



康臣藥業集團有限公司

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



2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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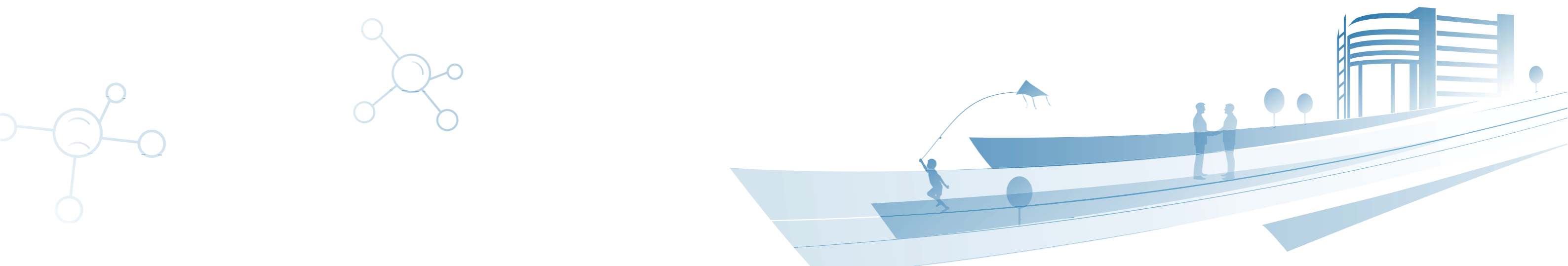
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About This Report

Welcome to the sixth Environmental, Social and Governance Report (“**ESG Report**” or the “**Report**”) issued by Consun Pharmaceutical Group Limited (the “**Company**”) and its subsidiaries (collectively referred to “Consun Pharmaceutical” or “Consun” or the “**Group**” or “**We**”). This Report is intended to provide environmental and social management approaches, performance, and the latest developments of Consun Pharmaceutical in 2021. Relevant information will be disclosed in the following chapters of the Report.

Reporting Principles

The Report has been compiled in accordance with the four reporting principles of the Appendix 27 Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) of the Listing Rules on the Stock Exchange of Hong Kong Limited (“**HKEX**”), namely materiality, quantitative, balance, and consistency.

In compliance with the principle of materiality, we disclosed the process of identifying important environmental, social and governance factors and the criteria chosen, and also disclosed the engagement of important stakeholders. We complied with the quantitative principle by disclosing the standards, methods, assumptions, calculation references and sources of conversion factors used for reporting emissions and energy use. The consistency reporting principle is adhered to by disclosing, for example, changes in statistical methods or key performance indicators. The Report has complied with all mandatory disclosure requirements and the ‘comply or explain’ provisions.

Reporting Scope

The reporting scope of the 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 the Report covers 1st January, 2021 to 31st December, 2021 (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 two versions, the Traditional Chinese version shall prevail. The Report has been published electronically, which can be downloaded from Consun Pharmaceutical’s website at www.chinaconsun.com.

Confirmation and Approval

The Group’s Board of Directors (the “**Board**”) is responsible for identifying and evaluating environmental, social and governance (“**ESG**”) related risks and ensuring that appropriate and effective risk management and internal control systems are in place. At the same time, the Board has overall responsibility for the Group’s ESG strategy and reporting. The Report was approved by the Board on 27th May, 2022.

Feedback

We value your comments and feedback, and appreciate you contact us through:

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E-mail: ir@chinaconsun.com;

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Hong Kong Office: 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

Chairman’s Message

“Achieving Benefits While Prioritizing Righteousness”

In 2021, although the world has entered the post-pandemic era, the economic growth has slowed down and there are still numerous challenges faced by cooperate operations, Consun Pharmaceutical has showed strong resilience. During the year, our business scale has exceeded RMB 2 billion for the first time, and the net profit have been increased by more than 18% – we have delivered outstanding performance for our society, investors and employees.


We have been committed to the concept of “Environment, Social and Governance” (hereby “**ESG**”) throughout our corporate operation. We have integrated ESG management into the Group’s strategical development and our decision-making processes, comprehensively promoting the sustainable development of the Group. Consun Pharmaceutical has set up an Environmental, Social and Governance Committee (hereby “the committee”) at the board level in accordance with relevant regulations. The director of the committee is undertaken by the chairman of the board, and its members are two independent non-executive directors appointed. The ESG committee is responsible for reviewing the work progress according to the overall ESG work objectives and ensuring that various sustainable development measures are implemented orderly.

