

2019

Environmental, Social and Governance Report



康臣葯業集團有限公司

CONSUN PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

股份代號 Stock Code : 1681

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01

About This Report

Welcome to the fourth Environmental, Social and Governance Report (“ESG Report” or the “Report”) issued by Consun Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred “Consun Pharmaceutical” or the “Group” or “We”). This Report intends to provide environmental and social management policies, performance and the latest developments of Consun Pharmaceutical in 2019. Relevant information will be disclosed in the following chapters of this Report.

Reporting Guideline

This Report has been compiled in accordance with the four reporting principles of the Environmental, Social and Governance Reporting Guide (“ESG Guide”) under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, namely materiality, quantitative, balance and consistency. This Report has also complied with the “comply or explain” disclosure obligations.

Reporting Scope

The reporting scope of this Report covers the main business of Consun Pharmaceutical, including its main subsidiaries: Guangzhou Consun Pharmaceutical Co., Ltd. (“Guangzhou Consun”), Consun Pharmaceutical (Inner Mongolia) Co., Ltd. (“Inner Mongolia Consun”) and Guangxi Yulin Pharmaceutical Group Co., Ltd. (“Yulin Pharmaceutical”). Unless otherwise stated, the reporting period of this Report covers 1 January 2019 to 31 December 2019 (the “Reporting Period”).

Access to the Report

This Report has been prepared in Traditional Chinese and English respectively, if there is any contradiction or inconsistency between the Chinese and the English version, the Chinese version shall prevail. This Report has been published in electronic version, which can be downloaded from the Group’s website at www.chinaconsun.com.

Confirmation and Approval

The board of the Company (the “Board”) is responsible for evaluating and determining environmental, social and governance related risks and ensuring that appropriate and effective risk management and internal control systems are in place. At the same time, the Board is responsible for the Group’s environmental, social and governance strategies and reporting. Through the materiality assessment, the Group determined the key disclosures of this Report, disclosed the quantifiable environmental and social performance, and applied consistent methodologies with the 2018 ESG report during information collection and reporting. This Report was approved by the Board on 24 July 2020.

Reader’s Feedback

If you have any comments or feedback about this Report, please contact the Group through:

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02

Chairman's Message

Devoted to Innovation for Patients

2019 was a critical year for the reformation of China's medical system to tackle the challenges continuously, the adoption of various new policies, and the refinement of medical insurance's cost control. The development trend of the pharmaceutical industry and the competitive environment have undergone tremendous changes. It was a time of taking great responsibility, a time of facing challenges and opportunities, and a time of undergoing succession and innovation. Consun Pharmaceutical continues to endure the pressure, undertakes transformation and upgrading, and has developed a special path to becoming excellent and strong.

We improve ourselves every day. We strive to maintain a pious and innovative mindset for the benefit of public health and public welfare, and develop and produce a number of good, safe and innovative medicines that are urgently needed in the country, with significant therapeutic effects, clear pathways and affordable prices, so that more patients can benefit from our efforts, and their pain relieved. To this end, we have upgraded our product development, platform cooperation, talent mechanism, business thinking and other aspects, so that the development of the Company can synchronize with the national policy and industry development, and can be mutually complemented, thus achieving better performance. **Upgrading research and development (R&D).** We have started a number of clinical research projects to accelerate the creation of "2 billion major traditional Chinese medicine product" Uremic Clearance Granule, in order to provide stable and reliable nephrology medications to more than 800,000 nephrology patients. In cooperation with the Kidney Disease Professional Committee of the Chinese Association of Integrative Medicine, we have launched 24 scientific research projects worldwide, and have solicited for the topics from basic medical workers in related fields in China. The open, innovative way of developing the Kidney Repair and Edema Alleviation Granules has set a precedent for evidence-based medical research in the industry, and has received praise from the industry. With ten years of research achievements and extensive experience, KangleXian® Iopamidol Injection was launched on the market, becoming the first approved computed tomography (CT) contrast medium after the "New Policy on Chemical Drug Consistency Evaluation" becomes effective in China, filling the urgent needs of the domestic market. At present, the Company's ultrasonic micro-bubble contrast medium has entered trial production stage, and is leading the scientific research in related fields in China with little developments, which is expected to become a new business growth point in the future. **Upgrading cooperation between platforms.** We entered into a cooperation agreement with South China University of Technology to build a "Medical Imaging Research Center"; formed a strategic partnership with Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences to establish an "integrated joint laboratory for ultrasound micro-bubble diagnosis and treatment"; and cooperated with the Macau University of Science and Technology to jointly apply for fundamental research projects, established the first "Drug Retailing Professional Pharmaceutical Care Research Center" in China. Taking this approach of using superior resources and platforms provides more possibilities for the development dream of "Intelligence World, Serve the World", more positive elements have been introduced. **Upgrading talent management.** The

Company implements the strategy of "talent first, build nests and attracts phoenix". Based on the establishment of "chief scientist", we further recruited outstanding academic leaders and a group of key middle and high-level research members. We have implemented various incentive measures such as the implementation of share incentive plan and paying high bonus, recruiting high-end talents extensively, and accumulated a pool of talents. **Upgrading mindset.** With the goal of becoming a leading world-class pharmaceutical enterprise, we have continued to carry out external learning and exchanges by strengthening the concept of using Chinese and Western medicine in kidney therapy, accumulating the experience of industrial chain operation, and establishing a digital and information operation system, developing new markets with an international perspective.

Taken from people and use in people, caring for our society and give back to it. Kidney disease is a growing threat to the health of the general public, it has become a serious public health issue and has laid a heavy burden on the economic development of the society. We would not forget there are still 200 million patients in China, and would not forget our success in the field of nephrology is because of our sincere caring for the patients. We have just done a little more than other enterprises, and we would not forget that we must "taken from people and use in people". We integrate social responsibility into the heart of our daily business operations and devote ourselves to the public welfare of patients with kidney disease. We advocate the society to fight kidney disease together by prevention, treatment, repairing and caring, and build a stable health capital to achieve a win-win development between the Company and the industry in this process. To this end, we actively carry out patient education and blue ribbon medicine donation activities, promote disease prevention knowledge via online and offline channels, participate in international kidney disease activities and various free consultation activities. We use the "Consun Medical App" to effectively connect patients, doctors and pharmaceutical companies, and provide a platform for patients to self-manage their health by utilizing medical and health big data, in order to give back to patients in the best way possible. "Caring for our society and give back to it".

The road is long and far, but we keep going and never give up. In 2020, despite the complexity and uncertainty of the operating environment due to the impact of the epidemic, we do not afraid of the challenges faced. We will further strengthen the mission and original intention of "Inherit the Traditions with Innovation, Benefit the Society with Good Medicines", continue to focus on the "1+6" industrial layout and innovate our products in the fields of gynecology and pediatrics, orthopedics, dermatology, hepatobiliary and other fields. In addition, we also strive for excellence in production, supply chain, marketing and basic management capabilities, create national classics with loyalty, and put patients at the center of our business to keep improving. Regardless of success or failure, only seeking hard work, we will get fruitful results. Consun Pharmaceutical is continuously moving towards the development dream of "building a flagship in nephrology and establishing a first-class pharmaceutical company that leads in multidisciplinary".

--Message from the Chairman

03

About Consun

An Overview of Consun Pharmaceutical

Consun Pharmaceutical Group is a modern pharmaceutical enterprise mainly engaged in the R&D, production and marketing of modern Chinese medicines and medical imaging contrast mediums. It's founded in 1997 and got listed on the main board of The Stock Exchange of Hong Kong on 19 December 2013. It owns subsidiaries that engage in medicine R&D and production. It operates well-known pharmaceutical brands such as Consun and Yulin. It has three production bases located in Guangzhou, Guangdong Province, Tongliao, Inner Mongolia and Yulin, Guangxi Province.

•Value Philosophy•

Our Mission

Inherit the traditions with innovation,
benefit the society with good
medicines

Our Vision

Building a flagship in nephrology
and establishing a first-class phar-
maceutical company that leads in
multidisciplinary

Our Core Value

People-oriented, sincere, responsible,
sharing

Our Management Philosophy

To be Tao-based, virtue-based, righ-
teousness-based, and righteousness
and benefit coexist

Distribution
Philosophy

Putting value as our
top priority, sharing
our career

Service
Philosophy

Dedicate for perfection

Development
Philosophy

Strive for excellence
with strength, seek
greatness with
strength

Product
Philosophy

High technology,
high efficiency,
high quality

Consun Pharmaceutical in 2019

During the reporting period, Consun Pharmaceutical has developed in various aspects. We have got recognition from society and have been awarded various honors. We will keep working hard and respond to the support of all parties through a sustainable development model.

ON 20 MAY 2019

The ceremony of the first phase of the new plan construction of Yulin Pharmaceutical-- “Overall Relocation Project” was held at the construction site. Nearly 200 people attended the ceremony to witness this important milestone.



ON 15 MARCH 2019

The first “Drug Retailing Professional Pharmaceutical Care Research Center” in China was officially established in Guangzhou. Representatives from government, industry association, university, research institute, pharmaceutical manufacturing and retail enterprise attended the opening ceremony.



ON 9 MAY 2019

The “2019 China Brand Value Evaluation Press Conference” event jointly organized by Xinhua News Agency, Economic Daily, China Council for the Promotion of International Trade, China Council for Brand Development, and China Appraisal Society was held in Shanghai. Guangzhou Cosun had a brand value of RMB 4.043 billion, ranked 21st in medicine and health category. Inner Mongolia Consun had a brand value of RMB 2.616 billion, ranked 17th in the product brand category. Yulin Pharmaceutical had a brand value of RMB 1.906 billion, ranked 24th in the Chinese old brand category.



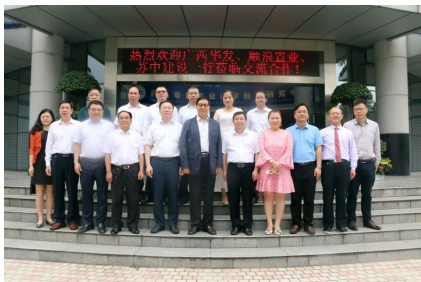
ON 26 MARCH 2019

Yulin Pharmaceutical was awarded the title of “Top Ten Exporters of China's Traditional Chinese Medicine Industry Member Companies in 2018” for its outstanding export performance at the Third Session of the Seventh Council and the Third Session of the Seventh Executive Council of the China Chamber of Commerce for Import and Export of Medicines and Health Products. This is the second time in a row that the company has won this award.



IN MAY 2019

Yulin Pharmaceutical signed a “Cooperative Development Agreement” with Guangxi Huafa Group and Shunlang Real Estate, and the cooperative development of the old factory area entered the actual operation stage. In 2019, the contract value of the first phase of the new plant construction of the overall relocation project of Yulin Pharmaceutical reached **RMB 495 million**, with a cumulative investment of **RMB 380 million**. We have completed the installation of outdoor and indoor water supply and drainage system, electrical system and fire protection system for the buildings used for production, warehousing and quality inspection.



ON 4 JUNE 2019

2018 China Pharmaceutical Industry Most Influential List Press Conference hosted by the Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce Pharmaceutical Chamber of Commerce was held in Jinan. The Company ranked among the **top 100** Chinese pharmaceutical industries in 2018, and Inner Mongolia Consun ranks among the **top 50** Chinese pharmaceutical industry. **Ms. Li Qian**, the vice chairlady of the Board, chief executive officer and one of the founders of Consun Pharmaceutical, was also named as the **top 10 newcomers in the Chinese pharmaceutical industry**.



IN AUGUST 2019

The coordinated production line for washing, drying, filling and pressing at the oral solution workshop in Inner Mongolia Base was officially put into operation and increased our production capacity by **57%**, which will be able to meet the increasing market demand for Iron-dextrin Oral Solution and Erythromycin Estolate Suspension and in the next two years. Meanwhile, we are entrusted to produce Cetirizine Hydrochloride Oral Solution. The Guangzhou base introduced a full-automatic granule packaging line, which has expanded the production capacity of the beneficial agent by **90%**. It can produce **180 tons** of Kidney Repair and Edema Alleviation Granules annually or entrusted to produce **300 tons** of Uremic Clearance Granule.



ON 12-18 JULY 2019

The 2019 National Pharmacy Week and China Pharmaceutical Innovation Development Conference with the theme of “Value Reconstruction-Seeking Growth, Expanding Boundaries, and Exploring the Future” initiated by the authorities included Chinese Pharmaceutical Association, Chinese Pharmacists Association, China Pharmaceutical Innovation and Research Development Association and other organizations was held in Jinan, Shandong. “Starting from kidney, more than kidney”—Consun Pharmaceutical was listed in the **Top 100 of Chinese medicine enterprises in 2018**.



ON 13 AUGUST 2019

2019 Cepo Summit was grandly opened in Boao, Hainan. At the “Symbiosis of Yangyang-2019 Xipu Gold Award Ceremony” that held in the evening of 14 August 2019, Consun Pharmaceutical's bestselling product “Uremic Clearance Granule” was included in the List of “Healthy China's Brands” for the fourth consecutive year.



ON 22 AUGUST 2019

China released the 2019 version of National Catalogue for Medical Insurance Drugs, Work-related Injury Insurance Drugs and Maternity Insurance Drugs. Kidney Repair and Edema Alleviation Granules, the Iron-Dextran Oral Solution and the Cetirizine Hydrochloride Oral Solution, the Group had a total of 70 medical insurance products.



IN SEPTEMBER 2019

Consun Pharmaceutical cooperated with the Renal Disease Professional Committee of the Chinese Association of Integrative Medicine to carry out the “Kidney Repair and Edema Alleviation Granules Clinical Application Research and Fundamental Research Open Project”, recruiting scientific research topics from medical workers worldwide in the field of kidney disease. We will provide subsidies for **24 appropriate projects** to encourage medical researchers to carry out clinical trial and fundamental research concerning Kidney Repair and Edema Alleviation Granules in an innovative manner and analyze the therapeutic effect and mechanism of action on kidney repair and edema alleviation, hence promoting the development of scientific research of kidney disease and the progress of chronic kidney disease prevention.



FROM 16-17 SEPTEMBER 2019

The 2018 “Chinese National Medicine Top 100 Brand Enterprise Conference” was held in Changchun City, Jilin Province. The Company and Yulin Pharmaceutical were ranked **24th** and **30th** on the list respectively.



ON 5 NOVEMBER 2019

The 2019 “List of China’s Pharmaceutical Brands” was announced and awarded at the conference. A total of **118** brands on the four significant lists were released. Yulin Pharmaceutical, with its star product skin series--Shiduqing Capsule, was included in the retail terminal list of “List of China’s Pharmaceutical Brands”.



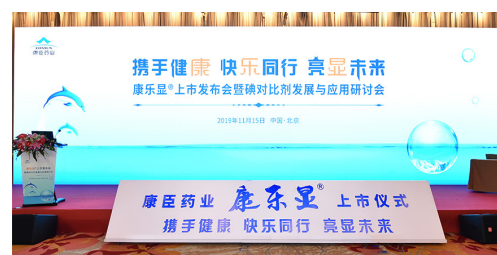
ON 8-10 OCTOBER 2019

The “11th China Healthcare Summit of Entrepreneurs, Scientists and Investors and Pharmaceutical Achievements Exhibition of the 70th Anniversary of Founding the PRC” hosted by the China Pharmaceutical Enterprises Association was grandly opened in Beijing. The conference selected several important awards in the pharmaceutical industry. Among them, Consun Pharmaceutical awarded the title of “Pharmaceutical Industry’s Benchmark Enterprise of the 70th Anniversary of the Founding of PRC”.



