to their workplaces with a special train arranged by the government free of charge. We also arranged employees who returned from other places to undergo nucleic acid tests provided by Zhuhai People's Hospital. In addition, the Group provided anti-pandemic materials such as masks and disinfectant alcohol everyday to all

staff returned to work, and arranged working in shifts and from home for some employees during the surge in the pandemic to avoid gatherings and reduce the risk of disease transmission. At the same time, in order to solve the practical problems of employees returning to work and to reduce the risk of employees contracting the coronavirus from going out, Zhuhai Company has specially arranged professional hairdressing service at employees' homes. To ensure that the activities were carried out in a safe and orderly manner, Zhuhai Company confirmed the hairdressers' health condition and records of visits in advance, and the tools used in the haircutting process were all thoroughly disinfected to avoid cross-infection among employees.



BEING PEOPLE-ORIENTED

We always believe that employees' contribution is the cornerstone of The United Laboratories' 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".



◆ TRAINING 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

Career Development			Self Improvement	
Induction training	Professional development	Leadership training	Academic promotion	General Vocational Skills Course
To integrate new employees into our company	To acquire necessary professional skills for individual career aspirations	To build, and nurture a high-quality talent pool for future management and enhance the leadership skills of managers	To encourage employees to pursue academic and professional qualifications	To organise self-learning courses and facilitate self-improvement
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 of all levels and positions of the Group.



Career Development

Induction Training

Every year, we attracted a large number of talented individuals 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 During the Year

Zhongshan Company

During the year, Zhongshan Company arranged training courses, seminars, sharing sessions and outward bound activities for fresh graduates, covering various aspects of information such as company overview, corporate culture, management system, chemical research and development, quality management, workplace awareness, etc., to help new employees complete their role transformation smoothly and integrate into our family quickly.

In order to facilitate the communication and ideas exchange between senior and junior staff members in terms of experience, skills and work culture, Zhongshan Company

specially organised a seminar for new employees, in which the general manager, deputy manager and some departmental leaders and senior staff representatives have shared their experience and thoughts with new employees, ranging from the history of The United Laboratories to the founder's entrepreneurial history, and from the current pandemic to the new normal faced at home and abroad. Through the sharing of personal experience and lessons, the leaders have encouraged our new staff to look at the bigger picture of life and focus on the long-term outcome, and keep improving the education attainment and reflecting the meaning of work and life.



Training for New Employees During the Year

The Group's Headquarter

Training of the Year for new employees at the Group's Head Office included lectures covering a number of different topics, with representatives from various departments as instructors, including the Cultural and Publicity Department, the Human Resources Centre and the Sales Department. Apart from demonstrating the Company's products and introducing the corporate culture to new employees, the training also covered team communication, self-awareness, presentation skills and thinking.

In addition, there was a presentation to

encourage new staff to showcase themselves freely and to train their presentation and communication skills. The new employees were divided into groups and need present their learning results based on task cards. Topics included "Business Etiquette for the Workplace", "How to Fit in Quickly", "Time Management" and "Practical Tips on Office Software". At the end, the new employees also reviewed the whole training process and consolidated their knowledge through a game workshop.



Mentorship Programme

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. Mentors lead and train the mentees, as such the new employees could adapt to their new roles faster and their sense of belonging is increased. Prior to the commencement of the mentorship programme, 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.





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 regarding the management and maintenance of modern and special equipment, equipment standards and techniques, construction site hazards and safety signs, and risk analysis of building structures and equipment systems 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. The Group also pays great attention to the mental health and quality of our sales staff, providing them with a series of psychological and emotional intelligence training to encourage a positive and enthusiastic work attitude.

External Training

The Group also encourages staff at all levels and positions to participate in external training to further enhance their skills and expertise. During the Year, we arranged for our staff to participate in a number of external training sessions on pharmaceutical-related product and quality control, both online and offline. The Registration Department invited an experienced technical manager of pharmaceutical compliance services from a company specialising in quality services to explain to the Group's staff the pharmaceutical quality systems such as the FDA Pre-Approval Inspection and the DMF system adopted in Europe and the US. Through the sharing of examples and explanations, the training was effective in enhancing the staff's understanding of quality inspection and compliance. In addition, some staff members of the Registration Department attended the training on changed management of marketed drugs and training on the technical requirements for the review of drug development and registration practices

and the related review of original and auxiliary packages organised by the NMPA Institute of Executive Development in Hangzhou. These training helped the Group to keep in line with the relevant regulatory updates and manage the related risks.

In addition, the Production Technology Department, in conjunction with six government departments including the Development and Reform Commission and the Department of Industry and Information Technology of Inner Mongolia Autonomous Region, conducted training for registered energy managers with the aim of strengthening the Group's energy conservation management and improving energy efficiency. The Group also arranged for staff to attend training on impurity research and control strategies for drug declarations to learn about the quality control and impurity requirements of different drugs, and thus strengthening the Group's impurity control strategies and risk management, thereby enhancing product quality.



Leadership Training

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

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

Capstone Programme

To enhance the overall quality of all staff and managers, the Group offers a 3-month online training programme for its employees. The training courses are divided according to the level of staff, while the courses for the management are divided into elementary, intermediate and advanced management classes, covering all functional heads and directors of the Group. The elementary management course is designed for new managers and includes eight modules on role awareness, target setting, delegation, motivating subordinates, coaching, evaluation and feedback, effective communication and continuous improvement to enhance team management skills. Aiming to enhance the overall communication, leadership and management skills of managers, the intermediate and advanced management courses are designed based on the curriculum and modules of the China Europe International Business School,



covering decision making and strategic management, work management and leadership skills.

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 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, Zhuhai Company cooperated with the Zhuhai teaching points of six well-known domestic universities to carry out the enrolment of two academic levels of junior college and undergraduate part-time degrees, covering seven majors, including pharmacy, chemical engineering, biology and mechanical engineering etc. During the Year, 95 employees entered in undergraduate degree from junior colleges and 62

employees entered in junior colleges from secondary vocational schools. To encourage employees to upgrade their academic qualifications and obtain professional and technical qualifications, the Guangdong Federation of Trade Unions subsidised outstanding frontline employees who successfully enrolled in junior colleges and undergraduate part-time degrees during the Year.

Apart from encouraging and facilitating the upgrade of academic qualifications, the Group also assists employees in obtaining professional and technical qualifications to enhance their professionalism. During the Year, Inner Mongolia Company also assisted 157 employees to obtain professional technical qualifications.

Online Training

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 “Micro-Five 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 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 of the Group and other departments 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-directed learning.

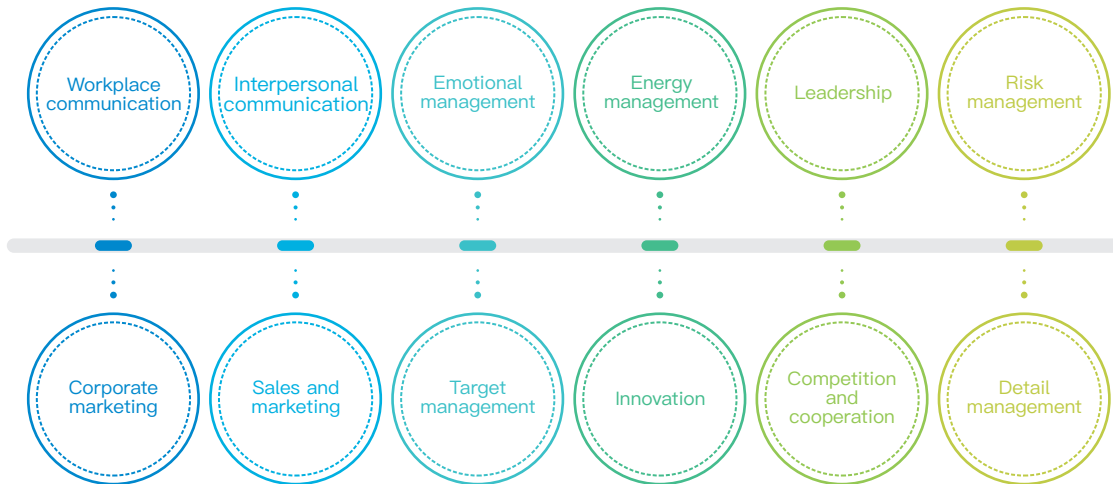


In addition, for the skills and knowledge training of sales staff, the Group has utilised the Xuanxing Learning Platform to provide various sales and management online training for staff, such as training on sales negotiation, public relations in crisis, emotional intelligence and time management, with a total of 180 lessons. During the Year, Zhuhai Company also organised online job-appropriate vocational skills training for staff, through which they were able to understand the quality management standards of pharmaceutical production, so as to convey the basics of corporate safety, and equip them with skills to prevent common occupational diseases and knowledge of first aid in production. At the same time, we enhanced employees’ knowledge of site management through online training, thereby improving working efficiency and enhancing

corporate profitability.

Apart from the “Smart United Laboratories”, the “Capstone Programme” is another component of the Group’s online training programme. During the pandemic, the Group actively implemented the “Capstone Programme” and conducted online training through online learning platform over a period of three months, with a total of 3,355 participants, a completion rate of 99.8%, 84,163 learning hours and 25 learning hours per capita. The online “Capstone Programme” enabled staff to receive quality training, strengthened their professional knowledge and skills, and enhanced their working ability, regardless of geographical and time constraints. The Group also rewarded the outstanding learning employees and groups in this online training to encourage continuous learning and enhance corporate competitiveness.

Major training topics in "Capstone Programme"



◆ TALENT ATTRACTION

The core competitiveness of the Group is its innovative patent research and development and high-quality products. Employees' knowledge level, creativity and job performance all have a significant influence on the Group's competitiveness. In order to attract potential

candidates and retain talents, the Group strictly abides by relevant laws and regulations, has a comprehensive recruitment and employee management system, protects employees' legal rights and benefits, and places emphasis on employee development and safety.

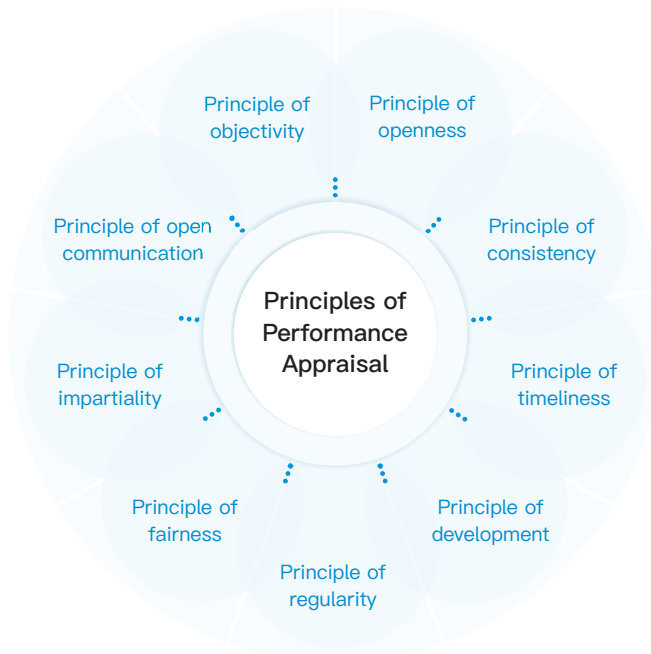
Realm	Relevant Laws and Regulations
Recruitment	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China The United Laboratories' Measures for the Management of Recruitment The United Laboratories' Measures for the Management of Labour Contract

The Group has a comprehensive talent acquisition system for recruitment via various channels, including the Company's website, recruitment websites, and job fairs in tertiary institutions. In order to establish a talent base with excellent quality, we have preliminary examination, written examination and re-examination on candidates based on the requirements of different positions. We also

implement practical operating test when necessary, so as to ensure that our employees have reached a certain knowledge and technical level, and meet the requirements of corresponding positions, such as education background, work experience, skills, psychological quality, health condition and professional ethics.