The value of “achieving benefits while prioritizing righteousness” has been an important part of the Consun Pharmaceutical’ business philosophy. We insist and emphasize the priority of righteousness in our operations, and gain benefits from our righteous and ethical actions, while never take any benefits from unrighteous actions. Righteousness and benefits are inseparable. Neither can organizations nor individuals would survive and develop without economic benefits, but when conflicts happen between righteousness and benefits, we always prioritize righteousness and achieve a win-win situation that we can pursue righteousness and economic benefits at the same time.

Since the outbreak of the COVID-19 pandemic, Consun Pharmaceutical has always adhered to the concept of “achieving benefits while prioritizing righteousness,” meanwhile we have been fully committed to our original aspiration, providing high quality products and service, caring for employees, giving back to the society, living in harmony with the environment, and resonating with nature. We believe righteousness can be achieved by providing excellent medicines and creating value for human health and livelihood ; managing the enterprise well without layoffs, and letting employees grow with the enterprise together; enhancing work efficiency and improving technical process to reduce carbon emissions, and contributing to the sustainable development for Earth; continuously increasing investment in research and development of new medicines for patients; fulfilling corporate responsibility by actively participating in public welfare, such as providing disaster relief; and some other righteous actions.....

As in “achieving benefits while prioritizing righteousness,” the more we are committed to “righteousness”, the more fruitful benefits we will gain in return – our products will be increasingly recognized by customers, our business performance will be more outstanding, our team will be stronger, and our public image and reputation will be improved.

Therefore, we firmly believe that as long as we always uphold the concept of sustainable development, and always adhere to our fundamental mission of “inherit the traditions with innovation, benefit the society with good medicines” in mind, we will be able to achieve “building a first-class modern pharmaceutical enterprises with nephrology flagship and multiple leading specialties,” and create a shared value with nature, society and human beings, and joint hands to pursue the goodness of medicine and the beauty of life!

— Chairman of the board
Mr AN Meng 

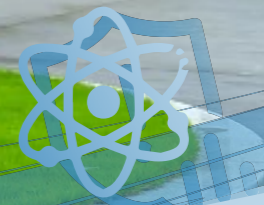
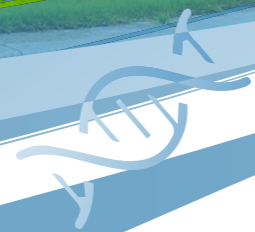
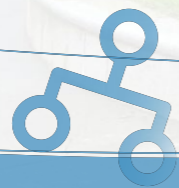
About Consun