ON 15 NOVEMBER 2019

The conference of launching the Iopamidol Injection product KangleXian® with the theme of “Work Together for Health and Happiness, Brighten the Future” and Iodine Contrast Medium Development and Application Seminar was successfully held at InterContinental Beijing. The introduction of Consun Pharmaceutical’s KangleXian® Iopamidol Injection was the first CT contrast medium approved after the “New Policy on Chemical Drug Consistency Evaluation” issued by the State Drug Administration. It has excellent physiochemical properties and has a high standard of quality.



ON 29 NOVEMBER 2019

The 2019 (Second) Social Responsibility Conference with the theme of “Talk to Responsible Brands and Build a Responsible Future Together” was held in Beijing. More than 80 well-known enterprises and public welfare organizations from all over the country were gathered. The Company awarded “Social Responsibility and Charity Practice Award”, and our vice chairlady of the Board and chief executive officer, Ms. Li Qian awarded the title of “Socially Responsible Pioneer Entrepreneur”.



IN DECEMBER 2019

The first ultrasonic micro-bubble production line in China was officially put into operation. In December, we have reached strategic cooperation with the Shenzhen Institutes of Advanced Technology of Chinese Academy of Sciences and is going to build “Joint Laboratory of Ultrasound Micro-Bubble Diagnosis and Treatment Integration”, developing the world’s leading new medicine with the drug-eluting micro-bubble technology.



ON 29 DECEMBER 2019

The “2019 China Economic Development Forum and China Economic Influencers Annual Meeting” hosted by the China Business Herald, Business China, and The Press of People’s Daily was grandly held in Beijing. Ms Li Qian, vice chairlady of the Board and chief executive officer, was honored as the “China Economic Top 10 Commercial Mulan”.

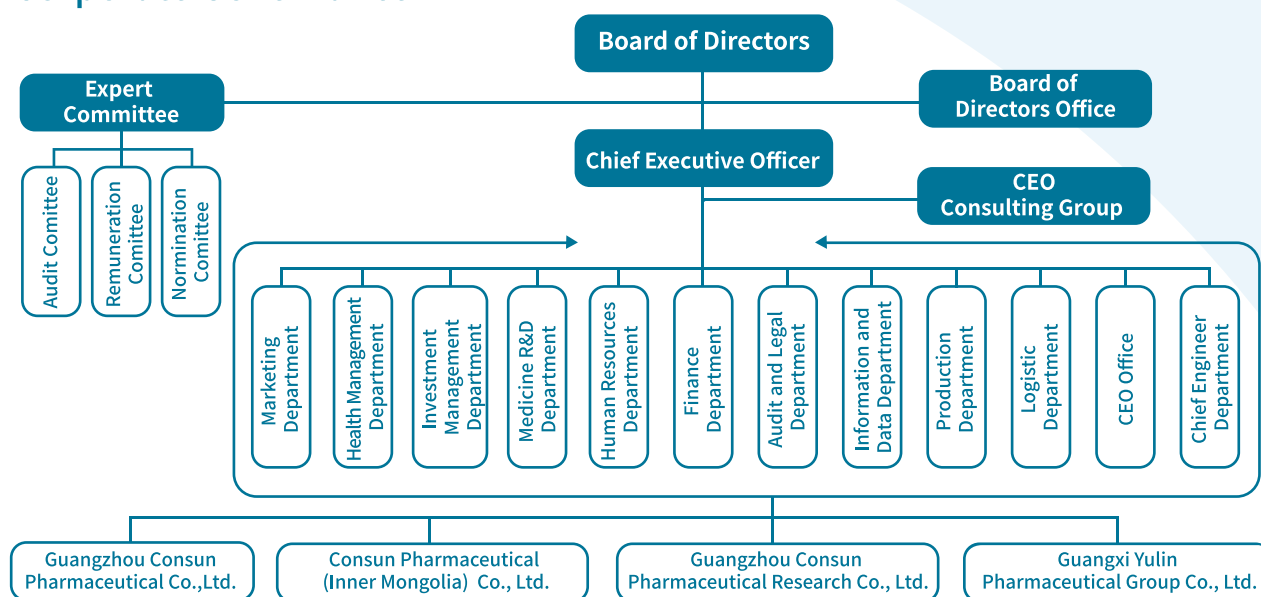


04

Responsible Governance

Consun Pharmaceutical takes the management of environmental, social and governance (“ESG”) matters as its corporate social responsibility. The Board of Directors actively guides the planning of ESG work of the Group and keep integrating ESG elements into its business process and management system, thus creating value for the society with a sustainable business model.

Corporate Governance



Risk Management and Internal Control

The Board of Consun Pharmaceutical acknowledges its responsibility for ensuring the Group to maintain a sound and effective risk management and internal control system, and review on its effectiveness at least once a year. The Audit Committee assists the Board in fulfilling its governance role over finance, operations, compliance, risk management and internal control of the Group. The Group’s Audit and Legal Centre assists the Board and the Audit Committee in reviewing the effectiveness of the Company’s risk management and internal control system on an ongoing basis. The Board is regularly updated on significant risks which may affect the performance of the Group.

Consun Pharmaceutical is gradually integrating the ESG-related elements into the risk management system of the Group to further monitor the potential risks and opportunities. The Group identifies internal and external ESG-related risks, and establishes an appropriate and effective risk monitoring system to protect the Group its operational stability.

Internal risks

- ⚙ Human resources factors such as the professional ethics and professional competence of directors, managers and other senior management and employees in resource control positions.
- ⚙ Independent innovation factors such as research and development, technology investment, and application of information technology.
- ⚙ Operational safety, employee’s health, environmental protection and other factors.
- ⚙ Other relevant internal risk factors.

External risks

- ⚙ Legal factors such as laws and regulations and regulatory requirements.
- ⚙ Social factors such as security and stability, cultural traditions, social credit, education level and customer behavior.
- ⚙ Science and technology factors such as technology advancement and improvement.
- ⚙ Natural environmental factors such as natural disasters and environmental conditions.
- ⚙ Other relevant external risk factors.

Case Corporate Governance

On 21 June 2019, the “2019 China Financial Market Awards” ceremony and dinner hosted by the famous financial magazine China Financial Market and co-organized by multiple industries and financial associations were held at the Four Seasons Hotel Hong Kong. Consun Pharmaceutical won “The Best Corporate Governance Award”, which meant the recognition of our corporate governance system.



Award ceremony

Stakeholder Engagement

The voices of stakeholders are one of the driving forces of Consun Pharmaceutical. The Group values the participation of stakeholders in our business operation. We understand their opinions and expectations through various communication platforms, and take it as one of the references for our ESG work planning.

· Conduct continuous communication

Considering the mutual influence between Consun Pharmaceutical and stakeholders, Consun Pharmaceutical has identified the key stakeholders that are closely related to the Group's business operation. We have carried out different forms of communication with stakeholders to understand their expectations via various channels.

Key Stakeholders	Communication Channels of the Group	Expectations to the Group	Communication Frequency
Government and Regulatory Agencies	<ul style="list-style-type: none"> Participate in government projects Pass the qualification examinations Submit work reports 	<ul style="list-style-type: none"> Compliance with laws and regulations Strengthen research and development of drugs 	<ul style="list-style-type: none"> Regular or irregular
Investors (Shareholders)	<ul style="list-style-type: none"> Shareholders' general meeting Information disclosure Investor consultation 	<ul style="list-style-type: none"> Good corporate operation management to reduce operational risks Good return on investment Transparent information disclosure 	<ul style="list-style-type: none"> Regular, irregular or permanent
Clients	<ul style="list-style-type: none"> Customer satisfactory investigation Customer complaint management Daily customer communication Roadshows 	<ul style="list-style-type: none"> Obtain safe and high quality medicine Affordable medicine Diversified medicine types Protect consumer rights 	<ul style="list-style-type: none"> Regular or permanent
Employees	<ul style="list-style-type: none"> Trade union Provide training and development platform The Group's publications Hold employee activities 	<ul style="list-style-type: none"> Good working environment Good career prospects 	<ul style="list-style-type: none"> Regular, irregular, full year or bimonthly
Suppliers	<ul style="list-style-type: none"> Formulate supplier management system Evaluation on suppliers 	<ul style="list-style-type: none"> Cooperate with mutual benefit 	<ul style="list-style-type: none"> permanent
Peers	<ul style="list-style-type: none"> Participate in or hold industry forums Participate in industry association Visit and communicate with other companies 	<ul style="list-style-type: none"> Promote industry development 	<ul style="list-style-type: none"> Irregular
Community and the Public	<ul style="list-style-type: none"> Information disclosure Participate or organize community activities Social charity and poverty alleviation activities, volunteer activities 	<ul style="list-style-type: none"> Serve the community Charity 	<ul style="list-style-type: none"> Irregular or permanent

Stakeholder Activities

Case

“Consun Medical App” Went Online

To serve clinicians and patients conveniently, to better manage patients who are using Consun Pharmaceutical's products, we hereby developed “Consun Medical App”. The app works as an intermediate link, letting clinicians and patients connect smoothly, and also allowing more patients that are using our products to manage their health.



“Consun Medical App”

Case

The Product Launch Conference Themed with “Work Together for Health and Happiness, Brighten the Future” was Held in Beijing

On 15 November 2019, the conference of launching the lopamidol Injection product KangleXian® with the theme of “Work Together for Health and Happiness, Brighten the Future” and Iodine Contrast Medium Development and Application Seminar was successfully held at InterContinental Beijing. The introduction of Consun Pharmaceutical's KangleXian® lopamidol Injection was the first CT contrast medium approved after the “New Policy on Chemical Drug Consistency Evaluation” issued by the State Drug Administration. It has excellent physiochemical properties and has a high standard of quality. In the next decade, we will continue to enrich the imaging product line, and will fully cover the three major areas of magnetic resonance (MRI), CT and ultrasound, to provide patients with safe, effective and high-quality medical imaging products. Meanwhile, the Group has steadily entered the fields of nuclear medicine and radiotherapy, applying innovative technologies to promote the concept of “integrating diagnosis and treatment”. We are selecting the opportunities to enter the field of medical imaging supplies and equipment manufacturing, to build the Group's imaging industry chain.



Product Launch Conference

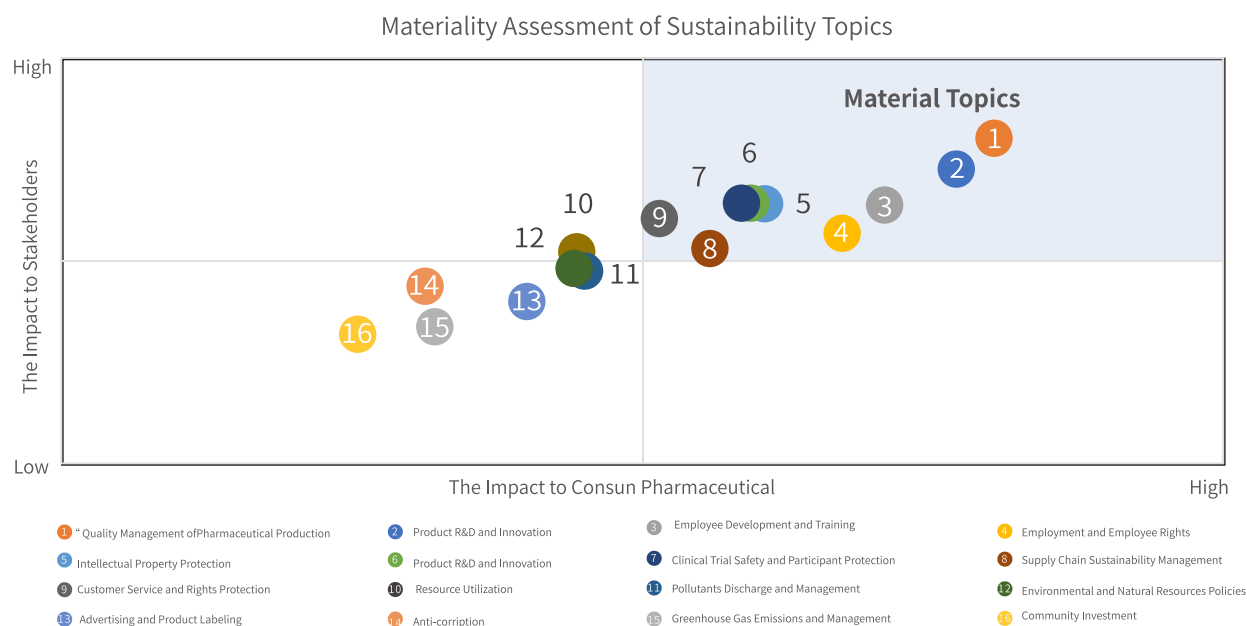


Iopamidol Injection

• Materiality Assessment

Regarding the ESG Guide, and taking into account the concerns of pharmaceutical industry and stakeholders, the Group has identified 16 relevant sustainability topics and conducted a questionnaire survey with key stakeholders, thus understanding their views on different issues. Meanwhile, we also conducted internal assessments to judge the impact levels of each issue to the Group's operation. In this questionnaire investigation, employees, shareholders and investors, customers, suppliers and the general public were invited to respond to the survey and a total of 2,418 valid questionnaires were collected.

According to the results of the questionnaire investigation, The Group carried out matrix analysis from two dimensions of "the impact to stakeholders" and "the impact to Consun Pharmaceutical", prioritizing the importance of different sustainability topics.



According to the scores of each sustainability topic, the Group identified the issues that were highly important to both stakeholders and the Group as material topics. The management of the Group verified the ranking results to ensure that the results reflected our actual situation. We incorporate material topics into various chapters of this Report and provide key reporting to respond to the expectations of stakeholders. In addition to this, the results of the materiality assessment also assisted the Group to identify the areas that need to be focused on, in order to strengthen the monitoring and management in the relevant areas. We also consider incorporating the material issues into our corporate sustainability management as one of the considerations for planning corporate sustainable development.

List of Material Topics (Importance is ranked from highest to lowest)	Responding Chapters
1. Quality Management of Pharmaceutical Production	The Quality of Pharmaceutical Production
2. Product R&D and Innovation	R&D Innovation
3. Employee Development and Training	Employment Management
4. Employment and Employee Rights	Employment Management
5. Intellectual Property Protection	R&D Innovation
6. Occupational Health and Safety	Health and Safety
7. Clinical Trial Safety and Participant Protection	R&D Innovation
8. Supply Chain Sustainability Management	Sustainable Supply Chain
9. Customer Service and Rights Protection	Protect Customer Rights

Honest Operation

A clean business environment is one of the foundations for Consun Pharmaceutical's stable development. The Group strictly abides by the anti-corruption-related laws and regulations such as *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery*, and has established internal control supervision mechanism. Under the internal control supervision mechanism, we have formulated a series of policies to comprehensively manage the works related to anti-corruption, including the *Employee Handbook*, the *Internal Audit Management System and the Employee Complaint and Report Management System*, etc.

The Audit and Legal Department of the Group is responsible for inspecting and supervising all functional centers, departments, affiliated companies, contact points and related personnel to prevent employees from violating rules and regulations, as well as fraud, corruption, bribery, and money laundering. Besides, the Group signs the Job Responsibility Letter with marketing personnel at all levels every year. The marketing personnel promise to abide by the code of conduct of marketing management in their business activities. In order to raise the awareness of all employees on anti-corruption related laws and regulations and commercial bribery, we conduct regular compliance training and publicity.