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.



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. While 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.

◆ 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.

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

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

shall make an application based on related procedures, so the Group could understand his/her reasons of leaving in detail and provide proper resignation arrangement, such as salary payment.

The Group applies a five-day work week and 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 necessary overtime work, the Group restricts the maximum overtime hours per day and the overtime wages will be paid strictly according to the related regulations. All employees are entitled to statutory holidays and leaves, such as annual leave, sick leave, marriage leave, maternity leave, compassionate leave and work injury sick leave, in accordance with the requirements of laws and regulations. The Group also provides employees with old-age insurance, medical insurance, unemployment insurance, workers' compensation, maternity insurance, housing provident fund and allowance for high temperature according to the laws and regulations to fully protect employees' basic welfare.

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

- Anti-pandemic support (please refer to section “Joining Hands to Combat the Pandemic”)
- Annual comprehensive free health examination;
- Employee Mutual Fund;
- Provided free meals;
- Provided birthday cake coupons for employees;
- Distributed festive (such as Chinese New Year, Women’s Day, Mid-Autumn Festival) gifts; and
- Regularly issued the enterprise journal, “The TUL’s People” and “The TUL’s Pictorials” as well as updated the enterprise’s Weibo account, WeChat Public Account, etc., enabling employees to keep abreast of the latest news of the Group at all times.

Employee Mutual Fund

Since 2001, Zhuhai Company has set up a mutual fund for employees, based on the principle of mutual help and voluntary participation, to relieve the financial pressure of employees who encounter

sudden major difficulties and reflect the warmth of The United Laboratories family. As of May 2020, the fund has helped 245 employees in difficulty, with a total of RMB 563,000.

“Caring for Mothers” Nursing Room

In order to better cater to the needs of female staff, Zhuhai Company has set up a “Caring for Mothers” Nursing Room for pregnant and breastfeeding female staff, providing them with a comfortable and private space. The nursing room has separate units with basic baby care equipment and emergency items. It was officially opened at the end of the Year and has effectively eased the concerns of female staff when working during the special postnatal period, safeguarded the legal rights and special interests of female staff, and helped to enhance their sense of belonging.



Work-Life Balance

The United Laboratories 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 many cultural and sports activities during the Year, such as sports competitions, cookery courses, staff travelling, debate contests, speech competitions 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.

Online Speech Competition

Under the impact of the coronavirus pandemic, Zhuhai Company held the speech competition online during the Year and has received strong support from all departments, workshop leaders and staff. A total of 54 individual and group entries were received, including some initial composition poems by employees. Through the online platform, the contestants expressed their sincere praise and respect to the company with their words and voices. After three rounds of selection by

the Zhuhai Company Trade Union Committee, the Zhongshan Company Corporate Culture Unit and the Group's Culture and Publicity Department, a total of three employees emerged as the winners of the first prize. By holding the speech competition, even in the midst of the pandemic, employees still had a way to communicate with each other through art and creativity, balancing work, life and interests.



Chinese Chess Competition

Every year, Zhongshan Company actively organises different types of staff activities. During the Year, Zhongshan Company organised the first Chinese chess competition, "Cheery Chinese Chess", to bring together all employees who love Chinese chess. A total of 40 players participated in the competition. During the competition, the players were calm and composed, and eventually four of them won the prize. The competition was successfully concluded with the enthusiastic participation of staff. This activity not

only enabled employees to enjoy playing Chinese chess, but also helped them to relieve their work pressure and strengthen their team cohesion.



"United Youths Voice"

In order to enrich the spiritual life of our employees and provide a new platform for communication, The United Laboratories Enterprise University, which was organised by the Group's Human Resources Centre, held the first Staff Debate Competition, "United Youths Voice". Employees of the Group and its branches actively participated in the competition, which

lasted for one month and involved preliminary, secondary and final rounds. The participants debated in depth, demonstrating their eloquence and sophisticated thoughts. A number of guest speakers were invited to provide guidance and insights to the participants, which greatly benefited the participants and the audience.



◆ OCCUPATIONAL HEALTH AND SAFETY

During the Year, despite the new challenges posed by the new pandemic, all staff of the Group remained united and flexible in the work. We made arrangements for returning to work to meet the Group's production targets and support the needs of the community in the outbreak. To combat the

pandemic, the Group implemented a number of internal preventive measures (please refer to section "Joining Hand to Combat the Pandemic"), while maintaining high standards in occupational health and safety practices to protect the health and safety of our employees.

Production Safety Maintenance

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

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

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

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

treatment. Each type of hazardous waste has to undergo harmless treatment to secure the health and work safety of employees. The Group has also developed treatment procedures for the issues of safety and work 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.

Production Safety Month

In response to the national policy and the theme of "Eliminating Accident Hazards And Building Safety Defences" formulated by the Country for production safety, the Group held a series of Production Safety

Month activities in various departments and factories during the Year to strengthen the publicity and education work of production safety, so as to enhance and heighten employees' safety awareness.



Production Safety Speech Contest

During the "Eliminating Accident Hazards and Building Safety Defences" Speech Contest, the participating employees had delivered speech addressing topics about

how to ensure a safe working environment, enhance the knowledge of appropriate operation of machines, identify and rectify the hidden safety dangers.

Fire Fighting Skills Competition

Through competitions on different subjects such as wearing protection clothing and gas masks, plugging pipes that simulate leakage, performing cardiopulmonary resuscitation, wearing air respirators, operating evacuation tents, extinguishing simulated fires and using hoses the activity

trained and strengthened each participant's emergency rescue ability, evacuation ability and fire extinguishing ability. The Emergency Management Bureau of Bayannur and the leaders and officers of the Fire Control Detachment were invited to oversee the activity.

Safety Knowledge Examinations

In order to improve the safety knowledge level of personnel involved in special operations and their understanding of relevant systems and standards, Inner Mongolia Company organised 24 safety qualification examinations for all workshops and departments involved in special operations throughout the plant, with a total of 2,687 employees participating. Those who passed the examination were issued

with special work qualification certificates by the Safety Management Department, while those who failed the examination were not allowed to participate in the relevant special work and were required to take supplementary examinations, thus strengthening the risk control of special work. Through this assessment, the staff's expertise in special operations was enhanced to ensure production safety.

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 fire fighting 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

Mini Fire Station

Inner Mongolia Company established a mini fire station in 2014. It is now equipped with 18 professional fire-fighters and a foam fire truck. A 24-hour execution system has been implemented, so that fire remedy can be conducted once there is an emergency in the Company and neighbouring companies to protect the Company's assets and employees' safety. Inner Mongolia Company was awarded the title of "Key Unit for Advanced Fire Safety". The fire station actively cooperated with all the production plants and departments to carry out integrative fire emergency drills. There are more than 20 fire drills every year, which effectively enhances employees' capability to handle and evacuate in fire emergencies.

Through daily drills and training, fire station personnel can effectively respond to fire accidents and mitigate the impacts brought by fire accidents.



Canteen Fire Drills

The staff canteen often uses flame cooking, which may pose a greater fire risk. In order to ensure the safety level of the canteen, Inner Mongolia Company conducted inspection of the natural gas pipes, valves, connections, power switches and electrical wiring in the canteen during the Year to ensure that there is no fire risk and organised a fire drill for all staff in the

canteen. In accordance with the requirements of the drill, the canteen staff carried out a series of fire response measures such as controlling the source of fire, requesting rescue, carrying out rescue operations and evacuating the scene of the accident, in order to strengthen the staff's ability to respond and handle the situation in times of emergency.

Fire Safety Awareness Month Campaign

November is the national "Fire Safety Awareness Month". The Group actively supported the local government's activities to promote the message of "Attention to Fire Safety, Protect Lives". During the Year, the representative team from Zhongshan Company participated in the Zhongshan Fire Safety Awareness Month activities, including intellectual fire-fighting and

hydrant operating competitions, while the representative team from Zhuhai Company also participated in the fire-fighting skills competition in Jinwan District of Zhuhai City, where they performed a series of fire-fighting skills competitions such as pan hose connection and won the first place in the overall score of the corporate group.

Caring for the Physical and Mental Health of Employees

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

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

Mental Health Training

In order to improve the overall mental health of the staff, Zhuhai Company invited a psychologist from the Zhuhai Jinwan District Federation of Trade Unions to give a lecture on workplace psychology to more than 50 employees from various departments. The lecture began by introducing workplace mentality and mental health of young people, followed by an analysis of the qualities of good employees from the perspective of psychology. The lecture emphasised on the importance of employees developing their own sense of responsibility, guiding them to have a



positive working attitude and adjusting their mindset in time to achieve self-growth.

Women's Health Education Seminar

In order to popularise women health knowledge and actively advocate the concept of scientific prevention, Zhuhai Company organised a "Seminar on Caring for Women's Health" to guide female staff to establish the correct concept of health and life. The event attracted more than 100 female employees from various workshops and departments to participate. Zhuhai Company invited a professional physician to talk about common diseases and prevention methods for women, so that employees can detect relevant signs and seek appropriate



treatment in time. Through the lecture and Q&A interaction, the health care knowledge of female staff was enhanced and they were guided to work with a healthy body.

OUTSTANDING OPERATION MANAGEMENT

The United Laboratories strives to secure efficiency and excellence in business operation, identifies and eliminates the environmental and social risks in its operation, so as to build a safe and robust pharmaceutical enterprise. To ensure the quality and stable supply of raw materials, the Group established a vertically integrated production and operation model, carefully selected new suppliers and conducted auditing regularly on the cooperating suppliers. The Group upholds business ethics and integrity in operation, abides by law and the operation principle of integrity and fairness. In the meantime, the Group has established Patient Personal Information Protection System and The United Laboratories Information Confidentiality System to reduce the risk of information leakage and protect the Group's internal information and customer privacy.