Consun Pharmaceutical has set up the complaint and reporting mailbox and the hotline to receive complaints and reports from customers, employees and third parties regarding employee violations. The Group also abides by the principle of confidentiality, strictly keeps the whistleblowers' information confidential and investigates the incident. The Audit and Legal Department also visits various regions irregularly to conduct audits on improper behavior. During the reporting period, Consun Pharmaceutical strictly adhered to the above-mentioned anti-corruption related laws and regulations, and did not receive any cases related to corruption lawsuit.

Intellectual Property and Information Security

The Group attaches great importance to its intellectual property protection. We have formulated the Management System of Intellectual Property in accordance with the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other laws and regulations, to provide the institutional guarantee of the utilization, management and protection of intellectual property. The Group manages intellectual property rights such as trademark rights, copyrights, patents, trade secrets, etc. in accordance with the principle of timeliness and confidentiality:

Timeliness

There are higher requirements on time for the application, renewal and payment for intellectual property rights, they need to be dealt with in time to ensure the validity of rights.

Confidentiality

All employees and external research partners involved in research and development projects are required to sign the confidentiality agreements with the Group. These agreements require the relevant personnel to keep secret regarding the relevant confidential information and are responsible for preventing leakage.

Number of Valid Trademarks

Number of trademark registrations in 2019: 19
Total trademark registrations: 193



Part of the Group's patents

05

Focus on Health

Focusing on the needs of our patients, Consun Pharmaceutical has built up a plentiful product line over the years, covering chronic kidney disease treatment, diagnostic imaging, wound therapy, pain relief and other areas. The Group currently has a total of **147 types of medical products**, of which **35 types of medicines** have been included in the National Essential Medicine List and **70 types of medicines** have been included in the National Catalogue of Drugs Covered by the Medical Insurance. We offer our patients a variety of pharmaceutical options and affordable access to our medicines.

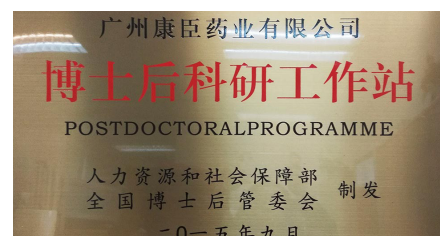
Consun Pharmaceutical manages the quality of its products and services throughout the entire life cycle of drugs. It continuously enhances the quality management system related to R&D, production and sales, to ensure the patient's medication needs and the confidence of using our medicines. Currently, the Group has a total of **63 types of Chinese medicines** and **84 types of western drugs**.

· R&D Innovation

Adhering to the mission of “Inherit the Traditions with Innovation, Benefit the Society with Good Medicines”, Consun Pharmaceutical combines modern technology and traditional theories to develop contemporary medicines. The Group adjusts and optimizes its R&D strategies actively and fully utilizes patents and various R&D platforms, such as two “Academician Expert Workstations”, one “Postdoctoral Scientific Research Workstation”, two provincial “Engineering Technical Research Centers”, three provincial “Enterprise Technical R&D Centers” and “Consun Chinese Medicine Research Center for Renal Diseases” jointly established with Hong Kong Baptist University. We achieve breakthroughs in three sectors including Chinese medicine, chemical medicine and biological medicine. The image contrast medium is going to reach the advanced level in China and even the world.

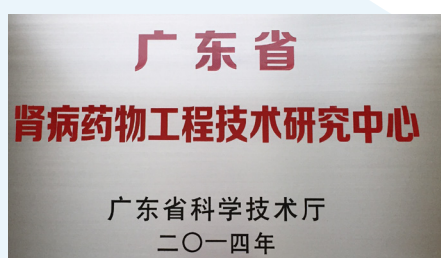


Chinese Medicines Research Center for Renal Diseases



Postdoctoral Scientific Research Workstation

Engineering Technical Research Center for Renal Diseases



As of the end of 2019

- R&D investment Reached **57.84** million
- Obtained **38** patent authorizations, included
- **12** international patent authorizations

Academician Expert Workstation





During the reporting period, the Group fully launched the construction of the R&D quality management system and gradually implemented it. We have established a management system from multiple links, including the standardization of management procedures on different aspects, job responsibilities and record forms, to achieve the purpose of enhancing R&D capabilities and quality.



Project management



Documentation



Equipment management



Organization and personnel



Material management



Quality management

Major R&D Results in 2019

Product innovation:

- ◎ The conference of launching the lopamidol Injection product KangleXian® was held in Beijing. Consun Pharmaceutical officially entered the field of CT contrast medium, marking a significant breakthrough in the Group's R&D capabilities.
- ◎ Regarding the Chinese medicine sector, the Group will continue to carry out the subsequent development based on quality products while developing new medicine. Astragali powder pellet has completed the Expert Workshop and protocol design, and will start Phase II clinical trial soon. We will continue to research on quality and process improvement of Kidney Repair and Edema Alleviation Granules and apply for the cooperation project of Guangdong, Hong Kong and Macau. If the application is approved, a government subsidy of RMB 1 million will be granted. For the chemical medicine sector, instead of sole imitation, the Group will pursue the integration of imitation and innovation. Two new generic medicines projects and one new medicine project were developed for the imaging line, and kidney medicines projects were continuously researching and developing, intending to achieve proprietary innovation ultimately. In respect of biological medicine sector, the Group will insist on exclusive innovation. As at the date of this report, the Group has 11 established projects under research.
- ◎ The ultrasound micro-bubble contrast medium, namely "Huashengxian" will commence clinical trial upon the completion of trial production.

Organizational Innovation:

- ◎ The Group has devoted greater efforts in recruiting talents and strengthening its team. Based on 15 years of establishment of the "Chief Scientist", we have engaged outstanding academic leaders to adjust further and clarify our innovative strategic ideas. We remodeled the organizational structure of the Pharmaceutical Research Center in accordance with the scientific rules and laws and regulations of the R&D of medicines. We introduced professional technical talents and R&D management talents to improve the R&D project management system process and implement R&D quality control throughout the whole process, to enhance the capabilities in R&D innovation and management.

Technological innovation:

- ◎ We have developed a method for determining the content of multi-indicative ingredients in Chinese medicine's multiple active ingredients preparation to provide technical support for improving product quality control level and accelerating product launches.
- ◎ We have developed lipid microspheres and other new medicine loading systems to improve the level of preparations and build an direction platform for new, improved medicine preparations.

• Protect Clinical Patients

During the processes of clinical trials, the Group strictly abides by the laws and regulations such as the *Drug Administration Law of the People's Republic of China*, the *Administrative Measures for Drug Registration* and the *Good Clinical Practice for Drug Trials*, to ensure the trials are conducted under the fundamental conditions of compliance, high quality, high security, and R&D ethics.

- › The research unit has approved all clinical trials of the Group for examining ethical issues, and ensuring that the experimental subjects have the right to know and clearly understand the trial process and risk and benefits. experimental subjects are free to choose whether to participate in the trials, and they have to sign the informed consent before participating in the experiments. Besides, the Group also purchased commercial insurance for clinical trials to further protect the rights and interests of the experimental subjects.
- › The Group's drugs such as Uremic Clearance Granule and Kidney Repair and Edema Alleviation Granules have been launched on the market for more than ten years and are widely used in clinical practices. The practice has proved that these medicines are safe and effective, with few adverse reactions and no severe adverse reactions caused, which will not be threatening the health and safety of experimental subjects.
- › The Group has established a comprehensive safety monitoring system and an adverse reaction reporting mechanism to monitor the safety of experimental subjects' medications in real-time. We submit medicine safety monitoring reports to the relevant department regularly.

The Quality of Pharmaceutical Production

The quality of pharmaceutical products is of paramount importance to the health and safety of patients, and it is Consun Pharmaceutical's primary responsibility to ensure the quality of pharmaceutical products. The Group strictly complies with the *Pharmaceutical Administration Law of the People's Republic of China*, the *Regulations for the Implementation of the Drug Administration Law of the People's Republic of China*, the *Good Manufacturing Practices for Pharmaceutical Products* (GMP), and other relevant regulations, to establish a strict pharmaceutical quality control system. The system documents include the *Administrative Regulations for Pharmaceutical Quality Management System*, the *Quality Policies and Quality Objectives Management Regulations*, the *Pharmaceutical Quality Risk Management Regulations*, etc.

The Group manages its modern production lines through a pharmaceutical quality management system; each production line has passed the 2010 GMP certification. We set annual quality targets to achieve high-quality pharmaceutical production management.

The Group's senior management assumes fundamental responsibility for the quality management of pharmaceutical production. The top management also provides an appropriate arrangement for the effective operation of the management system, including participation in its design, implementation, monitoring and maintenance, resource allocation, the establishment of authority, the establishment of effective communication processes, management performance review, etc. Meanwhile, we integrate risk management into all aspects of quality management activities and strictly control potential risks. The quality management of pharmaceutical production is mainly divided into eight parts. We conduct all-round control to the entire process involved in the production to ensure that the produced medicines meet the high-quality standard.



The following shows the audit status of the pharmaceutical production quality certification of Consun Pharmaceutical's each production base:

IN FEBRUARY 2019

the GMP certification inspection expert group of the Guangdong Provincial Drug Administration conducted a three-day inspection on the quality management system and other aspects of the small-volume injection workshop in Guangzhou Consun. It is the second time that Guangzhou Consun's sterile preparation production line has passed the on-site inspection of GMP certification.



IN JUNE 2019

Guangzhou Consun received the GSP certificate issued by the Guangdong Food and Drug Administration. The Company has passed the GSP certification for the fourth time.



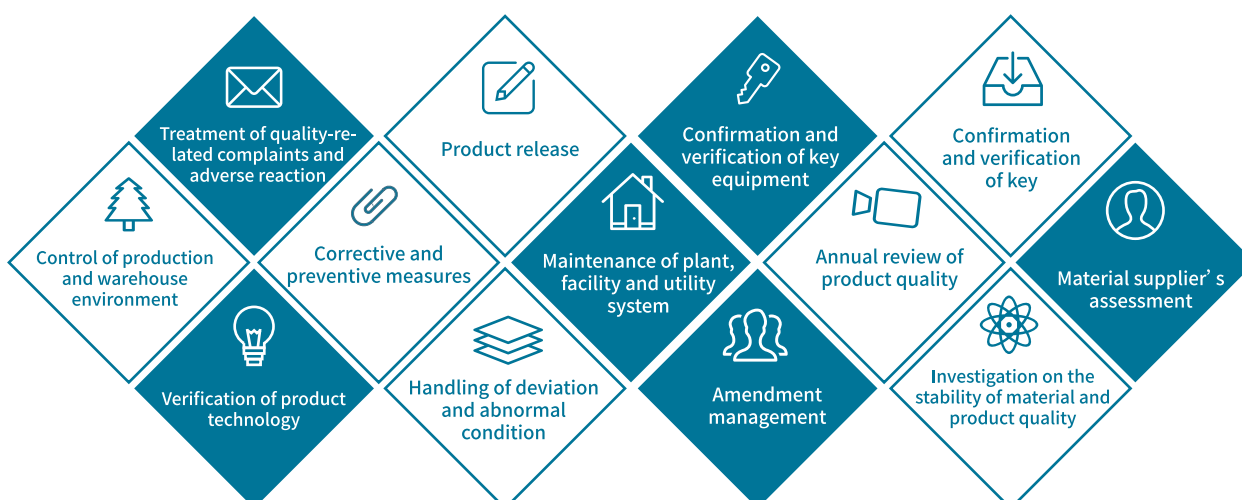
IN OCTOBER 2019

Yulin Pharmaceutical was awarded a new GMP certificate by the Therapeutic Goods Administration (TGA) for a valid period of 3 years. The Company has passed the Australian TGA-GMP certification for the tenth consecutive year since 1996.



Quality Risk Management

The Group has established the quality risk management team to manage the quality risks involved in the R&D, manufacturing and sales of pharmaceutical products. The process includes the assessment, control and review of risks, and the results of the risk management procedures will be inspected at last. Pharmaceutical quality risk management mainly involves the following areas:



Case

Quality Activity Months

September to November of each year are the quality activity months of Consun Pharmaceutical. The three bases in Guangzhou, Inner Mongolia, and Guangxi consolidated the knowledge of quality months through various activities such as the collection of quality slogans, watching the feature film of “Great Country’s Craftsmen”, quality knowledge competition, skill competition, selection of “quality model”, quality checkpoint inspection and recruiting essays with awards, so as to extend the knowledge to the front-line employees continuously. The theme of the event in that year was “Craftmanship for Win, High-Quality Development”, which aims to vigorously promote the spirit of craftsmanship, stimulate the enthusiasm and creative energy of employees, cultivate the sense of responsibilities for dedication and pursuit of excellence, in order to promote high-quality development of enterprise.



“Identify medicines” activity and light inspection ability activity in Inner Mongolia base
Quality months’ activities in different locations



Knowledge competition in Yulin Pharmaceutical base



Knowledge Competition in Guangzhou base

Quality Check

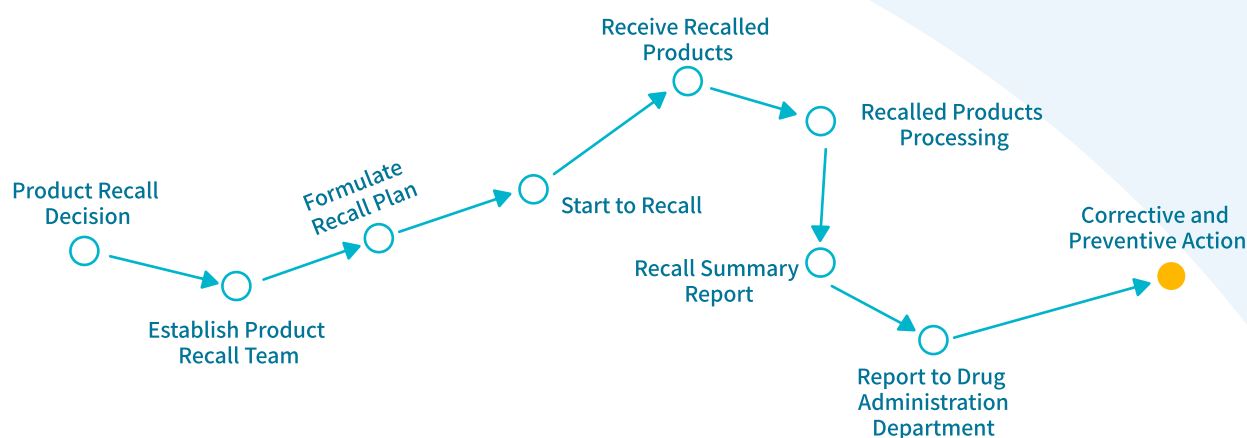
The Group implements a quality assurance process for the materials and products input in the pharmaceutical production process and conducts quality control at all stages.