◆ PRODUCT AND SERVICE QUALITY

The success of a pharmaceutical manufacturer depends on the safety and effectiveness of its medicines, and the quality of medicines is undoubtedly a top priority for The United Laboratories. The government also sets high quality standards on the pharmaceutical industry and attaches great importance to the quality management of pharmaceutical companies. To closely follow the development of national policies, the Group took the initiative during the Year by reviewing and improving its quality management in

connection to the latest version of Chinese Pharmacopoeia, which came into effect at year-end. The Group fully cooperates with the enhancement of national requirements regarding the safety, effectiveness, technical application and system of standards of medicines. The United Laboratories treats the amendment of the Pharmacopoeia as an opportunity and enhanced its internal quality control procedures to improve the Group's products and service quality.

Zhuhai Company's Quality Management Optimisation Work on the Amendments of Chinese Pharmacopoeia

The National Medical Products Administration ("NMPA") has issued the 2020 Edition of the Chinese Pharmacopoeia ("new Pharmacopoeia") on July 2020, which came into force as of 30 December 2020. The amendments of the Pharmacopoeia include expanding the use of advance and mature analytical technology, strengthening the requirements for the applicability of analytical methods, adding new and revised the testing methods for certain substances and increasing requirements regarding impurity control, while the implementation work involves review on the Group's quality standards, testing and recording methods and introduction of testing instruments, reagents and consumables.

To smoothly implement the amendments in the new Pharmacopoeia, Zhuhai Company planned the internal optimisation work at the first place, which include comparing the differences between the new and previous edition of the Pharmacopoeia, researching on the new and revised relevant general

technologies, conducting quality impact assessment on the changes involving our products, as well as organising training and learning sessions for employees to prepare for the launch of all related optimisation work. Since the promulgation of the new Pharmacopoeia, Zhuhai Company actively organised internal and external training for employees involved in production, quality, sales, procurement, storage and transportation, including online training organised by the Chinese Pharmacopoeia Commission, training on the revised standards of our products, analysing the differences between new and previous Pharmacopoeia for insulin and training on the Pharmacopoeia and quality control for departments. Besides, Zhuhai company also organised cross-department meetings and knowledge contest on the new Pharmacopoeia, so as to enhance the understanding and application of the Pharmacopoeia among employees through various types of activities.



The quality assurance personnel are on the front line of production units and are familiar with the actual production in the plant to ensure the on-site operations meet the requirements of the new Pharmacopoeia. Zhuhai Company has enhanced the quality assurance procedures according to the strictest requirements. For example, eye examination for visual

inspection personnel has changed from once a year to once every half a year, as they need to have good sight. Also, Zhuhai Company changed from “carry out visual inspection and packaging at the same time” to “packaging after completing visual inspection”, so as to maintain rigour in quality assurance from improving the details.



Under the leadership of the Company's management, Zhuhai Company fully considered the requirements and changes occurred from following the new Pharmacopoeia in every step, including supplier, internal production units and departments to customers. All work was

executed successfully according to the plan, bringing about the smooth transition from the previous Pharmacopoeia standards to the new ones and ensuring orderly operation of the company's quality management work.

Quality Management

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

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

Realm	Relevant Laws and Regulations
Pharmaceutical Quality	Pharmaceutical Administration Law of the People’s Republic of China Regulations for the Implementation of the Drug Administration Law of the People’s Republic of China Good Laboratory Practice for Non-Clinical Laboratory Studies Standards for Quality Control of Pharmaceutical Production Measures for the Supervision and Administration of Drug Production ICH Guidelines Guidelines of Quality System Approach to Pharmaceutical cGMP Regulations by the FDA Guidelines of Good Manufacturing Practices for Drug by the European Union ISO 9001: 2015 Quality Management Systems Certification
Pharmaceutical Description and Labelling	Provisions on the Administration of Pharmaceutical Directions and Labels

Quality Management System

Each of the Group’s production sites has established a comprehensive quality management system, which is led by a quality officer. Under the lead of the quality officer, the Quality Management Department coordinates the work of quality assurance, quality inspection, pharmacovigilance, GMP information regulations, drug registration, etc.



The Group’s quality management system was implemented in accordance with the national Quality Management System Requirements. The management system includes a series of comprehensive procedures, such as the warehousing, storage and distribution procedures of raw and auxiliary materials and finished products, so as to implement strict quality control of all types of raw and auxiliary materials and finished products. During the acceptance of raw and auxiliary materials, the acceptance personnel must confirm that the supplier is a qualified supplier, and shall check the completeness of the packages, batch number, specifications, storage condition and production date of the batch of raw

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

In addition, we have set up procedures for the transfer 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.

Quality Certification and Awards

The obtainment of a credible quality certification can ensure the pharmaceuticals contribute to customers' health and increase customer's 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 our product 6-APA passed the U.S. FDA certification on the beginning of the Year, ensuring the production quality of our medicines.

"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. During the Year, the Insulin Glargine Injection and the Recombinant Human Insulin Injection of The United Laboratories were awarded the "2020 China Pharmaceutical Industry Biochemical Products Outstanding Brand", and the Piperacillin Sodium and Tazobactam Sodium for Injection and the Amoxicillin Capsules were awarded the "2020 China Pharmaceutical Industry Anti-Infective Products Outstanding Brand", proving the high quality of pharmaceuticals developed by the Group again.

Leveraging its outstanding performance, contributions and reputation in the pharmaceutical industry, the Group has been continuously commended as an excellent chemical and pharmaceutical enterprise, and received various awards such as ranking 24th in "2020 China Pharmaceutical Industry Top 100 (Overall Power) Industrial Enterprise", and being honoured with the 3rd in "2020 China Pharmaceutical Industry Bulk Drugs Export Enterprise Outstanding Brand".

Quality Management Training

Professional quality management personnel are an important part of the Group's quality assurance of pharmaceuticals. The Group regularly organises 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. During the Year, we have created a new 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 optimise quality training channels.

Quality Management Training Activities

- On 2 September 2020, Mr. Defu Liu, the Chief Quality Officer of The United Laboratories, presided over the special training on “Laws, Regulations and Guides Issued by the National Medical Products Administration in the Past Two Years”. Sales personnel and representatives from various departments participated in the training.
- Chief Officer Liu gave detailed explanation on the development and legal requirements of the pharmaceutical industry in China, including the overview of regulations in the past two years, the Measures for the Administration of Drug Registration, Measures for the Supervision and Administration of Drug Production, and the Technical Guiding Principles for the Study of Pharmaceutical Changes in Listed Chemical Drugs, etc., with the Group’s situation to explain the changes in requirements of quality regulations in recent years and the impact on the Group’s productivity.

Training Activities on New Pharmacopoeia

- The Group has summoned the management and staff to participate in the online publicity and implementation meeting on the new Pharmacopoeia organised by the Chinese Pharmacopoeia Commission. Analysis on the requirements in the new Pharmacopoeia, and explanation on the amendments regarding medicines, technologies and pharmaceutical adjuvant were made during the meeting, so that the employees could clearly understand the requirements of the new Pharmacopoeia and prepare accordingly. The quality of the products could be improved to meet the increasingly stringent legal requirements.
- Zhuhai Company organised multiple internal training regarding the new Pharmacopoeia for employees. The scope of the training includes the revised standards of the products, changes on the requirements on insulin and operation learning for quality management personnel. Cross-department meetings and knowledge contest on the new Pharmacopoeia were also held to enhance the understanding and application of the new Pharmacopoeia among employees.

Learning Exchange among Pharmaceutical Companies

- The Fifth Inspection Branch of the Inner Mongolia Autonomous Region Medical Products Administration organised an exchange and learning session for 14 pharmaceutical companies in Inner Mongolia Company, so as to enhance regulation on drug manufacturers and promote the growth of the pharmaceutical industry.
- The quality management personnel of The United Laboratories introduced the Group, its GMP management, fulfilment of primary responsibilities, environmental protection work, and occupational health and safety management to other companies. The Group led the visit to production plants, warehouse and laboratories, and exchanged on software management and production quality management experience with personnel from other companies, so as to learn from each other and improve product quality together.

Product Labelling and Description

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

The Group has formulated internal policies, stipulating that pharmaceutical labels and package inserts must meet relevant requirements. Pharmaceutical labels must itemise the drug name, ingredients, use of drug, directions and dosage, production date and other relevant information to let users understand the usage and risks of the pharmaceuticals. Apart from pharmaceutical labels, the Group also formulates requirements for packaging labels on transportation, storage use and active pharmaceutical ingredients. For example, such packaging labels must indicate the pharmaceutical name, number of packages, expiration date, storage and transportation precautions and other necessary information to avoid incidents affecting

drug quality due to improper transportation and storage. Besides, package inserts must contain details of the pharmaceutical's directions, data and information showing its safety, effectiveness and adverse drug reactions, so as to guide users to take the pharmaceuticals correctly and reasonably. The Group will constantly monitor the use of the pharmaceuticals, and will submit applications to the National Medical Products Administration to amend package inserts when necessary, so as to provide users with the best pharmaceutical information and description.

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

Product Marketing and Promotion

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

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

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

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

The Group has established a pharmaceutical

preparation sales distributor or distributor management system, which is implemented by the Credit Risk Management Department to reduce the risk of bringing a negative reputation to the Group during the process. When selecting new dealers or distributors, the Group will evaluate the company's qualifications, storage conditions, business scope permits and other criteria, and sign sales contracts with qualified dealers or distributors. The storage conditions of dealers or distributors must strictly comply with the pharmaceuticals' 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 in order to eradicate any violation of regulations regarding sales and promotion. 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.

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

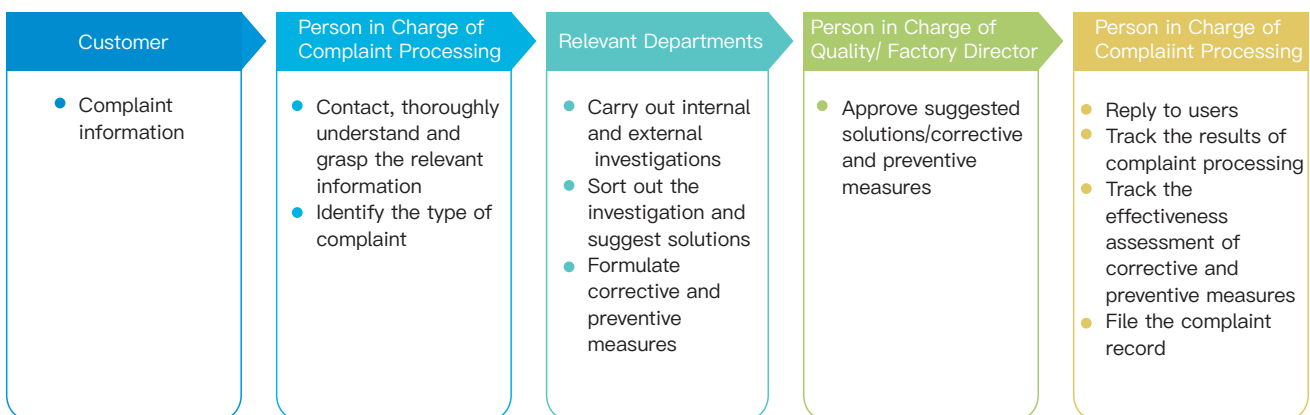
respond and improve. If we encounter adverse drug reactions and other incidents, the Group must deal with it in strict accordance with relevant regulations and systems to protect the health and safety of users.