1	Sample to be Tested	<ul style="list-style-type: none"> Taking samples from materials, intermediate products or products to be packaged according to the sampling procedures.
2	Sample distribution	<ul style="list-style-type: none"> The quality control personnel take samples and conduct quality test according to the corresponding inspection operation procedures.
3	Test	<ul style="list-style-type: none"> Inspectors must have appropriate skills and experience to conduct independent tests. Calibrate the test instruments and equipment. During the testing process, we strictly follow the requirements of the operating procedures to ensure compliance with registered quality requirements and standards.
4	Test Record	<ul style="list-style-type: none"> Inspectors fill in the test records. Review the test records to ensure that the samples meet the quality standards.
5	Test report	<ul style="list-style-type: none"> Issue the test reports according to the test results, which can be passed to the next production link after being reviewed and approved by the relevant responsible person.

• Product Recall

To further protect the health and safety of customers, the Group has established product recall procedures in accordance with GMP and other relevant laws and regulations to prevent the occurrence of hidden safety hazards. We have developed the policies such as the *Product Recall Management Procedures* and the *Product Return Management Procedures* to ensure timely and effective recall of products known or suspected of having quality issues from the market, to minimize the impact on patients. During the Reporting Period, the Group did not have any recall cases of sold or shipped products for safety and health reasons.

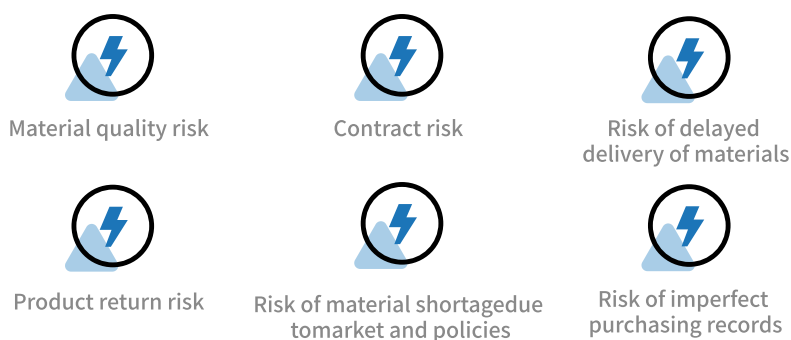
Product recall management procedure is shown as follows:



Sustainable Supply Chain

A stable supply chain is the foundation to guarantee that the Group can produce and supply high-quality pharmaceutical products continuously. The Group has established the supply chain management system to regulate the issues related to supply chain risks, supplier selection and assessment.

The Group has formulated the *Procurement Risk Management System* to strengthen risk management in the procurement of raw materials. We analyze the causes of risks, conduct risk classification management after risk assessment, and formulate and implement different risk control measures according to different risk levels, wishing to guarantee our product quality and supply chain stability to the largest extent. The major risks that the Group is currently focusing on include:



In addition, we have also established the policies such as the *Supplier Management Guidelines* and the *Material Procurement Management Guidelines* to formulate comprehensive requirements and procedures for supplier selection and assessment. We attach importance to the production process and quality control of suppliers, and also evaluate their environmental performance, including both the plant and production area. Meanwhile, the procurement employees of the Supply Department are responsible for conducting preliminary inspections on supplier's social reputation, company profile, national quality certification, etc. After the initial review by the Supply Department, the investigation results will be submitted to the Quality Management Department for recording.



Supplier Development

- Give priority to suppliers which have established a quality system based on national or international standards and have passed the certifications.
- Examine the supplier's production capacity and quality assurance system.



Preliminary Evaluation of Suppliers

- Collect relevant information (such as quality, service, delivery date, price) as the basis for screening suppliers.
- Deliberate whether the purchased materials, key equipment, etc. meet legal requirements and safety requirements.



Providing Sample

- Procurement of production materials (raw materials, packaging materials) is conducted in accordance with GMP requirements, notify suppliers to provide samples for inspection.
- Conduct tests based on quality standards and issue test reports.



On-site Audit of Suppliers

- According to the influence level of the purchased materials on the product quality, the purchased materials are divided into three levels: A, B and C, and are controlled in different levels.
- Conduct on-site review of suppliers providing key and major materials to complete the supplier audit report.



Confirmation of Qualified Suppliers List

- After the completion of the on-site assessment form or audit report, a quality assurance agreement is signed with the supplier, and the supplier is then included in the "Qualified Supplier List".



Audit and Examination of Suppliers

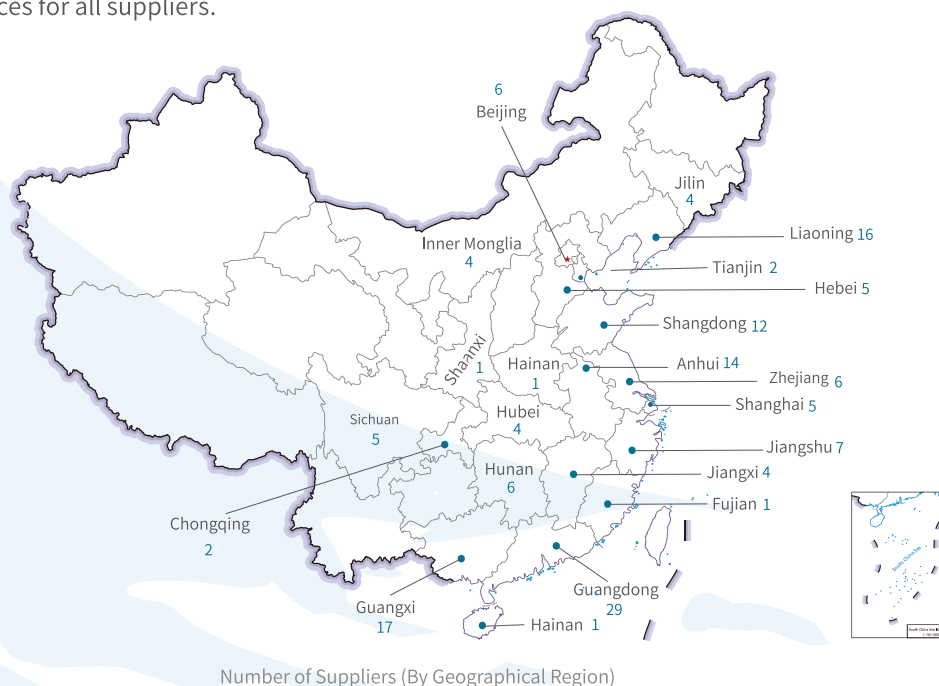
- Formulate the annual audit plan and assessment plan, and adjust the supplier rating based on the assessment results.
- The supplier's audit items include quality, delivery, service, price level, etc.
- Request for rectification to the supplier with problems.
- Suppliers with serious problems or failure to rectify are eliminated from the "Qualified Supplier List".



Supervision of Supplier

- Supervise the suppliers on the aspects of qualification, delivery, quality and information.

During the Reporting Period, the Group had a total of **153** suppliers and implemented the above selection and assessment practices for all suppliers.



Case Domestication of Wild Herbs

To ensure the sustainability of resources and the stability of supply, the Group has cooperated with professional research institutes, insists on the research of plantable medicinal materials, reduces the excavation of wild medicinal materials, to ensure the sustainability of resources and the stability of supply:

- ◎ By promoting the cultivation of shiny-leaved prickly ash, on the one hand, it can alleviate the situation of resource shortage and solve the problem of supplying the medicinal materials of the Group's popular products, Zheng Gu Shui, and also promote its production and sales. On the other hand, it can effectively adjust the agricultural industry structure, increase the economic income of local farmers, green the barren mountains and improve the ecological environment, which has achieved excellent environmental benefits. Therefore, the Group cooperated Guangxi Institute of Chinese Medicine and Pharmaceutical Science to launch the project of "Research Demonstration of Breeding and Optimizing the Standardized Planting Technology of Shiny-leaved Prickly Ash". The project aims to further overcome the technical difficulties of mixed varieties, uneven quality, low output and reduced quality of wild shiny-leaved prickly ash, and to cultivate new varieties with high yield and high quality to ensure the supply of medicinal materials.
- ◎ Tufuling is a native medicinal material in Guangxi, it is one of the primary raw materials of Yulin Pharmaceutical's bestselling product "Shiduqing Capsule" and Guangxi's famous specialty "Gulinggao". At present, the medicinal uses are all derived from wild resources. With the increase in usage, the destruction of the ecological environment and the difficulties in the self-renewal of the population are resulting in the shortage of resources. At present, there are very few Tufuling produced in Guangxi, and most of the raw materials in the market come from neighboring countries, such as Vietnam and even Burma and Thailand, and the price of these raw materials has been rising. Therefore, Yulin Pharmaceutical cooperates with Guangxi Botanical Garden of Medicinal Plants to carry out a scientific research project on the domestication of wild Tufuling, which is currently planted in a small area in the Kang Yu Herb Garden to accumulate relevant experience. When conditions permit, we will start to expand the planting area, in order to realize the sustainable use of the Tufuling for producing Chinese medicine, to protect the ecological environment, to guarantee the sustainable development of Guangxi's famous Chinese medicine enterprises and well-known products, to develop the modern Chinese medicine raw material technology industry, and to promote the development of medicinal plant cultivation.

Case Resource Sustainability and Stable Supply of Hairy Rosary Pea

Guangxi Yulin Pharmaceutical Group Yonglv Chinese Traditional Medicine Industry Co., Limited ("Yonglv Chinese Traditional Medicine") is a subsidiary of Yulin Pharmaceutical, which mainly engages in the cultivation of Chinese herbal medicine and the sale of native Chinese herbal medicine. Yonglv Chinese Traditional Medicine is responsible for the cultivation of the Chinese medicinal material hairy rosary pea to provide the major raw materials for Yulin Pharmaceutical to produce its famous product "Jiguciao Jiaonang". Yonglv Chinese Traditional Medicine adopts the operation model of "company + base + farmers". Through the plantation and guidance in self-built bases, driving farmers to plant and other ways, Yonglv Chinese Traditional Medicine connects all the links of the plantation of hairy rosary pea to form a complete industrial chain. Yonglv Chinese Traditional Medicine has successfully implemented paddy field interplanting technology for Chinese herbal medicines, which not only increased output and saved land, but also exerted the demonstration effect of plantation garden, formed the industrial model effect, and promoted poverty alleviation around the plantation garden.



Plantation garden of hairy rosary pea

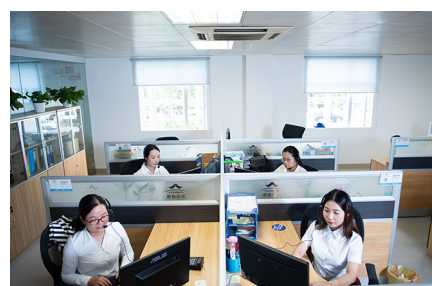
Protect Customer Rights

Consun Pharmaceutical always adheres to the service philosophy of “Dedicate for Perfection” and the marketing strategy of “In-depth Distribution, Market Segmentation, Classified Management”. We have established more than 70 contact points and selling our products to more than 30 countries and regions and are committed to serve the customers for the needs of health.

Consun Pharmaceutical has always attached importance to the opinions of customers. To provide customers with better service, we upgraded the 400 hotlines of chronic disease management by establishing WeChat groups for patients to provide immediate assistance. We have also actively developed the chronic disease management platform and public account that centered on “Consun Medical”, which not only allowed patients to have more channels to provide feedback, but also carried out free medicine-giving activities to patients in cooperation with the charity organization-- Shenzhen Chunnuan Social Workers to enhance customer's satisfaction. For the front-line of customer service, the Group requires the customer service personnel to communicate with telephone visitors in accordance with the *Customer Service Hotline Answering Guidelines* and provide their needs to relevant responsible departments for follow-up. Besides, we have formulated the *Guidelines for Patients' Telephone Visits* to regulate the daily telephone visit operation procedures. We formulate visit cycles based on the situations of different patients to keep understand their conditions and opinions, to continuously improve the Group's products and services and establish a good interactive relationship with patients.



Communication channels



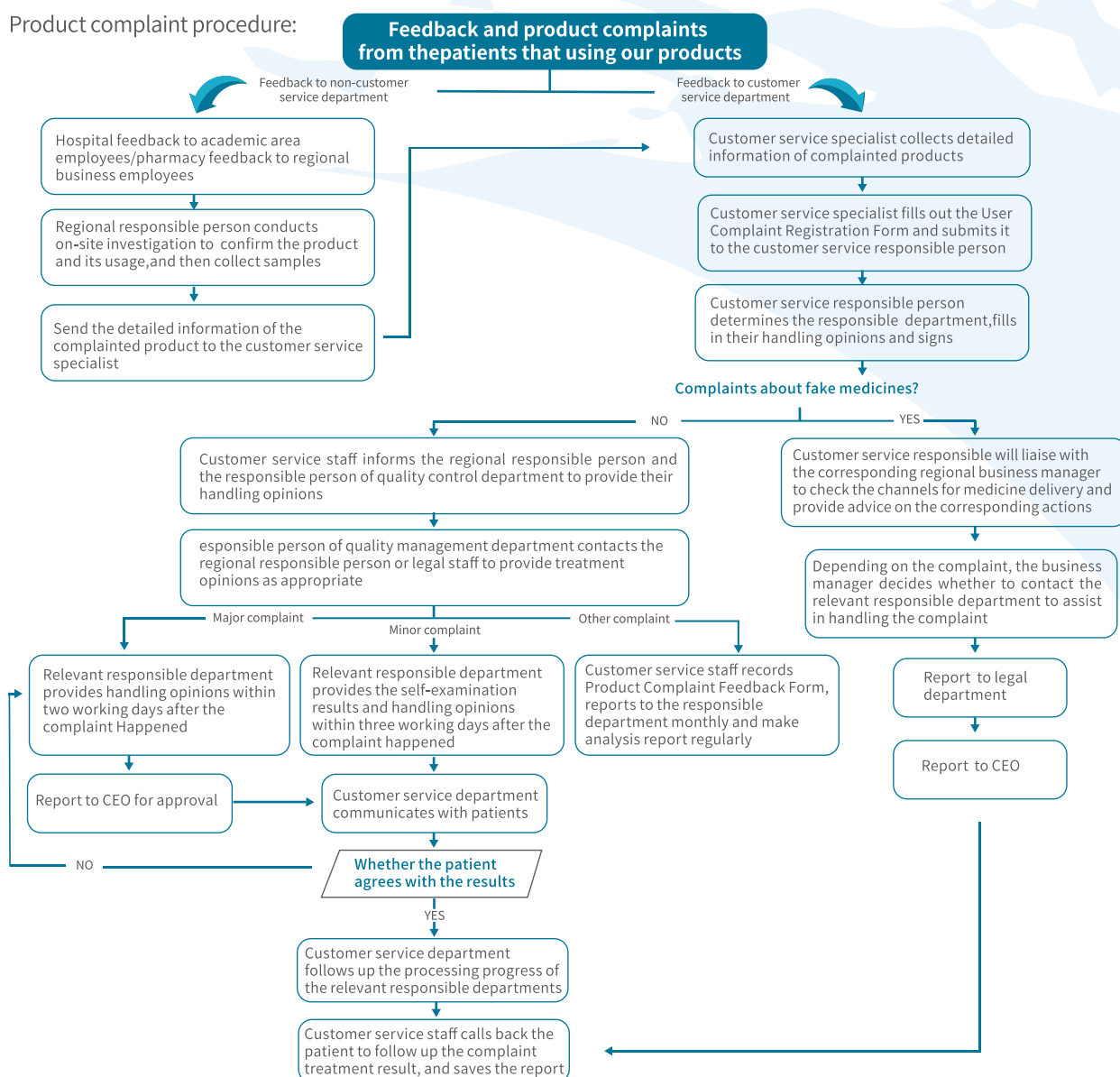
Hotline answering and patient calls

· Patient Responding Mechanism

To standardize the response and handling process of complaint on product quality, the Group has formulated the Patient Complaint Handling Procedure in accordance with the *Law of the People's Republic of China on Protection of Consumer Rights* and Interests and relevant rules and regulations, to standardize the duty of all departments, to ensure the product complaint process could smoothly proceed, and to maintain the brand image and market reputation. The following is the scopes and procedures of the complaint handling work undertaken by the various departments of the Group:



Product complaint procedure:



During the Reporting Period, the Group had received 16 product complaints and had responded to them quickly, which solved the problems for customers smoothly.

• Customer Privacy Protection

The Group attached great importance on the privacy protection of customers and patients. We have formulated the *Patient Information Management Procedure* and the *Behavior Management System for the Group's Employees*, which requires all relevant personnel to manage the patients' data in accordance with the system. The customer information system, as well as the patients' data system, are only accessed by authorized staff. People from other departments or external organizations should strictly follow the *Procedure for Patient Information Review Application including relevant application*, acceptance and offering in order to get access to the patients' information.

• Advertisement and Product Labelling

For product promotion and advertisement production, the Group strictly abides by the *Pharmaceutical Administration Law of the People's Republic of China*, the *Advertising Law of the People's Republic of China*, the *Measures for the Examination of Drug Advertisements* and other laws and regulations. Pharmaceutical-related advertisements are examined and approved by the provincial drug regulatory authorities to ensure compliance with laws and regulations. Meanwhile, we make medicine labels in strict accordance with the *Pharmaceutical Administration Law of the People's Republic of China*, the *Provisions for Drug Registration*, the *Provisions on the Administration of Pharmaceutical Directions and Labels*, and other regulations, to eliminate unclear, misleading information or words.

06

People-oriented Strategy

Consun Pharmaceutical always regards “Respect People, Cultivate People, Accomplish People” as our human resource philosophy. We have built a diverse career development platform, and we expect employees can realise their career goals and growth along with the Group.

Employment Management

Consun Pharmaceutical has formulated a comprehensive human resource management system and actively recruits talents to meet the needs of the continuous development of the Group.



Employment

- ① The Group strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other labor laws and regulations, and has established the human resource related management system such as the *Employment Management* and the *Recruitment and Configuration Management System*.
- ② When the department raises the request for recruitment, the Human Resources Department starts the recruitment process after approving the request for human resources. We conduct recruitment activities through diversified recruitment platforms and select suitable candidates through interviews and other procedures. We sign labor contracts with hired employees to protect the rights of both the Group and employees.



Labor Standards

- ① The Group advocates the diversification of employees and provides equal job opportunities. Also, we prohibit any discrimination against employees on the bases of race, ethnicity, nationality, religion, and gender.
- ② At the same time, the Group strictly follows the labor standards, laws and regulations such as the *Provisions on the Prohibition of Using Child Labour* which prohibits the employment of child labor. During the recruitment process, we scrutinize candidates for information such as identity card to avoid the risk of recruiting child labor due to false information. During the Reporting Period, the Group had not been involved in any cases in terms of child labor or forced labor.



Dismissal

- ① According to the *Employee Behavior and Reward and Punishment Management* of the Group, if the employee fails to pass the probation period, commits serious violations, is investigated for criminal liability according to the law or any other circumstances that may lead to the termination of employment relationship according to the regulations of the labor laws, the labor contract will be terminated.



Remuneration

- ① The Group has formulated the Remuneration and Welfare Management System and other remuneration management policies. We combine the working performance with salary and bonus and set up quarterly and annual performance bonuses, to motivate, attract and retain outstanding employees, for laying a human resource foundation for the long-term development of the Group.



Working Hours and Vacations

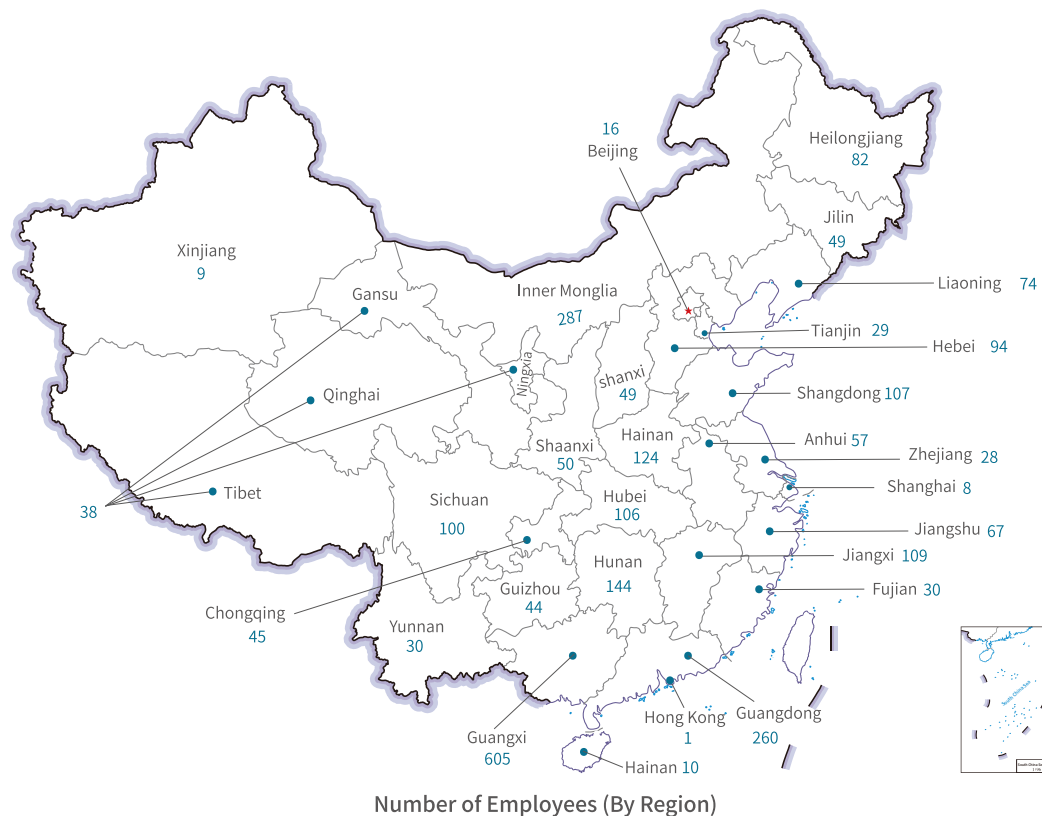
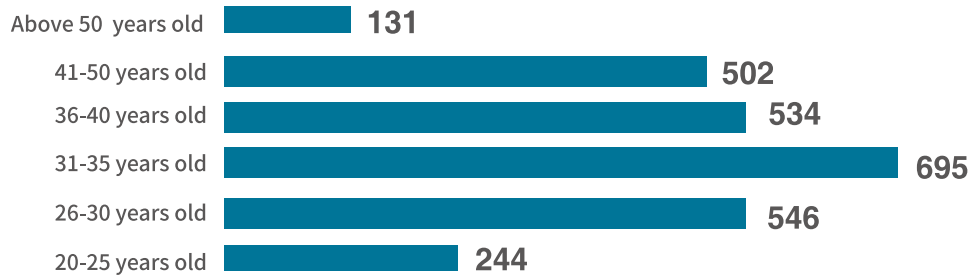
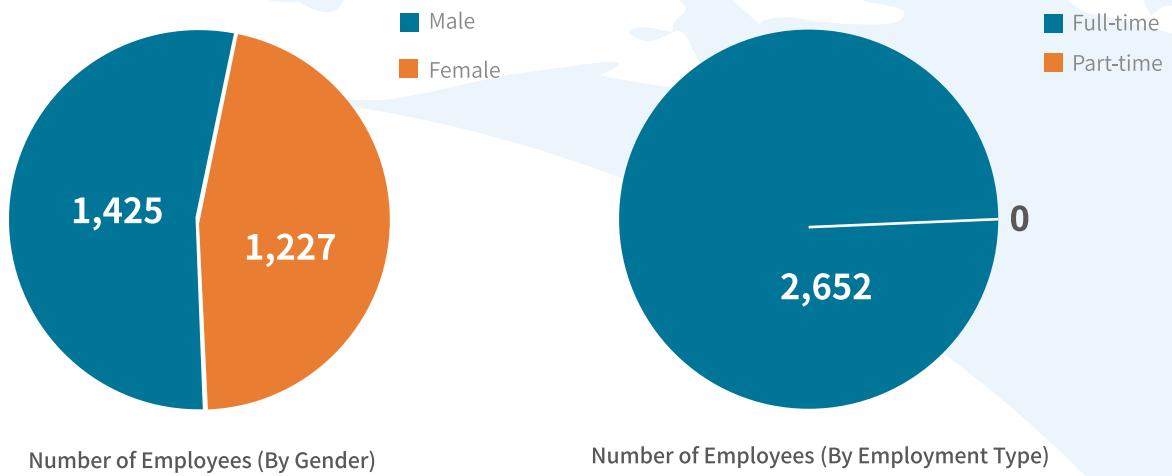
- ① The Group has formulated the *Employee Labor Contract Management System and Employees' Leave Management System* based on the actual situation, and scientifically regulates the working hours to adequately protect the fundamental right of employees to take leaves in compliance with the law.
- ② Working hours: five-days per week, eight-hours per day.
- ③ Vacations: public holidays, statutory leave, annual leave, marriage and compassionate leave, maternity leave, paternity leave, work-related injury leave, medical leave, sick leave, private affair leave, special leave, etc.



Promotion Ladder

- ① Taking employees' abilities as the leading factor and working performance as the standard, the Group has formulated the corresponding promotion management measures according to the characteristic of different positions. We utilize the assessment method by combining key performance indicator and goal setting, so as to list those employee members who have outstanding performance and ability as reserve leaders, prioritizing them for promotion and development.
- ② Currently, the Group has established a positioning system of 5 occupational categories, 5 position layers, and 21 position ranks. The horizontal classification includes management class, professional class, marketing class, technology class and operation class; The vertical classification includes decision-making layer, core layer, hardcore layer, backbone layer and foundation layer. We design a two-channel development route for each post, including technical and management channels, and establish a transfer route between the relevant post sequences. The system provides a prosperous career path and a broad platform for employee's development.

During the Reporting Period, the Group had counted the number of employees and there were **2,652** employees in total. The following shows the number of employees by different classifications.



Talent Cultivation and Motivation

Consun Pharmaceutical places great emphasis on employee training to keep them in pace of the Group's sustainable development. To regulate the employee training management of the Group, including departmental responsibility, training plan, activity budget, etc., we have established systems such as the Training and Employee's Career Development Management and the Internal Trainer Management System. The Group's training activities can be classified into management and execution. The Human Resources Department is responsible for the overall management, while other departments assume training management responsibilities according to their functions. All functional departments and employees have the duty to study proactively and implement the training requirements.



Marketing Department

Responsible for the specific training of the Group's marketing employees and customers.



Quality Department

Responsible for special training of GMP.



Environmental, Health and Safety Department

Responsible for special training of safety and environmental protection of the Group.



Production Department

Responsible for the specific training of the Group's front-line operators on standard operating procedures.



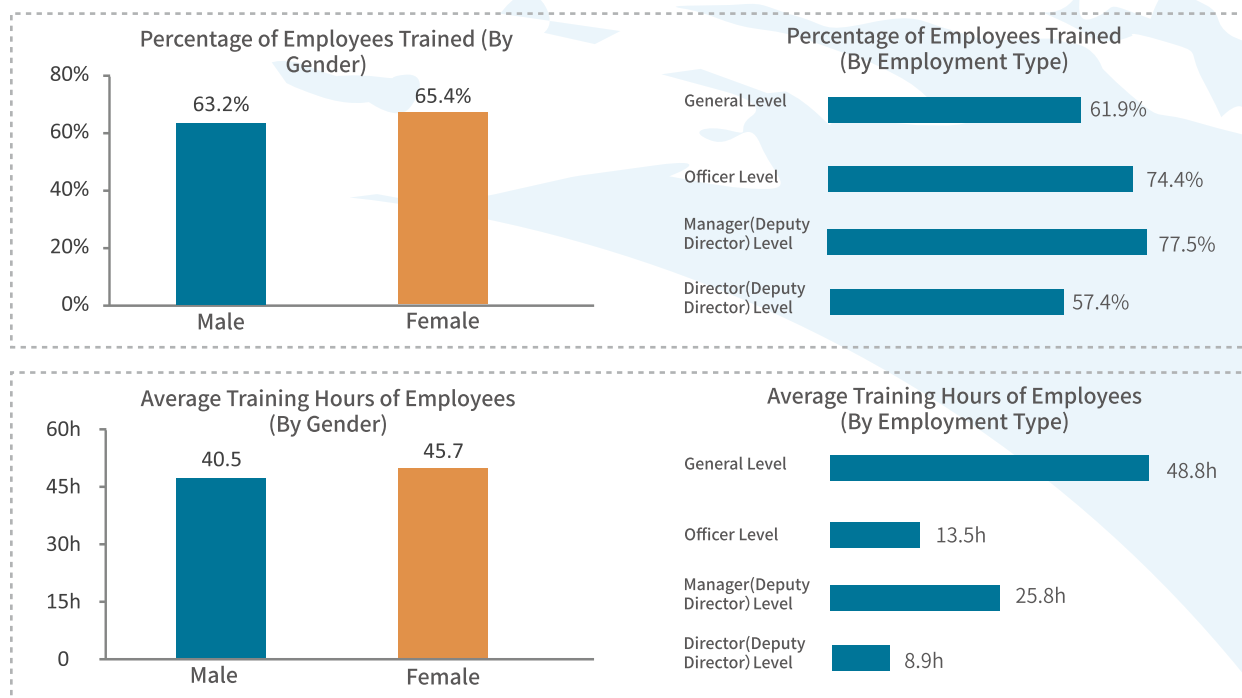
Other Departments

Responsible for the specific training of relevant projects according to departmental functions.

The Group makes full use of external trainers' resources and internal instructors' team to create a comprehensive training system for its employees. We systematically design and implement a series of training programs to continuously improve the practical skills and competency of our employees, promoting a win-win model of corporate development and self-value realization. The training programs include course training, outdoor development, rotational internship, e-learning and other diverse learning activities. The Group's training programs are mainly classified as new employee orientation, probation and position training (including position transfer training), promotion training, compliance training and specialized training, the details are as follows.

Categories	Training Programs	Training Level	
		Company Level	Department Level
New employee orientation	New marketing employee training and new non-marketing employee training	☆	☆
Probation and position training	Pre-job training, on-job and transfer training, standard operating procedures (SOP) training and department in-house training		☆
Promotion training	Skill level promotion training and management level promotion training	☆	☆
Compliance training	Three-levels safety education and Good Manufacturing Practices (GMP)	☆	☆
Specialized training	Management trainees, successor programs, internal lecturers, marketing personnel training, leadership training, academic education	☆	

During the Reporting Period, the Group's total training hours were approximately 113,777.5 hours and the average training hours per employee was 42.9 hours. The following shows a breakdown of the Group's employee training by gender and type of employees.