User Feedback

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 has investigated on and replied to all complaints from customers, reaching 100% response rate on user complaints.

User Complaint Processing Procedures



Products Recall Requirements

The Group strictly complies with the Administrative Measures for Drug Recalls issued and implemented by the National Medical Products Administration, and has established a drug recall system in accordance with laws and regulations to understand the safety of drugs, investigate or

evaluate pharmaceuticals that may cause potential safety risks, and recall pharmaceuticals with relevant problems. The Group implements strict safety supervision on the manufactured pharmaceuticals to ensure the safety of medicines used by the public.

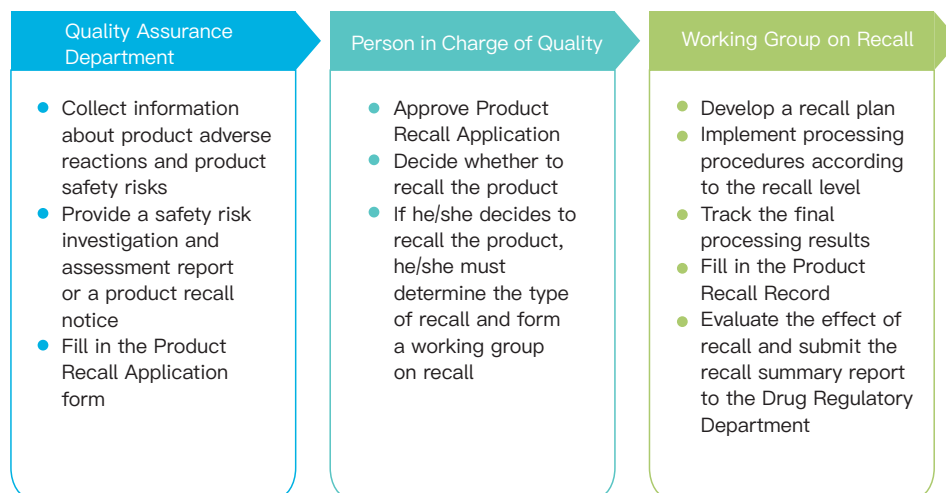
Reporting of Adverse Drug Reactions

According to the Measures for the Reporting and Monitoring of Adverse Drug Reactions issued by the Ministry of Health of the People's Republic of China, the Group has set up relevant reports and monitoring management systems to deal with adverse reactions caused by different drugs to individuals. The Quality Management Department is responsible for handling adverse drug reaction events. The concerned processing personnel have relevant expertise in medicine and statistics. They can scientifically analyse the adverse reactions of drugs, and undertake the Group's reporting and monitoring of adverse drug reactions. 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.

During the Year, the Group was not involved in any adverse reaction events due to drug quality defects. Therefore, the Group has not conducted any drug recall in the Year and did not need to submit adverse drug reaction reports or drug recall summary reports.

Product Recall Procedures



◆ OPERATIONAL EXCELLENCE

The United Laboratories is committed to ensuring an efficient and excellent business operating model, proactively identifying and eliminating environmental and social risks in its operations, and building a safe and robust pharmaceutical company. The Group has established a vertically integrated production and operation model and select new suppliers and conducted regular audits

of our suppliers to ensure the quality and stable supply of raw materials. At the same time, the Group has established the Patient Personal Information Protection System and The United Laboratories Information Confidentiality System to reduce the risk of information leakage and protect the Group's internal information and customer privacy.

Sustainable Supply Chain Management

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

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

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

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

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 medicine and finished products, which are finally sold to end users through various channels.

PRODUCTION AND OPERATION MODE



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 stable production. In addition, full control of the supply chain also helps the Group to retroactively manage the production process, so as to find the root cause of potential problems, continue to

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

Supplier Qualification

When selecting new suppliers, we conduct a comprehensive evaluation on the suppliers' industrial standard, reputation, product price, quality of samples, etc. based on the internal principles of "5S", namely suitable price, suitable

place, suitable quality, suitable quantity and suitable time, so as to ensure the overall quality and material quality of the supply chain. Only the suppliers who meet the related requirements can be included in the list of qualified suppliers.

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

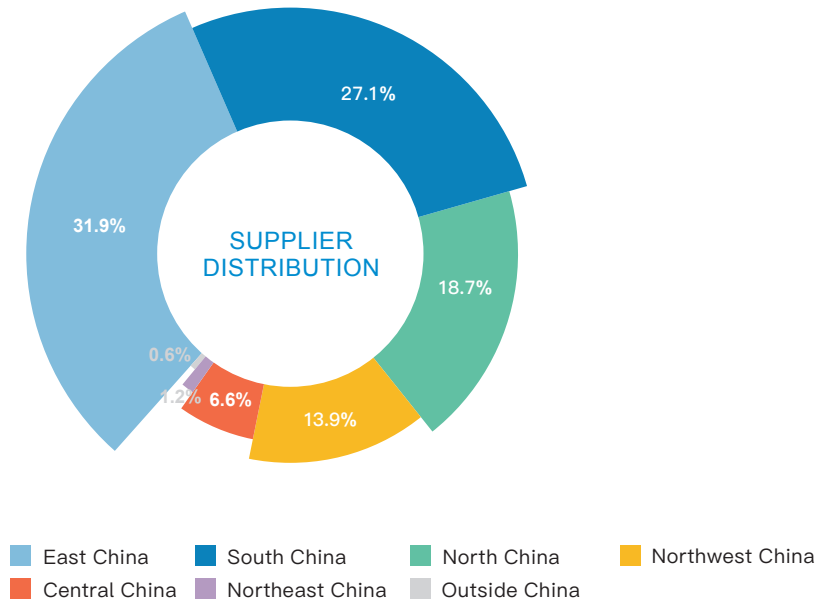
Besides, we will regularly conduct written or on-site audits on the cooperating suppliers. The audit content includes qualification certificates, personnel qualifications, environment and factories, equipment quality, material management, production management, shipping logistics and quality management. In addition, the Group will confirm whether the suppliers have established health records for their employees and whether they have verified the air purification equipment to identify and promptly eliminate the social and environmental risks of the supply chain.

Regular 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. In terms of environmental protection, the Group observes the principle of proximity during procurement. The suppliers cluster in the nearby provinces, which can effectively reduce transportation cost and carbon emissions during transportation. At the same time, the Group encourages the selection of suppliers that provide energy-saving products and environmentally-friendly products promoted by the Country to lessen the impacts on the environment.

SUPPLIER DISTRIBUTION

During the Year, the Group's main suppliers totaled 166, providing the Group with raw materials, auxiliary materials, packaging, equipment and other materials.



Work and Information Security

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

The United Laboratories Information Confidentiality System in accordance with relevant laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Cybersecurity Law of the People's Republic of China to maintain different parties' confidence in the operation and service of the Group.

Information Management

According to The United Laboratories Information Confidentiality System, all the information of the Group is classified into five categories by their level of importance, namely Top Secret, Secret, Confidential, Internal and Public. All personnel need to pass different levels of approval procedures according to the importance level of the information when accessing the information.

The use of different information, such as information for internal use, advertising and promotion, medication instruction and after-sale service, is subject to the relevant regulations regarding the use of product information. The purpose and target of the use of information is subject to strict requirements and limitations under related systems.

Regarding employees, the employee confidentiality system implemented by the Group requires all the employees to bear confidentiality obligations on our business secrets such as information on technology and operation, and not to allow any third parties to know our business secrets in form of disclosure, release or publishing. In order to further secure the interests of the Group and

stakeholders, all employees should bear his/her confidentiality obligations for three years after resignation. On the other hand, when cooperating with suppliers, customers and other partners, the Group shall sign confidentiality agreements with them to ensure that the information of both parties are not disclosed, and the privacy rights are not infringed.

Privacy Protection

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

In order to improve the efficiency and effectiveness of patients' information management, the Group has created a mobile office platform system, namely "Smart United Laboratories". The system integrates a variety of functions. Among them, big data management allows data utilisation and analysis to be mobilised and fully popularised 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 to prevent leakage or destruction of patient information. 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.

OPERATION WITH INTEGRITY

The Group has always been striving to establish a high-integrity and law-abiding corporate culture, and holds a "zero tolerance" attitude towards illegal behaviours 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 practising integrity.

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

Building a Culture of Integrity

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

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

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

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

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.

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.

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

Furthermore, in order to effectively enhance employees' awareness of integrity and business ethics, the Group has established The United Laboratories Employees' Code of Honesty and Self-Discipline in accordance with laws, regulations and the Company's own circumstances. The Code clearly defines improper conduct and itemises 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.

Anti-corruption

In addition to building an incorruptible culture and encouraging employees to be self-disciplined and abide by the laws, the Group has also established The United Laboratories Anti-Fraud and Complaint Reporting Management System to combat all potential fraud in the Company. The Group's Audit and Legal Affairs Centre is the anti-corruption department responsible for organising 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 penalise 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 management shall impose corresponding internal economic and administrative disciplinary penalty regardless of whether the case constitute a criminal offence. If the case is serious, the Group reserves the right to terminate the labour relationship and pursue criminal responsibility according to law.

In order to further enhance our staff's awareness of complying with business ethics and related laws, the Group regularly organises 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 organised a total of 13 online training sessions on compliance and business ethics, covering topics such as compliance guidelines for internal work meetings, compliance promotion guidelines, contract training, prevention of font infringement, legal risks in advertising and promotion, as well as anti-trust compliance guidelines, with a total of 18,524 participants.

As for the partners, the Group requires both parties to sign the Incorruptible Cooperation Agreement, which itemises 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.

Complaint Reporting and Confidentiality

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

The Group has clearly defined the working principles of complaint and reporting in The United Laboratories Anti-Fraud and Complaint Reporting Management System to keep the complainant's identity confidential. Complaints or reports made in person should be interviewed by designated personnel in a secret location. All persons not connected are not allowed to observe, question or record the content of the interview. The principle of confidentiality should be strictly complied with in sending, receiving, opening, filing, transferring, keeping and mentioning of written complaints, and the reception, answering, documentation, and

voice recording of telephone complaints. All employees are not allowed to note down, copy, keep, hide or destroy reporting materials without authorization. Other units and departments of the Group have no right to interfere or disturb the reporting and complaining matters to safeguard the independence of the investigation and the privacy of the complainant and the person complained against. In addition, the Group gives full protection to the complainant. We will strictly combat all retaliatory actions if complainants or their family members suffer from damage to person, property or other rights due to reporting. The complainant is also entitled to inform his/her senior managers for timely protection. The entire reporting procedure is protected by law, and serious breaches of the rules will be referred to the judicial authorities. To encourage employees to report corruption or malpractices, the Group will commend and reward if 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.