Case

Yulin Pharmaceutical's Lean Manufacturing Phase II Project

Since 2018, Yulin Pharmaceutical has initiated a lean management project to strengthen the management of the company at different levels. In March 2019, Yulin Pharmaceutical held a kick-off meeting for the lean manufacturing phase II project to review the relevant work and look forward to the future work. Yulin Pharmaceutical has formulated a work plan for the Lean project and organized the employees to participate in various trainings, such as the application of the "Plan, Do, Check, Act" (PDCA) concept and the training on the overall quality of the employees.



PDCA training activity

Case

Yulin Pharmaceutical held a GMP Management Competency Improvement Course

In April 2019, Yulin Pharmaceutical held a five-day GMP management capability improvement course with a total of more than 120 management and employees participating in this training. The training focused on the knowledge and regulatory requirements of risk assessment, quality management, production management, equipment management, etc. The training focused on interactive communication with the trainees as well as case sharing with the actual production. The training focused on interactive discussion with the participants and case sharing in combination with the actual situation of production, making it easier for employees to understand and master GMP knowledge.



GMP management competency improvement course

Case The 4th Training Series of “Landing of Consun's Nephrology Product Strategy”: Into the Southwest Region of Academic Division

In June 2019, the first phase of the RX Marketing Center Academic One - Southwest Region Academic Representatives Professional Academic Marketing Training Camp was held on schedule in Nanchang, Jiangxi Province. The Group's vice president, Ms. Fang Lanfen participated in the training and gave a concluding speech. This was the first phase of the training course held by RX Marketing Center in the southwest region. In order to continue to build up the sustainable core competitiveness of Uremic Clearance Granule and Edema Alleviation Granules in the field of kidney diseases, to effectively increase the sales scale of the products in the next five years, and to clarify the strategic objectives of the sales team, we are going to work hard on “Resource Management”.



Group photo of employees participated in the training

Case Drucker's Training



Group photo of managers participated in the training

In November 2019, in order to enhance the management level of the Group's professional and technical managers in order to improve the performance of the management level and the department, the Human Resources Department organized some of the managers to participate in the training on “Eight Management Skills - Essential Courses for Professionals to Managers” organized by the Peter F. Drucker Academy in Beijing.

Consun Pharmaceutical practices the distribution philosophy of “Value as Core, Business for Everyone”. We fully respect value in our distribution and regard the creation of value by our employees as the basis and prerequisite for receiving corresponding returns. The development and growth of Consun Pharmaceutical is the career pursuit of all “Consuners”. The hard work, dedication and devotion of “Consuners” are the cornerstone of our success. Therefore, Consun Pharmaceutical is committed to establishing results-sharing mechanism to deepen the long-term interests with our employees, so that more employees can share the fruitful achievements of our corporate development. We encourage all “Consuners” to continue to work hard towards the common goal, thus realizing the goal of “I Get Wealthy as Consun Gets Wealthy”. To this end, we provide different incentives for our employees: mid-term awards, mid-term trips, annual awards, overseas training progress awards, options, elite team awards, etc.

Case When Western Australia met the most lovable People of Consun Pharmaceutical

From 15 to 26 May 2019, 35 outstanding employees of the Consun Pharmaceutical who received the 2018 Overseas Travel Award embarked on a luxurious 12-day trip to Western Australia. Along the journey, there were famous tourist attractions such as Perth , Swan Valley , Pinnacles ,Pink Lake,Kalbarri Gorge , Mandurah , Fremantle , Margaret River ,Pemberton and Rottnest Island.



Consun Pharmaceutical's overseas travelling



Sandboarding at the Lancelin Sand Dunes

Case

2019 Consun Pharmaceutical Marketing Department's Mid-Term Award Trip: Travelling all over Sichuan!

On 19 to 22 July 2019, more than 400 employees were rewarded with the Group's mid-term award to travel to Sichuan together as part of the award for achieving their business goals. Meanwhile, it also encouraged the "Consumers" to work harder and join the fun journey together in the future.



Group photo



Playing happily

Health and Safety

Safe production is at the top priority of the production and operation management of the Group. The Group strictly complies with the relevant laws and regulations including the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Provisions on the Supervision and Administration of Occupational Health at Work Sites*, etc. We have implemented safety measures in the production and daily operation to ensure the health and safety of the employees.

The Group's main operation sites include production lines, laboratories and offices. The Group has formulated a series of occupational health and safety policies to address different occupational health and safety risks, such as the *Safety Production Management System*, the *Laboratory Safety Management System*, and the *Occupational Hygiene Management System*, in order to regulate the occupational health and safety issues during operation. In addition, the Group has formed a safe production leading group which is responsible for providing production safety education for the employees in the Production Management Department, formulating the safety production rules and operating procedures, conducting safety supervision and inspection and implementing the safety instructions of the safety office, in order to ensure production safety. During the Reporting Period, the Group strictly abided by the relevant laws and regulations, and there was no accident of work-related fatalities. The following shows the safety management policy of relevant operational sections:

Safety Education and Training

- ◎ New employees should go through three different levels of safety production education including the factory level, production line level and position level before taking the operational position.
- ◎ For the employees who change their types of works, they must be re-educated for safety knowledge before taking their new positions.
- ◎ Employees involved in special types of works must take professional safety technical training and only can conduct operation independently after passing a strict assessment by the related department and obtaining the qualified operation certificate.
- ◎ Employees should acquire relevant knowledge on occupational hygiene, including compliance to laws and regulations related to prevention on occupational disease, safe operation procedures, and the use and maintenance of personal protective equipment.

Management of Inflammable and Explosive Goods

- ◎ For the transportation, storage, use and disposal of inflammable and explosive goods, they must be equipped with fire and explosion prevention facilities.
- ◎ For the places of use and storage of inflammable and explosive goods, fireworks are strictly prohibited to avoid all potential fire hazards.

Personal Protective Equipment and Occupational Hazard Prevention

- ◎ According to the nature of works and the working conditions, we equip or distribute personal protective equipment to our employees, and strive to the prevention of dust, toxic substances, radiation, heatstroke and noise, and monitor the hygiene regularly.
- ◎ For workplace where toxic substances might exceed national standards, we shall carry out technical reformation or hygiene protection measures immediately to improve the working conditions continually.
- ◎ We provide a free body check for our employees annually, to help them understand their health conditions and prevention on occupational diseases. At the same time, we also purchase business insurance for our employees, as to provide comprehensive protection for their health and safety.

Inspection and Rectification

- For regular or irregular safety inspection system on production, each production unit shall inspect at least once a month. Special types of works and equipment operators should inspect daily.
- Once a safety hazard was discovered, it must be rectified immediately.

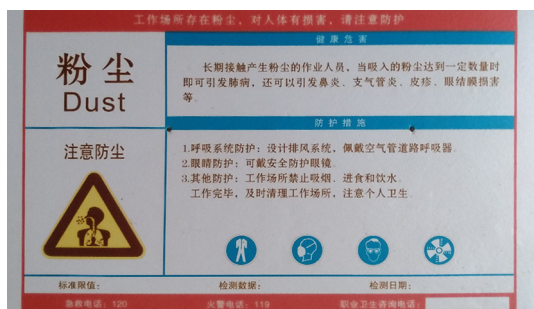
Besides, the Group has formulated the policies on prevention and approach for occupational health and safety-related emergencies, such as the *Production Safety Accident Emergency* and *Occupational Hazards Emergency Rescue Plan* and conduct regular safety drills to ensure that employees can adequately cope with emergency safety accidents, so as to avoid and reduce the occurrence of casualties. The Group also regularly organizes the employees to participate in annual body check, and occupational disease check to understand the physical conditions of the employees and protect their health. For the employees diagnosed with occupational diseases, we will arrange treatments for them and adjustment of their work positions according to the specific condition.

Case Health and Safety Training in Guangzhou Consun and Inner Mongolia Consun

During the Reporting Period, Guangzhou Consun and Inner Mongolia Consun conducted a number of health and safety trainings at their production bases respectively, including fire drills, occupational hygiene and safety training, and training on the use of safety protection equipment, in order to raise employees' awareness on safety and enhance their ability to respond to emergencies.



Training on the use of fire extinguishers



Safety notice in the production line of Yulin Pharmaceutical



Inner Mongolia Consun held an occupational hygiene and safety training

Case Health Seminar

To further raise health awareness and promote a healthy lifestyle among the employees, Yulin Pharmaceutical invited an external guest speaker to conduct a health seminar to employees in April 2019. The speaker introduced the knowledge on daily eye care in work and life and taught the employees how to prevent and treat undiagnosed diseases and chronic diseases through diet control. After the seminar, Yulin Pharmaceutical invited professionals from the eye hospital to conduct eye checks such as vision tests for the employees.



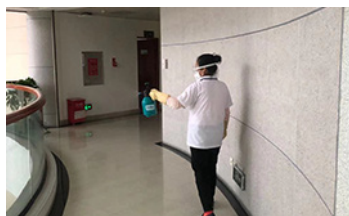
Seminar



Employees were lining for eye checks

Case Protecting employees actively against COVID-19 and overcoming difficulties together

From February to June 2020, the Group actively fought against COVID-19 by disinfecting the factory, semi-closing the canteen and conducting temperature checks at work to ensure the safety of employees. The Group actively promoted the Group's epidemic prevention measures through different communication channels, as to fight against the virus together with employees.



Disinfection in offices



Disinfection in canteen



Disinfection in transit bus



Temperature Check at the entrance



Temperature Check at office hours



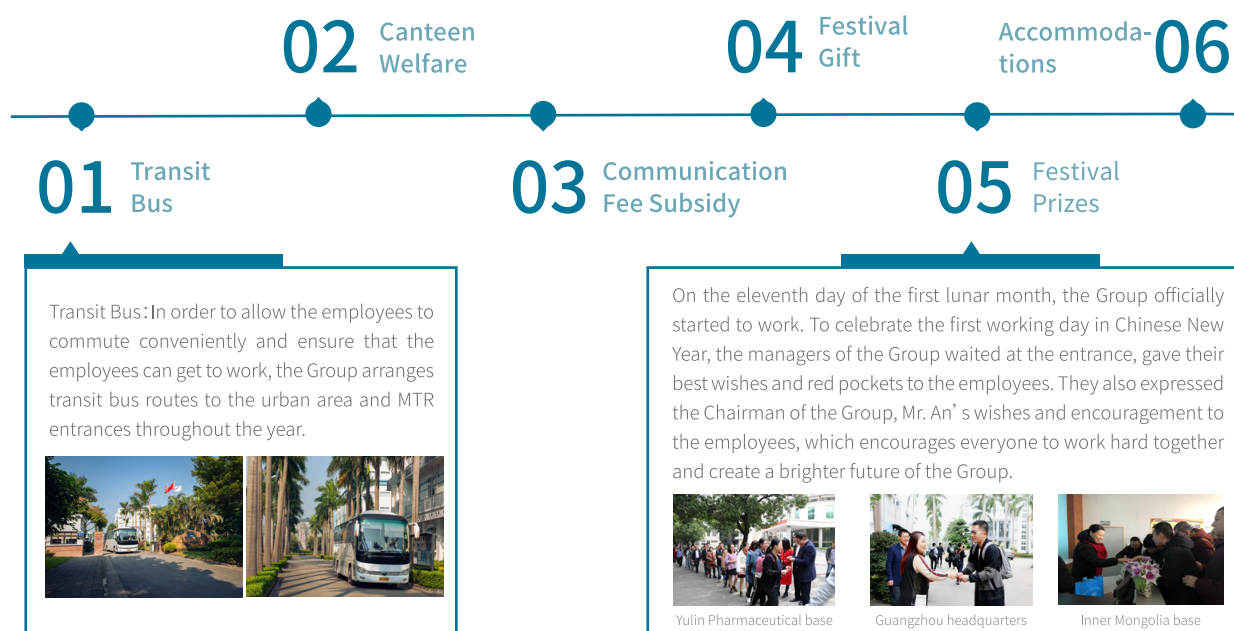
Distribution of masks

Employee Care

Bearing the team concept of “Intergrowth and co-creation with one heart and mind”, Consun Pharmaceutical adopts a variety of employee-friendly policies. We provide several benefits for employees, to better protect their well-being. Besides, we organize various employee activities to enhance their sense of belonging and teamwork.

The Group has established the Regulations on the Administration of Welfare and Allowances to provide employees with daily lunch allowances, transportation and communication subsidies, annual body check, medical mutual insurance, commercial accident insurance, festival prizes and other benefits. We also implement a share option scheme for our employees, so that the core team and even all the employees can form a closer community having the same interest with the Company, motivating the enthusiasm and dedication on work of the employees.

In addition, the Group provides extensive logistical support services:



Case Celebration for Women's Day

In March 2019, the Group prepared gifts for female employees and held various celebration activities. We gifted mask sets and organized beauty seminars for female employees in Guangzhou Consun. And we gifted "beauty cards" for female employees in Inner Mongolia Consun. We also organized a trip to Nanning for female employees of the Yulin Pharmaceutical.



Case Consun Pharmaceutical Initiated a Basketball Friendly Competition, the "Neighborhood Cup"

In June 2019, Consun successfully initiated and held a basketball friendly competition, namely 'Neighborhood Cup' with other companies in Huangpu District. This event aimed to enrich the employees' spare time and strengthen interaction with neighboring companies.



Case Consun Pharmaceutical Family Open Day 2019

In August 2019, Consun Pharmaceutical held a "Consun Pharmaceutical Family Open Day 2019" for its employees at its headquarters. The activity aimed to enhance the communication and relationship between the employees and their children and to strengthen the sense of belonging of the employees. A total of 28 family members from 12 families participated in this event. It was the first time for the children to visit the workplace of their parents and, they were all very excited.



Case Employees' Birthday Parties

In 2019, Consun Pharmaceutical held a number of birthday parties and prepared birthday cakes to celebrate our employees' birthdays, so that they can feel the Group's care for them and build up their sense of belongingness.



Case Consun Marketing Department of Shandong Province Held the First "Fun Sports Day"

In July 2019, Consun Marketing Department of Shandong Province held the first fun sports day. The employees from Academic Division of Shandong participated in basketball, badminton, table tennis and other competition events, strengthening the team work through sports.



07

Green Development

In the era of facing the challenging situation of the global environment, sustainable corporate operations are particularly important. Integrating appropriate environmental policies into our operations will help us to address the risks and opportunities of environmental problems and promote a harmonized coexistence of economic development and environmental protection.

The daily operations of the Group are mainly carried out in our production bases, laboratories and offices. The major environmental aspects of our operations include energy consumption, water consumption, greenhouse gas emissions, air pollutant emissions, hazardous and non-hazardous waste emissions, noise and chemical disposal. In response to the environmental impacts brought by various environmental aspects, we formulate corresponding environmental policies and implement a variety of measures to reduce the negative environmental impacts. Besides, we will continue to raise awareness of environmental protection of our employees and encourage them to work together with the Group to protect the environment.

During the Reporting Period, the Group has strictly complied with the following national and regional environmental laws and regulations (including but not limited to):

- › *Environmental Protection Law of the People's Republic of China*
- › *Water Pollution Prevention and Control Law of the People's Republic of China*
- › *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*
- › *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*
- › *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*
- › *Energy Conservation Law of the People's Republic of China*

Energy Management

Greenhouse gas emissions from energy use is one of the significant contributions to global warming. The Group's energy consumption in the operation processes mainly includes the operation of production bases, electricity consumption of offices and use of vehicles. We are primarily working on energy conservation to reduce greenhouse gas emissions caused by our business operations. The Group has a total of three pharmaceutical production bases. Except for the boilers at the Inner Mongolia production base are operated by the Group, the rest are operated and managed by contractors. They are not included in the greenhouse gas calculation and fuel consumption at the current moment.

The Group has formulated various internal policies to manage energy use, including the *Management Regulation for Energy Conservation Objectives*, the *Management Regulation for Energy Efficiency Assessment*, the *Enterprise Management System: Energy Conservation Management*, etc. Amongst these, the *Management Regulation for Energy Conservation Objectives* regulates the energy conservation work of Inner Mongolia Consun as follows:

Energy Conservation Objectives and Measures

- ◎ Adopt advanced lighting technology with high efficiency and low energy-consumption to reduce electricity consumption.
- ◎ Replace outdated electrical appliances and install frequency converters for high-power electrical appliances to reduce electricity consumption.
- ◎ Oversee the implementation of the measures.

Establish Comprehensive Energy Conservation Management Organizations

- ◎ Recruit management personnel and clarify job responsibilities.
- ◎ Oversee the implementation of the objectives and the measures.

Coal-saving Objectives and Measures

- ◎ Achieve the objectives of coal-saving through analysis and exploration of projects that have higher coal-saving efficiency, according to the actual gas production and heat supply.
- ◎ Strengthen the management of coal usage to reduce unnecessary consumption. Inform gas supply departments to close valves after the use of steam.
- ◎ The water temperature of heat supply in winter should be adjusted based on the weather so as to reduce energy waste.

Case

Energy Conservation Measures and Their Results of Inner Mongolia Consun Base

During the Reporting Period, the Inner Mongolia Consun base adopted a variety of energy conservation measures, including the installation of energy-saving equipment such as variable frequency air compressors and the adoption of the centralized production mode, resulting in a reduction in both electricity consumption intensity and coal consumption intensity throughout the year. In 2018 and 2019, electricity consumption intensity is reduced by 4.45 kWh per RMB 10,000 of income, while coal consumption intensity is reduced by 0.009 tonnes per RMB 10,000 of income.



Variable frequency air compressors

The Group also advocates the green working cultures that implement the measures of green office, energy conservation and emission reduction. We promote the application of the office automation (OA) system and practice paperless office to reduce the consumption of office supplies. Meanwhile, we have issued a “Green Office, Low-carbon Life” initiative to all employees of the Company, which requires the implementation of environmental management policies in the office.

Energy Conservation Measures of Offices

- ④ Reduce the use of lighting and make extensive use of natural light sources.
- ④ Set the temperature of air-conditioning above the standard temperature which is 26°C in summer, and 20°C in winter.
- ④ Instruct the employees to use computers scientifically, such as turning off unnecessary computer programs, turning the monitors' brightness to medium, turning off power when computers are not being used.
- ④ Shut down a portion of office lights and office equipment during lunch breaks and overtime work. Turn off all office equipment and unnecessary electrical appliances in the office after work.

Water Resource Management

The wastewater produced during production processes is mainly industrial and domestic wastewater which has pollutants such as chemical oxygen demand (COD), suspended solids, ammonia nitrogen, phosphorus, etc. In order to protect water resources effectively, we implement a variety of water management policies to regulate wastewater treatment and water conservation measures.

All production bases of the Group have wastewater treatment facilities to collect and treat wastewater. We ensure that treated wastewater meets local wastewater discharging standards and then can be discharged to the local sewage treatment plant for centralized treatment through the municipal pipe network. In addition to ensuring that wastewater discharges meet the standards, the Group is also committed to enhancing production technologies and production equipment, recycling cooling water and condensate, to reduce the production and discharge of wastewater from the source. Meanwhile, the production bases of the Group regularly entrust qualified agencies to conduct sampling tests on discharged wastewater, further strengthening the management and supervision of sewage discharge. The production bases of the Group also formulate wastewater treatment policies, such as the *Management Regulation for Environmental Protection*, to manage the industrial wastewater produced.

Industrial Wastewater Management Measures

- ④ Each production bases of the Group had wastewater treatment facilities. Integrated wastewater in the factory is treated centrally and discharged to the municipal pipe network after passing the test. The Group conduct regular tests once a month, and irregular tests when exceptional circumstances occur.
- ④ Ensure treated wastewater reaches wastewater discharge standards.
- ④ Ensure wastewater treatment facilities to operate safely, reliably and effectively through regular maintenance.
- ④ The wastewater generated by production process and cleaning in production lines must be directed to the wastewater treatment facilities through wastewater pipe network in the factory, to ensure wastewater must be properly treated.

In addition to treating wastewater effectively, we also focus on the protection and effective use of water resources. The regions where our production bases located do not involve issues in obtaining water, but we are still committed to saving water and cherishing precious water resources. Through technical reform, we efficiently recycle extracted, condensed, dried cooling water and condensate to enhance the efficiency of water usage and to reduce water consumption and sewage discharge. Moreover, we also adopted the following water conservation measures:

Water Conservation Measures

- ④ Install secondary and tertiary water meters for water balance testing.
- ④ Make daily records of water meters to monitor water usage. Conduct a water usage plan and implement an advanced reward and punishment system.
- ④ Post water-saving slogans.
- ④ Conduct water supply point inspections in the plant area to prevent water leakages.
- ④ Carry out the reformation of extraction workshops by adding new model equipment and reforming production technologies.

Case Water Recycling in Yulin Pharmaceutical

During the Reporting Period, the production base of Yulin Pharmaceutical adopted a various water recycling technologies to save water resources, including:

- ④ The Renhou Base of Yulin Pharmaceutical recycled condensate in the extraction process of medical liquid and then reused in the extraction process. We recycled a total of 2,144 tonnes of condensate throughout the year.
- ④ The Renhou Base of Yulin Pharmaceutical recycled and reused steam condensate. We recycled a total of 6,127 tonnes of condensate throughout the year.
- ④ Headquarters of Yulin Pharmaceutical recycled cooling water through a cooling water recovery system and reused after cooling at cooling tower. A total of 39,021 tonnes of cooling water is recycled throughout the year.

Emission Management

·Air Pollutant Management

Air emissions generated during the Group's operations mainly derives from flue gases of coal-fired boilers and exhaust gases from production. In order to actively conduct pollution prevention, pollution control and emission reduction, the Group has formulated the *Management Regulation for Environmental Protection*. It regulates the relevant responsibilities and codes of practice of each department:

Air pollutant Management Measures

- ④ The flue gases produced by coal-fired boilers need to go through dust removal, desulphurized and denitrified before discharging into the atmosphere.
- ④ Test exhaust gases by qualified environmental monitoring agency quarterly.
- ④ Ensure that the exhaust gas absorption system can operate safely and reliably. Ensure that the system can operate efficiently, durably, safely and economically and also ensure that exhaust gases can meet the discharge standards by using the system's technical features.
- ④ Recycle and properly dispose of exhaust gases and chemical substances produced in the production process, and prohibit their direct emission.
- ④ Strictly control fugitive emissions and seal all storage containers with cover.

During the Reporting Period, the Group entrusted the professional environmental monitoring agency to conduct tests on the flue gas emissions of boilers, and all test results were in line with the *Emission Standard of Air Pollutants for Boiler* (GB13271-2014). For dust-producing workshops, we install corresponding dust removal equipment to protect the health of the employees and maintain a clean working environment. For example, the Guangzhou production base equips with medium-efficiency filters and bag-type dust removal technology.

Case The Use of Pellet Fuel

The headquarters of Yulin Pharmaceutical use pellet fuel for boilers. Pellet fuel is a new environmentally friendly energy that is renewable, low-polluting and has high caloric value. During the Reporting Period, the use of pellet fuel at the Yulin Pharmaceutical's headquarters reached 1,693 tonnes, equivalent to burning 967.38 tonnes of coal. Comparing to coal, the use of pellet fuel reduces air pollutant emissions.

Waste Disposal

The Group's hazardous and non-hazardous wastes mainly include medicine dregs (Chinese medicine) during production, waste liquid of the pharmaceutical research center, waste packaging materials, boiler residues, domestic and office wastes, etc. Qualified recycling agencies properly disposed the waste liquid of the pharmaceutical research center. The Group has established the *Medicine Dregs Treatment Management System* and the *Management Regulation for Environmental Protection* to standardize waste disposal practices. For instance, the medicine dregs at the production bases are handed over to professional agencies for clean-up, transport, and legal disposal. The production bases supervise the status and quality of waste disposal conducted by the medicine dreg treatment companies and communicate with them promptly to ensure that the medicine dreg disposal is timely, standardized and reasonable. During the Reporting Period, the Group recorded the recycling amount of different types of waste to provide a more comprehensive view of the Group's waste disposal practices. For detailed data, please refer to the Environmental Performance Table.

Waste Disposal Measures

- ④ Classify the hazardous and non-hazardous wastes according to the *Directory of National Hazardous Wastes*. Temporarily store the waste in specific sites with appropriate containers. Finally, the waste is handed over to professional agencies to recycle and disposal.
- ④ For the solid waste, the temporary storage site of the factory has leakage prevention and sealing equipment on prevention of volatilisation of chemical gases.
- ④ The safe disposal rate of industrial solid waste and hazardous waste reaches 100%.
- ④ Reduce the production of solid waste by firstly considering comprehensive treatment and recycling. For instance, we sell reusable boiler residues for the production of construction materials, and also conduct biodegradation for food waste generated by canteens of the Company.

Noise Management

The noise produced by the Group's production bases is mainly from production equipment, such as chiller units of air compressors, different types of fans and some mechanical rotating equipment in the production process.

Waste Disposal Measures

- ④ In the layout of the plants, the noisier workshops are located far away from the plant boundary and office area.
- ④ Select quieter equipment and machinery, and install vibration dampers and mufflers on the noise-producing equipment.
- ④ Strengthen the maintenance of equipment to eliminate the problem of loud noise caused by the abnormal operation of equipment.
- ④ Increase the greening area within the plant and provide green belts around the plant boundary for noise reduction.

After taking noise mitigation measures such as basic vibration damping and sound insulation by rooms, and also the considering attenuation of noise over certain distances, the noise produced have a relatively small impact at the plant boundary. During the Reporting Period, the predicted sound levels at the Group's plant boundary were in line with the Class II Standards of the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348-2008).

Chemical Management

The Group is involved in the application of chemicals in its production process and R&D process. As chemical compounds are having the characteristics such as toxic, combustible and explosive, that can have significant impacts on the environment and natural resources, such as soil and water pollution in the event of leakage or improper disposal. We focus on managing chemicals from safety and environmental perspectives, as to protect the ecological environment and our employees' health. We have formulated policies such as the *Laboratory Waste Management Regulation* and the *Yulin Pharmaceutical Chemicals Anti-leakage Measure*, to standardize the storage, disposal after use, leakage prevention measures and relevant emergency measures of chemicals.

Chemical Management Measures

- ⊙ Require the employees who are well-trained to handle chemicals.
- ⊙ Manage chemical warehouses strictly.
- ⊙ Implement prevention measures on the leakage of oil drums and chemical containers.
- ⊙ Implement prevention measures on the leakage of chemicals stored in the open area.

Environmental Awareness Education

Besides adopting environmental management in daily operations, we spread knowledge and skills on environmental protection by continuous propaganda and education to raise the awareness of environmental protection of the employees. We post different types of signs that promote environmental protection in our plants, office areas and canteens to remind our employees on resource conservation. In addition, we also organize activities on environmental protection for our employees on an irregular basis, to protect the environment of the community together.

Case

Arbor Day 2019

In March 2019, Yulin Pharmaceutical launched a planting campaign during the 41st of Arbor Day, to green our environment with practical actions. The planting site was located at the "Kang Yu Herbal Garden" of the Production Renhou Base of Yulin Pharmaceutical, which covers an area of 45 acres. This will be developed into a "Chinese Herbal Medicine Observation Garden" in the future, which beautifies the environment and effectively protects wild Chinese herbal medicine resources and its ecological situation at the same moment.



08

Charity Services

Since our establishment, Consun Pharmaceutical has always been deeply dedicated to serving the community and has insisted on serve the society and the public. We have been actively participating in charity and public welfare activities such as helping the patients, the impoverished, the disabled, the vulnerable and also the students, and supporting the development of the pharmaceutical industry.

In order to effectively organize charity services, the “Consun Charity Association” was established in 2018, which is a voluntary organization initiated by the Group and engaged by employees. It promotes public welfare activities and volunteer services through independent and non-governmental organization (NGOs) cooperation. During the Reporting Period, Consun Charity Association has established 10 branched associations with a total of 168 volunteer members across the country. During the Reporting Period, Consun Charity Association conducted voluntary services that focus on the patients, the disabled, education and other community services, which accumulated up to 411 hours of public welfare service.

Serving the Patients

Case

"Blue Ribbon" Renal Patients Caring Programme

In October 2019, the Group officially signed a contract with Chunnuan Social Work Service Center of Longgang District, Shenzhen to carry out a caring programme for renal patients, marking the official commencement of the "Blue Ribbon" Renal Patients Caring Program. The project is also supported by the Shenzhen Social Commonweal Foundation and other organizations. At the opening ceremony, there were representatives from Chunnuan Social Work Service Center, the Group, Shenzhen Social Commonweal Foundation and Benweiyuansu, and 30 renal patients who are optimistic in life, as well as other helpful social workers. The signing ceremony was held at the same time, and the Group also donated about 300 healthy lunches to renal patients to accompany the patients who are suffering from kidney diseases.



Case

Voluntary Clinic for Rheumatoid Arthritis



In 2019, Consun Pharmaceutical launched the "Voluntary Clinic on Rheumatoid Arthritis" at its main stores in Anqing, mainly involved rheumatoid arthritis patients. We provided free diagnosis and on-site treatment such as massage, physiotherapy, product trials, trial product distribution, instruction on medication, to demonstrate our commitment to the health of the patients and customers with high-quality and high-tech pharmaceutical products.

Serving the Disabled

Case

Consun Knitting Class



In June 2019, Consun Pharmaceutical donated RMB 10,000 to support 20 disabled persons to learn knitting. A total of 18 charity sales were held by the nine branches of the Consun Charity Association and raised approximately RMB 20,000.

Serving to Education

Case

\$1 Million Donation to the South China University of Technology to Establish "Consun Scholarship"

In January 2019, Consun Pharmaceutical signed a strategic cooperation agreement with the South China University of Technology to build a "Medical Imaging Research Center", to establish a joint R&D and results sharing mechanism, talent exchange and training mechanism and academic exchange and strategic consultation mechanism. Meanwhile, Consun Pharmaceutical donated RMB 1 million to the South China University of Technology to establish the "Consun Collaborative Innovation Scholarship" to honor teachers and students who have made outstanding breakthroughs and achievements in the area of commercialization of scientific research results.



Case

Autistic Child Caring Program



In August 2019, seven volunteers from the Qingdao branch of the Consun Charity Association visited the Qingdao Shengzhiai Rehabilitation Center to participate in the integrated education for children with Autism. They helped to set up classrooms, organized teaching tools, and donated necessities such as teaching tools, toys, stationaries and sports equipment to the center.

Serving the Elderly and Children

Case

Respect and Care the Elderly

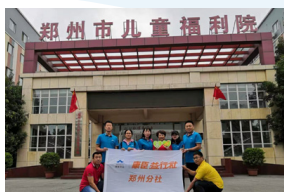
In September 2019, the Yulin branch of the Consun Charity Association launched an activity to respect and love the elderly during Double Ninth Festival. They visited the nursing home in Shatian Town of Yulin City and gave greetings and blessings to the elderly together with gifts such as rice, oil and cakes.