RESEARCH AND INNOVATION

In order to enhance the Group's innovation capacity and competitiveness on the market, The United Laboratories is committed to innovation, research and development, and is constantly developing and improving its medicines to meet the needs of an ever-changing market. Along with research and development, it is also essential to regulate the patent application and maintenance work and to safeguard the intellectual property rights of our medicines and manufacturing processes. The Group has formulated The United Laboratories Methods of Intellectual Property Management to protect its brands and pharmaceutical patents from any infringement.



◆ RESEARCH, DEVELOPMENT AND INNOVATION

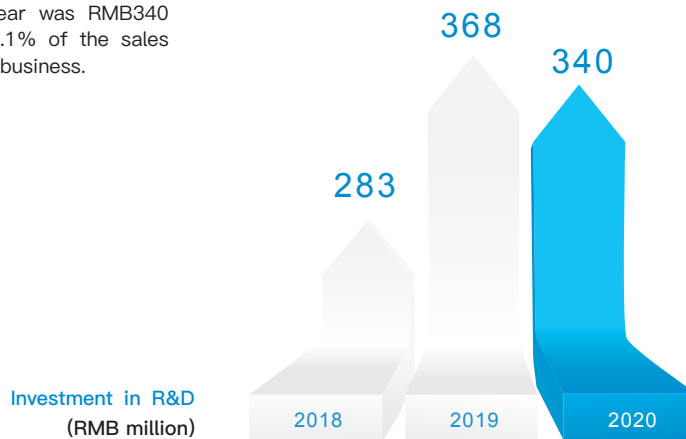
The direction of the Group's research and development includes new drugs and high-value generic drugs. Key research and development areas involve endocrine medications, autoimmune disease medications, ophthalmic medications, veterinary medicines, etc. During the Year, the Group's independently-developed rheumatoid arthritis drug was approved for clinical trials by the National Medical Products Administration. At the same time, the two new types of veterinary medicines have obtained the certificate in new veterinary drug issued by the Ministry of Agriculture and Rural Affairs, and was approved for listing.

The Group has established the Chemical Research Institute, the Biological Research Institute and the Department of Clinical Medicine to cooperate in research and development. The research institutes are equipped with research talents and advanced equipment. Taking the Biological Research Institute as an example, there are nearly 150 research and development personnel, and the proportion of personnel with graduate or above academic

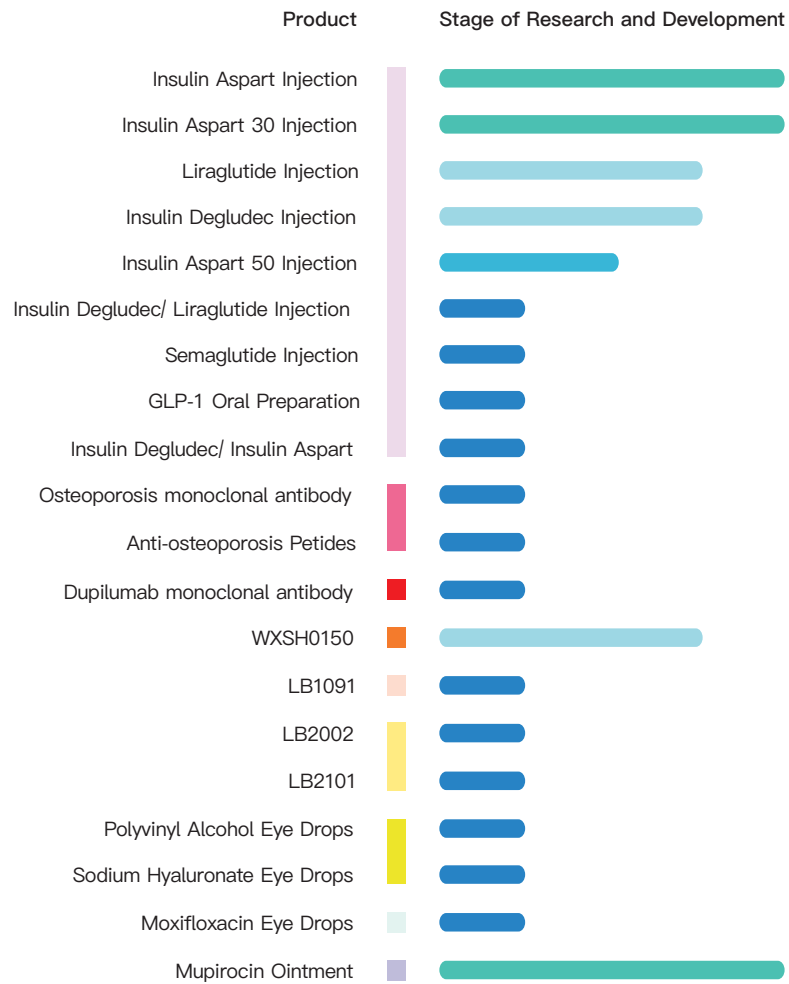
qualification exceeds 30%. At the same time, it is equipped with more than 100 large-scale research and development equipment with leading technologies in the Country and abroad. The investment in assets exceeds RMB160 million, which is conducive to the research and development of the Group. The Department of Clinical Medicine is responsible for the design, organisation, implementation, quality management and compliance and related work of all clinical trial projects. It also closely cooperates with more than 100 domestic institutions with national drug clinical trial qualifications and authoritative treatment in related fields. Under the guidance of well-known experts in the Country and abroad, we have organised and completed more than 70 clinical trials of pharmaceuticals. At the same time, the Group's Department of Research and Development also cooperates with universities to carry out research and development work to achieve better research and development results.

Research and Development Investment and Achievements

The Group adheres to innovative research and development, continues to invest a lot of resources, and gradually increases investment in research and development. Investment in research and development during the Year was RMB340 million, and it accounted for 9.1% of the sales revenue of the finished products business.



Major R&D Pipeline



Indications: ■ Diabetes ■ Osteoporosis ■ Eczema & Asthma ■ Rheumatoid Arthritis
■ Inflammatory Bowel Disease ■ Atopic Dermatitis ■ Xerophthalmia ■ Conjunctivitis ■ Dermatosis

R&D Stages: ■ Production declaration ■ Clinical trial ■ Clinical declaration ■ Preclinical

As of 31 December 2020, the Group had a total of 26 generic drugs and new drug projects under research, including 10 chemical drugs and 16 biological products, 3 of which were pending approval for production and 3 were in clinical stage, 1 was pending clinical approval, and 19 were in the preclinical stage. In addition, the Group actively responded to the national Quality and Efficacy Consistency Evaluation of Generic Drugs, and carried out a consistency evaluation study for

multiple injection generic drugs, with 17 consistency evaluation projects that were in progress. The Group currently has a variety of key research and development products. The product treatment areas and the corresponding stages of research and development are as shown above (Key Products under Research). It is expected that these products will lay a good foundation for the Group's sustainable development in its future operations.

Rheumatoid Arthritis Drug Research and Development Achievements

The Group's independently-developed new drug for rheumatoid arthritis is a small-molecule selective inhibitor of tyrosine kinase, which can reduce the synthesis and secretion of inflammatory mediators and inhibit the occurrence of inflammation, thereby achieving relief and treatment of rheumatoid arthritis. The drug is intended for the treatment of moderate to severe active rheumatoid arthritis. At present, there are no new drugs of similar selective inhibitors available in the Country.

Compared with other non-selective inhibitors available in the market, the Group's self-developed new drug for rheumatoid arthritis is more effective and has fewer adverse effects. During the Year, the National Medical Products Administration issued the Group a clinical trial notice, approving clinical trials on the new drug for rheumatoid arthritis. It is expected to provide a more effective and safer treatment option for patients with active rheumatoid arthritis.



Veterinary Medicine Research and Development Achievements

During the Year, the "Tildipirosin Bulk Medicine" and "Tildipirosin Injection", which were jointly declared by The United Animal Healthcare and other pharmaceutical companies, obtained the certificate in new veterinary drug issued by the Ministry of Agriculture and Rural Affairs of China, and was approved for listing. Tildipirosin is an antibacterial agent used for the treatment of respiratory diseases in swine and cattle caused by Gram-positive and negative bacteria. With the advantages of specific use among animals, low dosage, low

residue and safety, Tildipirosin has a very wide application in animal husbandry.

With a professional research and development team, strong technical skills, abundant resource investment, continuous innovation capabilities and scientific enterprise management, The United Animal Healthcare has continued to develop and innovate on the application of veterinary pharmaceuticals, and has reached a high level in transforming science and technological achievements.

Independent Development of Production Technology - Automatic Cartoner

The oral solution workshop at Zhongshan Company has always been regarded as a high demanding workshop because of its fast production speed, which requires high speed for manual medicine setting, medicine management and packing, especially for the packing process. During the packaging process, a slight error in the procedure can bring the whole production line to a standstill, which affects productivity and also causes work fatigue and mental stress to the staff when working under high pressure for a long time.

As a result, the workshop manager and the equipment specialist discussed on the solution. After a technical study, feasibility study and budget analysis, the workshop manager finally implemented a self-developed solution of transforming and upgrading the previous cartoning mode and the automatic cartoner.

The upgraded automatic cartoner can reduce the manpower input of three operators, but can speed up the packaging speed, greatly improving the production efficiency. And in terms of research and development funds, the independent research and development funds used by Zhongshan Company is more than 5 times lower than directly purchasing automatic cartoner in the market, saving the cost of technical transformation.



◆ PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

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

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

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

The Audit and Legal Affairs Department and Intellectual Property Affairs Department are 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.

In terms of trademark management, the Audit and Legal Affairs Department of the Group will be responsible for related registration, renewal management, authorisation and protection of rights. The use of trademarks must be reviewed by the Audit and Legal Affairs Department 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

The Group owns a Chemical Research Institute, a Biological Research Institute and a Clinical Medical Department. 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 72 patents, including 48 invention patents, 3 utility model patents, and 21 design patents. All patents help to protect the interests of the Group.

Training on the Management of Intellectual Property Rights

- In August 2020, the Group invited lawyers specialising in patents to conduct patent training for employees of the New Drugs Research and Development Department, Project Management Department and Legal Department.
- The training covered enterprise intellectual property management system, patent drafting and protection strategies, as well as intellectual risk management. As the Group increase its investment in research and development, this training helps to enhance the employees' level in intellectual property management and protect the Group's research and development interests.

DEDICATION TO ENVIRONMENTAL PROTECTION

Although fighting against the pandemic has become the top priority among nations in 2020, mitigating climate change and environmental protection has been the global common goal in recent years, and is expected to be the most important international issue in the coming decades. Therefore, The United Laboratories continues to attach great importance to environmental protection, and is dedicated to protect the environment through pollution control, energy conservation and emission reduction from production, technology and procedures.



In 2020, the Central Government actively responded to the initiatives of the international community, and has set clear goals of striving to peak its carbon dioxide emission by 2030, and achieving carbon neutrality by 2060, so as to foster green transition and enhance the quality of the ecological environment. In coordination with the Country's reduction targets, the local government of Inner Mongolia continues to implement the Overall Work Plan of Inner Mongolia Autonomous Region for Energy Conservation and Emissions Reduction, strictly controls energy consumption and carbon emission, and encourages the green transition and upgrade of traditional industries. In addition, the local government of Inner Mongolia actively launches projects for climate adaption by means of strengthening the work of forecast and warning of severe air pollution, joint prevention and control, and the management of disaster risks, so as to enhance decision-making service and response towards climate change.

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

Inner Mongolia Company is a modern comprehensive pharmaceutical factory integrating pharmaceutical intermediates and bulk medicines into one. Since the establishment of the plant, environmental protection has been the first priority. It has continuously introduced new environmental protection technologies and new equipment to treat wastewater and exhaust gas generated during the production process, and implemented a number of key environmental protection projects during the Year to fully support the construction of ecological civilisation. 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. Over the past decade, the cumulative investment in environmental protection has reached nearly RMB2.1 billion. Environmental protection has always been regarded as the lifeline of enterprises, and environmental protection investment has been continuously increased to improve the ecological environment.



Key Environmental Protection Project of the Year

Water Saving and Emission Reduction- Reclaimed Water Reuse Project

Background

To implement the philosophy of “Ecology First, Strive for Green Development”, Bayannur City, where Inner Mongolia Company is located at, has made every effort to foster the integrative management of Ulansuhai Nur according to the comprehensive management ideas of “Ecological Water Replenishment, Pollution Control and Reduction at Source, Restoration and Treatment, Resource Utilization, and Sustainable Development”. In the past, the wastewater generated by Inner Mongolia Company was discharged into the industrial park centralised sewage treatment plant for further treatment after

internal treatment (pre-treatment+ hydrolytic acidification+UASB/IC+CASS+ catalytic oxidation+secondary sedimentation tank), and was then discharged into Ulansuhai Nur after meeting the discharge standard through the further treatment. Inner Mongolia Company, however, as a major drainage company in Linhe District, has actively carried out reclaimed water reuse work since the second half of 2017 to utilise water resources, reduce fresh water intake and achieve the goal of zero wastewater discharge, controlling and reducing pollution at source.

Project Status

Inner Mongolia Company has completed three phases of the reclaimed water reuse project with handling capacity up to 37,000 tonnes/day. The first phase is a 10,000 tonnes/day project with raw water coming from the acidic wastewater of the MVR evaporator condensate project; the second phase is a 10,000 tonnes/day project with raw water coming from the treated wastewater from the company's first, second and third sewage treatment station; the third phase is a 17,000 tonnes/day project with raw water coming from the treated wastewater from the company's

fourth and fifth sewage treatment station. The project was tested in the December 2019, and the company's wastewater was fully recycled from the third quarter of the Year with maximum daily treatment capacity of 37,000 m³. After treatment of the reclaimed water reuse project, the wastewater meets the standards of The Reuse of Urban Recycling Water-Water Quality Standard for Industrial Uses (GB/T19923-2005), and will be used to replenish the circulating water in the company's cooling tower and in some production processes.

Objectives and Effectiveness

In October of the Year, Inner Mongolia Company completed the environmental protection inspection and acceptance upon the completion of the reclaimed water reuse project, and officially put the project into operation. During the Year, the reclaimed water reuse project achieved

significant savings in water, with the Company's industrial wastewater treatment capacity being 12.25 million tonnes. The project has achieved a saving of 8.13 million tonnes of purchased fresh water and a 60% reduction in fresh new water consumption compared to that of last year.

◆ RESPONDING TO CLIMATE CHANGE

To respond to the climate change and promote low-carbon development, the Group responds to the Paris Agreement and the Country's goal of achieving carbon neutrality by 2060, actively pays attention to the potential climate-related risks of the business operation, and strives to implement energy saving and emission reduction measures, as well as formulate contingency plans for environmental emergencies, so as to mitigate and adapt to the potential impacts on the business brought by climate change.

In order to respond more accurately to climate change, we have identified the risks associated with climate change, some of which involve potential physical and transition risks to production operations and facilities. For example, more frequent and severe extreme weather events such as typhoons and heavy rains could physically damage and threaten production sites in coastal areas, while continued increase in temperature could increase the energy input and costs of

maintaining an appropriate production environment at inland sites. On the other hand, increasingly stringent compliance and disclosure obligations, such as increased responsibility for greenhouse gas emissions reporting, may also create transition risks for the Group in terms of legal liability and increased operating costs.

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



Cumulative investment in environmental protection nearly **RMB2.1 billion**



Reached the energy saving target value of **3,900 tonnes** of coal



The amount of reclaimed water reaches around **12 million tonnes**

Greenhouse Gas Emission

In the production and daily operations of the Group, the main sources of greenhouse gas emissions include i. direct greenhouse gas emissions, including stationary combustion sources such as fuel combustion of boilers used for production and heating, mobile combustion sources like vehicle fuel combustion, and use of refrigerants; ii. indirect greenhouse gas emissions of energy, including purchased electricity; and 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 waste paper, 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 minimise greenhouse gas emissions and help slow down the rate of global warming.

Energy Conservation

Energy consumption is crucial to pharmaceutical enterprises, and the derived environmental impacts 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 organisation to coordinate each production plant's or department's energy consumption and energy conservation measures. 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.

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 optimise the distribution network and power consumption facilities, hence reduce electricity consumption and save energy.

Corporate Energy Management Bodies & Main Duties



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

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

- Innovated the production processes to reduce energy consumption
- 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

- Prioritised 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

Energy Conservation Optimisation Projects of the Year

- The production plants have introduced the advanced "Smart Pharmaceutical Company Special Device" to control the concentration of dissolved oxygen throughout the fermentation process by capturing the oxygen consumption of microorganisms during the fermentation of antibiotics. This not only ensures the fermentation productivity but also reduces energy consumption, saving a total of approximately 34.96 million kWh of electricity for the two production plants annually.
- In order to ensure the best energy saving effect of the pumps, the circulation pumps, cooling water circulating pumps and brine pumps of the plant adopted the energy efficient "Ternary Flow" technology. The "Ternary Flow High Efficiency Impeller" was custom-made according to the optimal operating parameters to replace the current inefficient operating impellers of the pumps and improve the transmission efficiency, saving a total of about 59.16 million kWh of electricity for the two plants annually.
- Some of the production plants were installed with a power saving device called "Electric Superman", which adjusted the circuit of the power supply equipment to make the current flow more smoothly and stabilise the voltage, thereby lowering the temperature of the circuit and equipment, as well as ensuring the safety of the equipment. At the same time it achieved power conservation by saving a total of about 2.4 million kWh of electricity for the two workshops annually.
- The environmentally-friendly workshop has also installed a magnetic levitation centrifugal blower to replace the original blower of high consumption and low efficiency, achieving an energy saving rate of over 30% and improving the economic and environmental benefits of the enterprise, saving a total of about 3.66 million kWh of electricity for the workshop annually.

Reduction in Water Consumption

Linhe District, where Inner Mongolia Company is located at, 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.

In order to promote water conservation work, Inner Mongolia Company fully implemented the key environmental protection project for reuse of reclaimed water during the Year. At the same time, Inner Mongolia Company implemented water conservation measures in production plants and offices and carried out water conservation optimisation projects in the plants, bringing an increase in water reuse rate and reduction in unnecessary water consumption.

Water Conservation Measures in Production Plants

- Innovated the production processes to reduce water consumption
- 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 practise turning the faucet off at will

Water Conservation Optimisation Projects of the Year

- Plant-wide condensate recycling work was carried out to collect condensate from steam pipes and the material concentration process respectively, replacing the drinking water used in original workshop process and thus reducing water consumption.
- The concentrated evaporation condensate, machine seal cooling water and concentrated drainage water were changed from direct discharge to recycling, mainly for workshop decarboniser cleaning and domestic cleaning, saving a total of 280,000 tonnes of water.
- Heating the low temperature secondary dialysate with high temperature finished phenylacetic acid crossover solution saves 2,190 tonnes of steam per year.
- Collection and recycling of bacterial residue filtrate reduces the discharge of cloth wash water and saves an average of 800 to 1,000 tonnes of water per day.

Contingency Plan

To cope with identified physical risks related to the climate, Inner Mongolia Company has formulated a contingency plan for environmental emergencies in accordance with relevant laws and regulations of the Country, including Environmental Protection Law of the People's Republic of China and Emergency Response Law of the People's Republic of China. Inner Mongolia Company strives to improve the capability of its every department to prevent, response and handle environmental emergencies among all position levels, so as to reduce the risk of loss to corporate operations due to climate change. The contingency plan itemises precautionary measures during flood seasons, which can help combat floods and other disasters during the seasons. The plan also clearly stipulates the response plan corresponding units should take when extreme weather events hit, and the emergency rescue system and procedures corresponding units should implement to prevent the leakage of hazardous materials. If the sewage

station is being flooded, relevant departments must immediately close the inlet and drain valves of the sewage station and stop the system from operating, so as to prevent large-scale pollution caused by sewage overflow.

In order to coordinate emergency rescue work, Inner Mongolia Company has established an emergency rescue command centre, which has strengthened Inner Mongolia Company's ability to cope with extreme weather events, crisis resolution, and response emergencies. For hazardous chemicals, Inner Mongolia Company has specially set up detailed treatment methods for hazardous chemical leakage to minimise the risk of disasters. During the Year, Inner Mongolia Company organised training in contingency planning for environmental emergencies, which enabled employees at all positions to understand and familiarise themselves with the procedures and responsibilities of emergency management.

◆ POLLUTION CONTROL AND TREATMENT

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

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

Category	Relevant Laws, Regulations, Guidelines and Technical Specifications
Wastewater Treatment	Law of the People's Republic of China on the Prevention and Control of Water Pollution Integrated Wastewater Discharge Standard Technical Guidelines for Environmental Impact Assessment - Groundwater Environment
Exhaust Gas Treatment	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Emission Standard of Air Pollutants for Thermal Power Plants Emission Standard of Air Pollutants for Pharmaceutical Industry Standard for Fugitive Emission of Volatile Organic Compounds Technical Guidelines for Environmental Impact Assessment Atmospheric Environment
Waste Treatment	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

Wastewater Treatment

The complicated production process of pharmaceutical intermediates and active pharmaceutical ingredients involves different kinds of emissions. As such, Inner Mongolia Company has implemented sewage treatment system that integrates biochemical, physicochemical, aerobic, and anaerobic feature to handle different wastewater produced such as acidic wastewater, cloth washing water, phenylacetic acid wastewater, crystallised mother liquor, circulating cooling water, and equipment cleaning water. Since 2007, Inner Mongolia Company has built a sewage treatment station, and has been expanding and renovating it according to the demand during operation, covering a total area of 500 acres. Through the treatment process of “pretreatment+hydrolytic acidification+Upflow Anaerobic Sludge Blanket(UASB)+Cyclic Activated Sludge System (CASS)+catalytic oxidation+secondary sedimentation tank”, the sewage treatment station can effectively treat various water pollutants generated during the production processes in Inner Mongolia Company. The sewage treatment station

is operated by professional technicians, and the system can treat nearly 50,000 m³ of wastewater per day. After treatment, the wastewater will then be discharged to the reclaimed water reuse system for further handling. During the third quarter of the Year, wastewater has been fully reused with no further discharge, completely avoiding the risk of environmental pollution.