Case

Care for the Children

On 11 October 2019, the volunteers from the Zhengzhou branch of the Consun Charity Association visited the Zhengzhou Institute for Children's Welfare to learn more about the organization's operations, discuss the needs for voluntary services, and donate learning supplies for the children.



Serving the Grassroots

Case

Cloud Bone Therapy to Sanitation Workers



In September 2019, the volunteers from Consun Pharmaceutical visited the sanitation station in Huangpu District of Guangzhou. They donated products such as "Yulin" Zhengushui to more than 500 sanitation workers, and provided "Yungu Therapy" to a sanitation worker with a swollen and painful elbow. They demonstrated and explained the therapy to ensure proper use of the medicine.

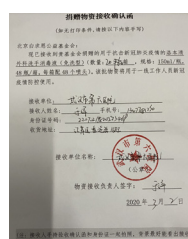
Fighting against the Epidemic¹

In 2020, COVID-19 is spreading around the world, causing a catastrophic threat to human life and health. At the beginning of the epidemic, China's frontline medical staff, epidemic prevention workers, police, journalists and volunteers faced a shortage of epidemic prevention supplies. In response to this situation, Consun Pharmaceutical has been actively preparing funds and epidemic prevention supplies since January 2020, in order to work with all sectors of the society to fight against the epidemic.

From 29 January to 8 April 2020, we donated anti-epidemic supplies that worth approximately RMB 2,323,274, including medical masks, protective clothing, disinfectant alcohol, medicines. The supplies are delivered to hospitals, schools, associations and other organizations to help them fight against the epidemic.



Donation of alcohol



Donation of hand disinfectant



Donation of masks



Donation of thermometers



1.The content of this part happens in 2020.

09

Promoting the Industry

Case

Academic Banquet: The Organizing Committee of the 13th Annual Conference of Chinese Radiologist Association Awarded the "Corporate Contribution Award" to Consun Pharmaceutical

From 30 May to 2 June 2019, the 13th Annual Conference of the Chinese Association of Radiologist was held in the Lingnan Pearl of Guangzhou, which nearly 10,000 experts and peers from the domestic and international radiology community gathered at this top-level academic conference of the Chinese radiology field. As one of the participants of the conference, Consun Pharmaceutical assisted the organizing committee in holding events such as the National Radiology Residency Imaging Skills Competition, "Star Cup", Press Conference of Song of the Chinese Association of Radiologist and Healthy Jogging and was awarded the "Corporate Contribution Award" by the committee.



"Corporate Contribution Award"



Introduction of "Star Cup"

Case

2019 Annual Conference of Chinese Nephrologist Association (CNA2019)

In July 2019, CNA2019 was held in Hainan. During the conference, local and international experts discussed on new development on Nephrology and other related fields extensively and thoroughly. Two major products from nephrology series of Consun Pharmaceutical, namely Uremic Clearance Granule and Kidney Repair and Edema Alleviation Granules, were presented at the annual meeting. Our representatives shared and discussed the latest academic research results of Uremic Clearance Granule in the field of CKD with experts.



Academic conferences held by the Group

Case

Consun Pharmaceutical Promoted the Academic Exchange on Nephrology in Guizhou, Fujian and Jiangxi

In August 2019, the Guizhou, Fujian and Jiangxi branches of the Chinese Association of Nephrology jointly held ceremoniously the "2019 Kidney Disease Summit Forum of Guizhou, Fujian and Jiangxi" in Kaili City of Guizhou Province. The summit held the principle of "Resource Sharing, Mutual Learning", to promote high-level academic exchanges between Guizhou, Fujian and Jiangxi provinces on enhancing the prevention, diagnosis and treatment of kidney disease. Over 80 committee members from the three branches joined this summit.



Group Photo

Case

Consun Pharmaceutical Assisted in Organising “One Belt One Road” Neurology Imaging Summit

In August 2019, the “One Belt One Road” Neurology Imaging Summit was successfully held in Xining City of Qinghai Province. The summit was hosted by the Neurology Section of Chinese Society of Radiology, the Qinghai Society of Radiology, and co-organized by the Qinghai Provincial People's Hospital and Consun Pharmaceutical. 33 renowned domestic imaging experts and more than 300 imaging technicians attended this summit.



Group Photo



Opening Ceremony

Case

The first Head and Neck Imaging Skills Competition of Radiology Branch of the Guangdong Medical Association was held successfully

In November 2019, The Head and Neck Imaging Skills Academic Conference and New Head and Neck Tumor Imaging Technology Seminar 2019 were held ceremoniously in Nanyang Changsheng Hotel Guangzhou. The Conference and Seminar was organised by Guangdong Medical Association, Head and Neck Group of Radiology Branch of the Guangdong Medical Association, the First Affiliated Hospital of Jinan University and Dongguan People's Hospital. All eight competition teams were from primary hospitals outside Guangzhou, the capital of Guangdong Province and comprised trainees from hospitals in Zhanjiang, Huizhou, Zhaoqing, Shenzhen, Zhongshan, Shantou, Meizhou and Dongguan.



Group photo of all team members, hosts and judges



The eight teams of the competition

10

Appendix

Environmental Performance Table

	DATA IN 2019	DATA IN 2018	UNITS
Resources Consumption			
Total Electricity Consumption	10,956,291.00	12,943,040.00	kWh
Electricity Consumption Intensity	63.40	70.19	kWh/ RMB 10,000 of income ²
Total Natural Gas Consumption	12.96	/	m ³
Natural Gas Consumption Intensity	0.000075	/	m ³ / RMB 10,000 of income
Total Coal Consumption	7,030.16	7,054.80	Tonnes
Coal Consumption Intensity	0.041	0.038	Tonnes/ RMB 10,000 of income
Total Industrial Stream Consumption	21,274.94	31,920.94	Tonnes
Industrial Stream Consumption Intensity	0.12	0.17	Tonnes/ RMB 10,000 of income
Total Gasoline Consumption (Vehicle ³)	100,553.00	102,136.00	Liters
Gasoline Consumption Intensity (Vehicle)	3,142.28	3,095.03	Liters/ gasoline-using vehicle
Total Diesel Consumption (Vehicle)	27,431.00	32,314.00	Liters
Diesel Consumption Intensity (Vehicle)	2,285.92	2,692.83	Liters/ diesel-using vehicle
Total Water Consumption	339,444.00	384,004.00	Tonnes
Water Consumption Intensity	1.96	2.08	Tonnes/ RMB 10,000 of income
Total Packing Box Consumption	59,374.18	92,571.21	Thousand Units
Packing Box Consumption Intensity	0.34	0.50	Thousand Units/ RMB 10,000 of income
Total Specification Consumption	61,790.98	82,841.12	Thousand Pieces
Specification Consumption Intensity	0.36	0.45	Thousand Pieces/ RMB 10,000 of income
Total Paper Box Consumption	454,511.52	520,470.00	Unit
Paper Box Consumption	2.63	2.823	Unit/ RMB 10,000 of income
Boiler's Air Pollutant Emission⁴			
NO _x Emission	4.75	4.77	Tonnes
SO ₂ Emission	3.71	2.09	Tonnes
PM Emission	1.35	1.36	Tonnes

2. The revenue of the Group in 2019 was RMB 1,728,256,000.

3. As of the end of the Reporting Period, the Group owned a total of 32 petrol vehicles and 12 diesel vehicles.

4. The calculation of the discharge of boilers' air pollutants only involved exhaust gases from boilers in the Inner Mongolia production base. The calculation method adopted the 4430 Heat Production and Supply (Including Industrial Boilers) Industrial Pollution Source Emission Factor Manual.

Vehicle's Air Pollutant Emissions⁵

CO Emission	916.76	1,295.48	kg
NOx Emission	457.13	949.58	kg
SOx Emission	1.94	2.03	kg
PM _{2.5} Emission	13.33	25.78	kg
PM ₁₀ Emission	14.72	28.54	kg

Greenhouse Gas Emission (Scope 1 and Scope 2)

Boiler Emission (Scope 1)	14,563.04	14,612.07	Tonnes
Vehicle Emission (Scope 1)	305.19	325.16	Tonnes
Refrigerant Emission (Scope 1)	611.42	366.43	Tonnes
Electricity Emission (Scope 2)	6,931.66	7,950.29	Tonnes
Tree's Offsets	(28.89)	(20.72)	Tonnes
Total Greenhouse Gas Emission	22,307.38	23,233.24	Tonnes
Greenhouse Gas Emission Intensity	0.13	0.13	Tonnes/ RMB 10,000 of income

Discharge of Production Waste

Production Wastewater Processing Capacity	170,306.98	167,449.50	Tonnes
Production Wastewater Processing Intensity	0.99	0.91	Tonnes/ RMB 10,000 of income
Discharge of COD	23.75	19.03	Tonnes
Discharge Intensity of COD	0.00014	0.00010	Tonnes/ RMB 10,000 of income

Generation of Non-hazardous Waste

Generation of Medicine Dregs	7,298.00	7,304.38	Tonnes
Recovery of Medicine Dregs	7,298.00	/	Tonnes
Generation Intensity of Medicine Dreg	0.042	0.040	Tonnes/ RMB 10,000 of income
Generation of Combustion Residue	985.81	987.92	Tonnes
Recovery of Combustion Residue	985.81	987.61	Tonnes
Generation Intensity of Combustion Residue	0.0057	0.0054	Tonnes/ RMB 10,000 of income
Generation of Waste Packaging Materials	121.50	227.82	Tonnes
Recovery of Waste Packaging Materials	63.39	119.20	Tonnes
Generation Intensity of Waste Packaging Materials	0.0007	0.0012	Tonnes/ RMB 10,000 of income
Generation of Food Waste	6,571.00	5,622	kg
Recovery of Food Waste	6,571.00	/	kg
Generation Intensity of Food Waste	3.77	2.11	kg/ Employee

5. The calculation of vehicle's air pollutant discharges involved all vehicles owned and operated by the Group. Calculation methods refer to the *Technical Guide for Air 4. Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)*.

Generation of Hazardous Waste ⁶

Generation of Laboratory Waste Liquor ⁷	6,120.00	480.00	kg
Generation Intensity of Laboratory Waste Liquor	0.035	0.0026	kg/ RMB 10,000 of income
Generation of Waste Cartridges	635.77	46.00	Unit
Generation Intensity of Waste Cartridges	0.0037	0.00025	Unit/ RMB 10,000 of income
Generation of Waste Fluorescent Tubes	2,215.00	1,567.00	Unit
Generation Intensity of Waste Fluorescent Tubes	0.013	0.0085	Unit/ RMB 10,000 of income
Generation of Waste Batteries	286.00	/	Unit
Generation Intensity of Waste Batteries	0.0017	/	Unit/ RMB 10,000 of income

Social Performance Table**Safety**

Number of Fatalities	Employee	0	Person
Work Injury and Safety Accident	Number of Accident	3	Event
	Lost days due to injury	181	Day
Product Safety	Medicine Recall Due to Safety and Health Reasons	0	%

Employees

		Number of Employees
Total Employees		2,652
Gender Distribution	Male	1,425
	Female	1,227
Employment Type Distribution	Full-time	2,652
	Part-time	0
Age Distribution	20-25	244
	26-30	546
	31-35	695
	36-40	534
	41-50	502
	Above 50	131

6. During the Reporting Period, all hazardous wastes generated by the Group were entrusted to licensed third parties for disposal.

7. During the Reporting Period, the amount of pharmaceutical products tested by the Group increased and the amount of waste liquids generated increased accordingly.

Regional Distribution	Shanghai	8
	Shanxi	49
	Shandong	107
	Inner Mongolia	287
	Tianjin	29
	Beijing	16
	Sichuan	100
	Ningxia and Tibet	38
	Jilin	49
	Anhui	57
	Jiangxi	109
	Jiangsu	67
	Hebei	94
	Henan	124
	Chongqing	45
	Hong Kong	1
	Zhejiang	28
	Hainan	10
	Shaanxi	50
	Hubei	106
	Hunan	144
	Guizhou	44
	Yunnan	30
	Heilongjiang	82
	Xinjiang	9
	Fujian	30
	Guangxi	605
	Guangdong	260
	Liaoning	74

Training of Employees

		Percentage	Average Training Hours (Hours)
Gender Distribution	Male	63.2%	40.5
	Female	65.4%	45.7
Rank Distribution	Director (Deputy Director Level)	57.4%	8.9
	Manager (Deputy Manager Level)	77.5%	25.8
	Officer Level	74.4%	13.5
	General Employee Level	61.9%	48.8



Product and Service Quality

Product Complaint	16	Event
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Number of Supplier

Regional Distribution	Guangdong	29
	Guangxi	17
	Liaoning	16
	Anhui	14
	Shandong	12
	Jiangsu	7
	Beijing	6
	Zhejiang	6
	Hunan	6
	Shanghai	5
	Sichuan	5
	Hebei	5
	Jilin	5
	Inner Mongolia	4
	Jiangxi	4
	Hubei	4
	Tianjin	2
	Chongqing	2
	Henan	1
	Shaanxi	1
	Hainan	1
	Fujian	1

Integrity

Corruption Legal Case	0	Event
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Content Index

A.Environmental			
Items		Descriptions	Reference Chapter
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Green Development
KPIs	A1.1	The types of emissions and respective emissions data	Environmental Performance Table
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Performance Table
	A1.3	Total hazardous waste produced and, where appropriate, intensity	Environmental Performance Table
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Environmental Performance Table
	A1.5	Description of measures to mitigate emissions and results achieved	Green Development
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emission Management Environmental Performance Table
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources	Green Development
KPIs	A2.1	Direct and / or indirect energy consumption by type in total and intensity	Environmental Performance Table
	A2.2	Water consumption in total and intensity	Environmental Performance Table
	A2.3	Description of energy use efficiency initiatives and	Energy Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Water Resources Management
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Environmental Performance Table
Aspect A3: The Environmental and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	Green Development
KPIs	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Green Development

B.Social			
Items		Descriptions	Reference Chapter
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment Management
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region	Employment Management Social Performance Table
	B1.2	Employee turnover rate by gender, age group and geographical region	/

Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	People-oriented Strategy
Recommended Disclosures	B2.1	Number and rate of work-related fatalities	Social Performance Table
	B2.2	Lost days due to work injury	Social Performance Table
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Talent Cultivation and Motivation
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Talent Cultivation and Motivation Social Performance Table
	B3.2	The average training hours completed per employee by gender and employee category	Talent Cultivation and Motivation Social Performance Table
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment Management
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered	Employment Management
Aspect B5: Supply Chain			
General Disclosure		Policies on managing environmental and social risks of the supply chain	Sustainable Supply Chain
Recommended Disclosures	B5.1	Number of Suppliers by geographical region	Sustainable Supply Chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Sustainable Supply Chain
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Focus on Health
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	The Quality of Pharmaceutical Production Social Performance Table
	B6.2	Number of products and service related complaints received and how they are dealt with	Protect Customer Rights
	B6.3	Description of practices relating to observing and protecting intellectual property rights	R&D Innovation Rights
	B6.4	Description of quality assurance process and recall procedures	The Quality of Pharmaceutical Production
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Protect Customer Rights

Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Honest Operation
Recommended Disclosures	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Honest Operation
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Honest Operation
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Charity Services
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Charity Services
	B8.2	Resources contributed (e.g. money or time) to the focus area	Charity Services



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