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

Emission Reduction Project-Acidic Wastewater MVR Project

In order to mitigate the impact to sewage treatment system brought by the production of pharmaceuticals, Inner Mongolia Company has invested in and completed two phases of MVR projects to improve the efficiency of sewage treatment and safeguard the effectiveness of the biochemical system. MVR technique is an energy-saving and environmentally-friendly technology that compresses the flash steam produced by the system itself to increase thermal energy, and circulates heat to the evaporation system to reduce the demand for steam production. Last year, Inner Mongolia Company carried out renovation and expansion on the original acidic wastewater MVR processing project, which allowed efficient acidic wastewater pre-treatment, more stable operation, higher degree of automation and effectively reduced the burden on the sewage biochemical treatment equipment. With its capability of reducing the use of fresh water by about 4,200 m³ per day, the whole project not only lowers the concentration of wastewater, but is also

conductive to the reuse of reclaimed water and the realisation of the treatment and reuse of condensate.

Currently, the acidic wastewater MVR system has a processing capacity of 12,000 m³ per day, and acidic wastewater generated can be completely treated. The project also performed evaporation and concentration of acidic wastewater to reduce the chemical oxygen demand (COD) of acidic wastewater from 15,000 mg to 1,500 mg per litre, reaching a 90% decline, and effectively mitigated water pollution resulted from the production process of pharmaceuticals.



Exhaust Gas Treatment

Inner Mongolia Company generates air pollutants in the production process, including exhaust gas with a peculiar smell generated from sewage treatment process, exhaust gas generated from production process, phenylacetic acid exhaust gas generated from the fermentation process of phenylacetic acid recycling, smoke of coal-fired boiler and the exhaust gas emitted by the used motor vehicles. In regard to the various types of exhaust gas, Inner Mongolia Company has set corresponding treatment facilities and systems to undergo recycling or purification treatment, and has implemented organic exhaust gas treatment projects, so as to ensure that all exhaust gas have reached the national emission standard before

being emitted. In order to ensure that the amount of emission does not exceed the legal standard, Inner Mongolia Company has formulated systems relating to pollutant monitoring. In addition to maintaining the automatic monitoring systems for relevant exhaust gases, the company has also commissioned a third party monitoring institution to regularly monitor the gas from pollution sources in every month or quarter, so as to ensure that the emission of exhaust gas complies with the Pollution Control Standard for Hazardous Wastes Incineration (GB18484-2001). During the Year, all gas emission of Inner Mongolia Company did not exceed the standard limit.

Exhaust Gas Treatment Facilities and Systems



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.



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



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

Emission Reduction Project-Organic Exhaust Gas Treatment Project

To prevent volatile organic solvents used in the production process from being emitted to the surrounding atmosphere and affecting air quality, Inner Mongolia Company continued to carry out environmental improvement work and configured exhaust gas treatment facilities in each project. The related production plants have different types of exhaust gas activated carbon adsorption regeneration devices installed, which can recycle the volatile organic solvent adsorbed in the activated carbon, and at the same time reduce the loss caused by volatilisation. In addition, Inner Mongolia Company has two secondary alkali spray towers to enhance the efficiency of dust treatment. The current dust treatment efficiency is as high

as 95%. Also, the dust generated in the production plants needs to be processed through the low-efficiency non-woven fabric filter, medium-efficiency chemical fibre non-glue cotton material filter, and the new alkali spray tower to further prevent pollution to the surrounding atmosphere. The process of "condensate collection+ activated carbon adsorption" adopted in the organic exhaust gas treatment project can recover up to 90% of the volatile organic matter, and the recycled butyl acetate, acetone and ethyl acetate can be applied for production. While treating volatile organic exhaust gas, the economic benefits generated from the project are expected to be RMB1 million per year.



Emission Reduction Project-Liquid Waste Incinerator Project

In order to fully deal with the harmful concentrated solution produced by the MVR system, Inner Mongolia Company has two liquid waste incinerators. The treatment capacity of the liquid waste incinerators is 120 tons per day, effectively strengthening the ability to treat harmful concentrated solution harmlessly. The liquid waste incinerator utilizes natural gas to incinerate the concentrated solution at a high

temperature of 1100°C, the hazardous solid waste then undergoes harmless treatment without producing additional hazardous waste during the process. At the same time, the flue gas generated during incineration will be treated with SNCR denitration, flue gas quenching device, venturi scrubber and wet electrostatic precipitator to reduce the amount of air pollutants generated during the incineration process.

Waste Treatment

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

The non-hazardous wastes include waste

diatomite, sludge and glass generated during production, as well as the general garbage generated in daily operation. Inner Mongolia Company considers recyclable wastes as resources, and collects and delivers them to the qualified units for reuse, so as to effectively minimise the amount of wastes disposed. For example, waste diatomite and sludge could be used to produce organic fertiliser and waste glass could be used for recycling.

Waste Management Project- Fly Ash and Waste Salt Storage Yard

Industrial solid wastes such as fly ash, slag, desulfurization gypsum, inorganic sludge, and waste salt are produced during the production process and power generation of Inner Mongolia Company. Therefore, a fly ash and waste salt storage yard were built to unify the storage of solid waste and avoid causing environmental pollution.

The storage yard project strictly adheres to the Country's laws and regulations. It is equipped with specific atmospheric and wastewater pollution prevention and treatment measures and ecological environmental protection measures, which can safely store fly ash and waste salt.



Inner Mongolia Company complies with the "Guiding Opinions on Improving the Capabilities of Environmental Monitoring, Utilization and Disposal, and Environmental Risk Prevention for Hazardous Wastes" and has formulated strict treatment procedures to handle hazardous wastes, including hyphae slag, waste activated carbon, waste enzyme, concentrated solution of phenylacetic acid, used mineral oil and concentrated liquid in Mechanical Vapor Recompression (MVR). In order to reduce the amount of waste discarded, Inner Mongolia Company has reused the recyclable hazardous wastes, such as concentrated

phenylacetic acid, for production. For the hazardous wastes that could not be recycled, such as waste activated carbon, waste enzyme, and concentrated liquid in MVR, treatment for turning them into harmless wastes was made through the boiler comprehensive treatment system of Inner Mongolia Company. The used mineral oil, which was sealed in barrels to ensure zero leakage, was transferred to the unit qualified for hazardous waste treatment for subsequent treatment. The fermented fungi residue was delivered to the qualified unit to produce organic fertilisers.

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:

<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>
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Inner Mongolia Company insists on strictly implementing clean production management methods, and maintaining production quality while gradually reducing resource consumption and

pollution. We also raise employees' awareness of cleaner production, and incorporate relevant awareness into daily operations to reduce the impacts on the environment.

GREEN OPERATIONS

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 performance of Inner Mongolia Company in environmental governance and strongly supports Inner Mongolia Company to follow the corporate environmental policy and promote the construction of ecological and environmental protection. Inner Mongolia Company has adopted an environmental management system verified by ISO14001:2015, executed the environmental protection policies and achieved higher environmental goals. Inner

Mongolia Company has become a national "Green Factory" and actively promoted green production. The Group also realises the recycling of resources through the circular economy industrial chain. Inner Mongolia Company also advocates the concept of "recycling and saving" and set up a trading platform for staff to trade unused items during the Year to reduce the waste of resources and cultivate a frugal lifestyle among staff. 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.

Green Factory



Overall Objectives of Green Factory

- Achieve an advanced level in intensive use of land, cleaner production, utilisation of wastes and low carbon energy sources
- Adopt cleaner production to minimise generation of pollutants
- Enhance the Company's resource efficiency, including reduction in the average energy consumption per product and water and raw materials consumption, bringing the Company's resource efficiency to a leading level
- High level of waste recycling and reuse

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.

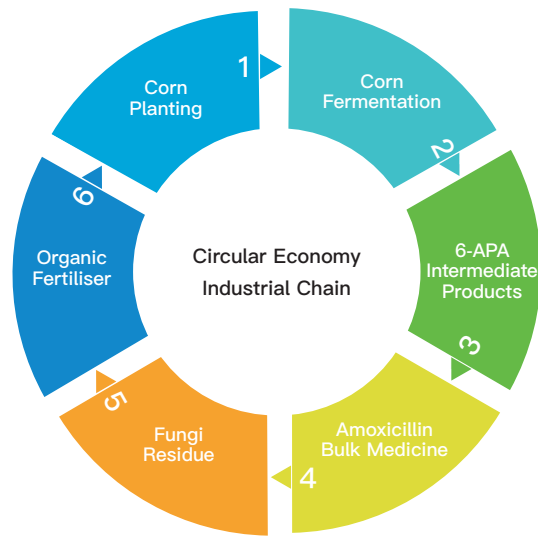
Circular Economy Industrial Chain

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 less 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.



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. 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 assessment at the factory level to ensure that employees can grasp and apply their knowledge of environmental protection. During the Year, Inner Mongolia Company also arranged for its staff to undergo training as registered energy management specialist so that they could receive experience and knowledge from various sources and enhance their energy management capabilities and energy efficiency.

EMPOWERING 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, and actively participating in charity activities, so as to give back to the society. The Group held a number of charity events during the Year, including organising staff to participate in elderly and community care activities and helping to alleviate poverty, taking care of the needs of different people in the community and actively promoting a healthy lifestyle in the community to foster positive community development. In addition, the Group also fully supported the anti - pandemic work during the Year by participating in the production of pandemic prevention drugs and supplies, donating materials and providing technical support in the fight against the pandemic (please refer to the section titled “Joining Hands to Combat the Pandemic”).





◆ FACILITATING THE DEVELOPMENT OF THE PHARMACEUTICAL INDUSTRY

The Group is committed to promoting the development of the pharmaceutical industry. Through academic projects and scholarships, it facilitates the promotion of pharmaceutical academic knowledge and information, encourages

more talents to devote themselves to the pharmaceutical industry, and contributes to the sustainable development of the pharmaceutical industry.

Academic Projects

During the Year, the Group actively participated in various in a number of online and offline pharmaceutical academic conferences, such as the Annual Meeting of Chinese Society of Endocrinology, Scientific Meeting of the Chinese Diabetes Society, National Conference of Neurology and Annual Congress of Chinese Thoracic Society, covering a wide range of medical

fields to promote academic exchanges and pharmaceutical research. In addition, the Group actively participates in nationwide pharmaceutical forums such as the China County Health Conference, China Pharmacists Week and Xiangya Forum to promote the Group's new products and keep abreast of the latest development in medicine.



Educated Grassroots
Medical Staffs

over **12,000**

“Double Excellence Action” Training Course on Diabetes Prevention and Treatment at the Grassroots level

Cooperation agency: Diabetes Medical Committee of Chinese Research Hospital Association

During the Year, the Group launched the “Double Excellence Action Training Course on Diabetes Prevention and Treatment at the Grassroots level in 14 cities, training and educating nearly 12,000 grassroots medical personnel in both online and offline formats, so as to let them learn more about the national guidelines for the prevention and control of diabetes at the grassroots level, enhance the prevention and treatment management standard of diabetes at the grassroots level, and reduce the family and social burden caused by diabetes.



Medical Experts
Visit and Exchange

Hospital Field Visit and Exchange

Cooperation agency: The Editing Committee of Chinese Medical Association’s “China Medical News”

During the Year, the renowned hospital study tour and exchange event was held at Shanghai Huashan Hospital with a total of 21 medical experts participated. Through field visits, the activity aimed to exchange management experience, enhance the management standard of hospital managers, and facilitate the reform and development of public hospitals.



Trained Medical Staffs

Symposium on Memory Disorder Clinics

Cooperation agency: Shanghai Stroke Association

In order to standardise the consultation process of memory disorder and the management of patients, the Group co-organised the Conference on the Establishment of Memory Disorder Clinics and Memory Disorder Consultation Process Standardisation Project Workshop during the Year. The event aimed to promote the establishment of memory disorder clinics in Shanghai hospitals at different levels to facilitate the construction of a network for the prevention and control of cognitive disorders, and to enable patients to receive accurate diagnosis and precise treatment. Neurologists are invited to the event to share their experience and results in building memory disorder clinics and to analyse the direction of standardising the treatment of memory disorders. All participants had a lively discussion with the guests on related topics, deepening the public’s understanding on memory disorders and working together for the prevention and control of memory disorders and the construction of the healthcare system.

Active Support for Education

The United Laboratories has actively assisted students to master scientific and cultural knowledge for many years, and has established the "TUL Medical Education Scholarship" in 1998 to support the development of medical education in the Country. During the Year, the Group donated a total of RMB410,000 of scholarships to outstanding students of Chongqing Medical

University, Xiangya School of Medicine of Central South University and Anhui Medical University, encouraging students to study hard and master the necessary knowledge, so as to facilitate the development of medical education and the medical industry in the future.

◆ CARE FOR THE ELDERLY

Caring for the elderly is a key objective of the Group's charity affairs. The "Re-feeding Swallows", a charity activity that shows care to the elderly hosted by Zhuhai Company, aims at "Paying Close Attention to the Elderly and Giving Back to the Society". During the Year, we arranged our employees to visit the social welfare centres in Jingnan Town and Hongqi Town. The employees

expressed their care for the elders, and put on Chinese New Year decorations for so as to share the festive joy with them. Furthermore, employees presented gifts such as fruits and beverages to the elderly, so as to replenish their daily necessities, meanwhile, their health and physical quality could also be improved.

◆ TARGETED POVERTY ALLEVIATION

Poverty alleviation needs to be jointly cultivated by different sectors in society, thus The United Laboratories has insisted on participating in community poverty alleviation work for years. During the Year, Zhuhai Company was awarded the title of "Enthusiastic about Charity, Warming Jinwan" in the "Millions of Enterprises Helping Millions of Villages" Targeted Poverty Alleviation activity. The title was issued by the Zhuhai Jinwan District Federation of Industry and Commerce to

commend employees for their selfless dedication to society and poverty alleviation in the past. The Group actively supported the poverty alleviation work by organising the "One Yuan Care" fundraising activity on the Guangdong Poverty Alleviation Day during the Year. More than RMB30,000 was raised and donated to the Red Cross Society of Jinwan District in Zhuhai, to help people in need to solve life difficulties and help alleviate poverty.



Concerned about the development of health care in the community and the accessibility of medical treatment for the poor, the Group co-organised the “TUL Langao Health Care Action” with Ankang Central Hospital, leading a team of medical experts to conduct a charity clinic. The event

provided eye examinations and eye medicine to 250 local residents, as well as surgical treatment to 12 patients in need, so as to treat eye diseases for the poor and needy, reducing the overall blindness rate in the community and improving the quality of life of the people.

◆ CARE FOR THE COMMUNITY

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.

Voluntary Blood Donation

During the Year, 105 employees participated in the voluntary blood donation activity held by Zhongshan Company, with a cumulative blood donation of more than 28,700 mL. Besides, Zhuhai Company actively joined the “Boundless Love, Boundless Generosity” voluntary blood donation activity held in Zhuhai, with 128 employees participated and a cumulative blood donation of more than 39,550 mL. Zhuhai Company was therefore titled Caring Company in “Blood Donation for Charity”. It is a loving act performed by the employees



of the Group to care about others and give back to the society.

◆ CULTIVATING A HEALTHY LIFESTYLE

As a pharmaceutical manufacturer, the Group attaches the greatest importance to public health. The Group has established a number of associations such as the Badminton Association, Basketball Association, Mountaineering Association, and organised a number of internal sports events, athletics and other activities to promote a sporty and healthy culture within the Company. For example, Zhuhai Company organised the basketball contest and the “Flying Swallow Cup” badminton tournament; Inner Mongolia Company organised the billiards contest

and other sports competitions to encourage employees to develop a good habit of loving sports, health and life. In addition, the Group also actively participated in various sports activities and competitions in the community. For example, the badminton club of Zhuhai Company participated in the mixed team event of Sanzao Town Labour Union Badminton Tournament, hoping to encourage the public to develop healthy and good living habits through personal participation in sports competitions.

◆ KEY PERFORMANCE INDICATORS

Employment

As at 31 December 2020, the Group employed 13,243 employees, representing a decrease of 1.4% 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	2020	2019
Number of Employees		
By gender		
Male	7,999	8,216
Female	5,244	5,211
By age group		
<30	4,620	5,803
30 to 50	8,187	7,220
>50	436	404
By geographical region		
Mainland China	13,142	13,330
Hong Kong, China	100	95
India	1	2
By employment type		
Full-time staff	12,990	12,751
Interns	253	676
Employee Turnover Rate (%)		
By gender		
Male	20	21
Female	16	19
By age group		
<30	33	32
30 to 50	11	11
>50	14	16
By geographical region		
Mainland China	19	20
Hong Kong, China	1	0
India	0	50

Indicators	2020	
Employees Training ¹		
	Total Training Hours (hrs)	Total Percentage (%)
	417,105	99.3
	Average Training Hours per Employee (hrs)	Percentage of Employees who Received Training (%)
By gender		
Male	31.7	99.3
Female	31.3	99.3
By employee level		
Senior management	43.5	97.3
Middle management	36.7	99.8
General staff	30.8	99.3
Occupational Health and Safety ¹		
Number of lost days due to work injury	1,494.25	

1. The Group starts to disclose this data in the Year.

Supplier Management

Indicators	2020	2019
Number of major suppliers ¹	166	180
By geographical region		
East China	53	62
South China	45	47
Central China	11	14
North China	31	24
Southwest China	0	3
Northwest China	23	26
Northeast China	2	3
Outside China	1	1

1. Major suppliers are identified by purchase volume and cover only suppliers of the Group's major production sites. The data of 2019 is restated.

Environmental Management

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

Indicator	Standard ¹	2020	2019
Exhaust Gas (tonnes) ²			
Nitrogen oxides (NO _x)	820	520	506
Sulphur oxides (SO _x)	805	391	338
Particulate Matter (PM)	246	59	70
Waste (tonnes)			
Total non-hazardous waste ³	-	40,003	50,085
Total non-hazardous waste per tonne of products	-	1.05	1.21
Total hazardous waste ⁴	-	210,842	249,333
Total hazardous waste per tonne of products	-	5.53	6.00

Indicator	Standard ¹	2020	2019
Greenhouse Gas (tonnes of CO₂e)			
Total emission	-	1,176,808	1,348,441
Scope 1 – direct emission ⁵	-	979,680	1,096,278
Scope 2 energy indirect emission ⁶	-	194,041	248,702
Scope 3 other indirect emission ⁷	-	3,086	3,460
Total emission of greenhouse gas per tonne of products	-	30.89	32.46
Energy Consumption (MWh)			
Total emission ⁸	-	3,251,101	3,675,013
Direct energy consumption	-	3,031,672	3,393,771
Fuel combustion for stationary sources	-	3,031,510	3,393,376
Fuel combustion for vehicles ⁹	-	162	394
Indirect energy consumption	-	219,429	281,242
Purchased electricity	-	219,429	281,242
Total energy consumption per tonne of products	-	85.33	88.45
Water consumption (m³)			
Total consumption ¹⁰	-	6,422,744	7,213,652
Water consumption per tonne of products	-	168.58	173.63
Amount of reclaimed water	-	11,953,995	7,267,241
Amount of purchased water saved ¹¹	-	8,125,005	2,601,779
Packaging Materials Consumption			
Total consumption (tonnes) ¹²			
Plastic products	-	444	396
Paper products	-	1,496	2,002
Consumption of packaging materials per tonne of products (kg)			
Plastic products	-	11.65	9.53
Paper products	-	39.26	48.19

- The standard of exhaust gas follows the amount of air emission stated on the pollutant discharge license.
- The sources of exhaust gas emission includes the exhaust gas emission from production and vehicles. The data is calculated based on the actual amount of emission and the Reporting guidance on Environmental KPIs published by HKEX.
- The data refers to the actual amount of non-hazardous wastes. Inner Mongolia Company has made greater efforts on energy conservation and emission reduction in the Year by anaerobic digestion of sludge. Also, as product production decreased comparing to last year, the total non-hazardous waste produced has decreased comparing to last year.
- The data refers to the actual amount of hazardous waste.
- 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 HKEX.
- Sources of Scope2 - indirect greenhouse gas emission of energy includes the greenhouse gas emission involved in purchased electricity. The data is calculated based on 2011 and 2012 Average Carbon Dioxide Emission Factors for Regional Power Grids in China issued by the National Development and Reform Commission of the People's Republic of China.
- Sources of Scope3-other indirect greenhouse gas emission includes the greenhouse gas emission generated from employees' business travels, water and wastewater treatment and disposal of paper to landfills. The data is calculated based on the Carbon Emissions Calculator of the International Civil Aviation Organization and the Reporting guidance on Environmental KPIs published by HKEX.
- The calculation of total energy consumption includes fuel combustion for stationary sources and vehicle, and purchased electricity. The data is calculated based on the conversion factors provided in 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.
- Due to the pandemic, Inner Mongolia Company had fewer business travels and customer audits, leading to a drastic decrease in fuel combustion for vehicles compared to last year.
- The data refers to the actual amount of water consumption. The total water consumption decreased comparing to last year as Inner Mongolia Company fully implemented the reuse of reclaimed water.
- Amount of purchased water saved refers to the amount of water saved because of the reuse of reclaimed water.
- The data is based on the Group's records of actual consumption of packaging materials. The specification of products changed during the Year in the way of a change in the proportion of larger and smaller packaging, resulting in the change in the consumption of plastic and paper products respectively.

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Our mission is to make life more valuable