Introduction of Consun



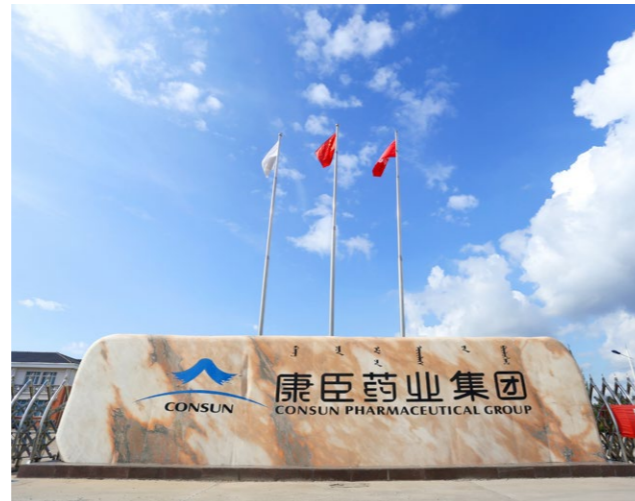
Consun 2021



About Consun

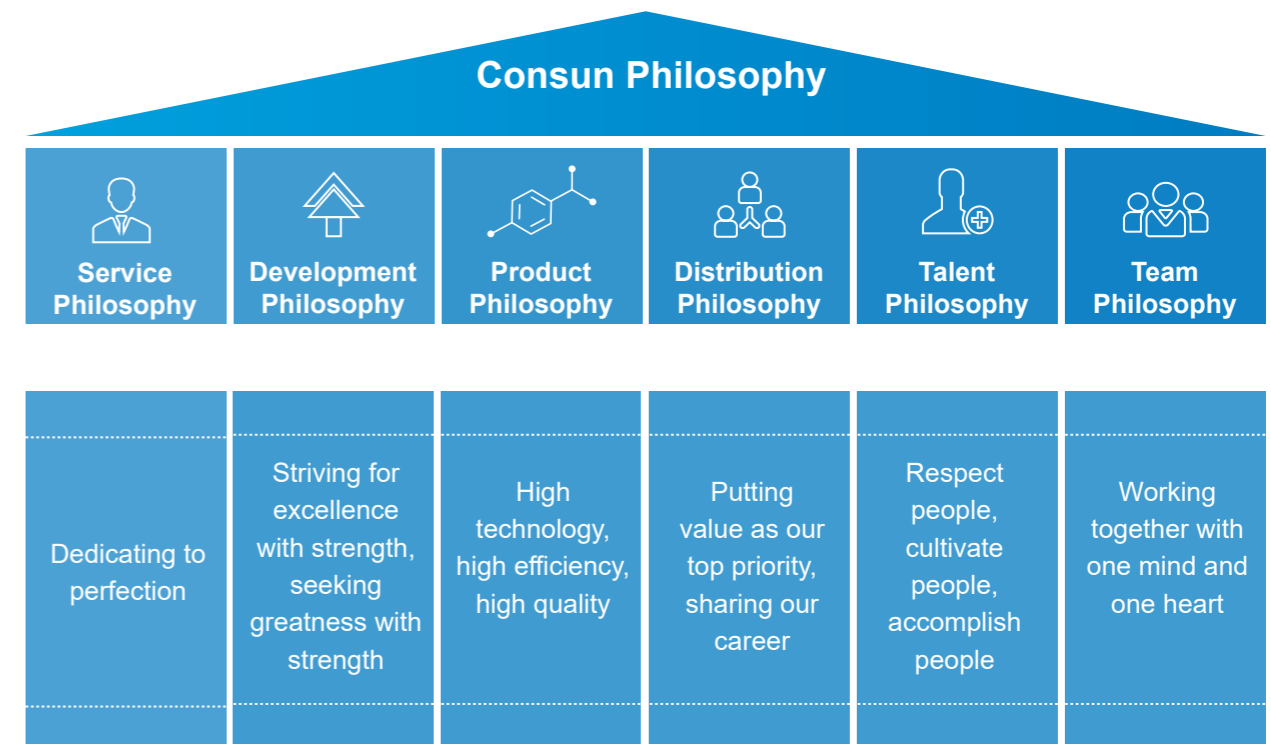
Introduction of Consun

Consun Pharmaceutical (HK.01681) is a modern pharmaceutical enterprise mainly engaged in the Research and Development (“R&D”), production, and marketing of modern Chinese medicines and medical imaging contrast mediums. Consun Pharmaceutical is founded in 1997 and was publicly listed on the Main Board of HKEX on 19th December, 2013. It owns subsidiaries that engage in R&D and production of medicines. It operates well-known pharmaceutical brands such as Consun and Yulin. It has four production bases located in Guangzhou, Guangdong Province, Tongliao, Inner Mongolia, Yulin, Guangxi Province, and Khorgas, Xinjiang.



Value Philosophy

Our Mission	> Making good medicines by inheriting traditions and innovating to benefit people
Our Vision	> Become first-class modern pharmaceutical enterprise best in kidney medicine and owns leadership in multi-specialty
Our Core Value	> People-oriented, sincere, responsible, sharing
Our Spirit	> Fueling dreams with passion, making achievements with hard work
Our Management Philosophy	> To be Tao-based, virtue-based, righteousness-based, and righteousness and benefit coexist



Consun 2021

On 28 January

The 10th China Philanthropy Festival and "Ten Years" Tribute Ceremony was successfully concluded. The "2020 Outstanding Contribution to the Fight against Epidemic" award was presented to Consun Pharmaceutical, and the "2020 Responsible Business Leader of the Year" award was presented to the Group's President, Ms. Li Qian. The two awards have affirmed the Group's responsibility and commitment, and reflected the significant recognition from the community for the outstanding contribution made by Consun Pharmaceutical in the fight against epidemic.



On 23 April

The 2021 National Academic Conference of the Radiology Committee of Chinese Non-government Medical Institutions Associations was held in Xi'an. During the conference, Consun Pharmaceutical successfully held a customer appreciation luncheon entitled "Join Hands for Health, Happiness and a Brighter Future" and successfully launched a prize-winning study on the clinical application of iodine contrast. The Kanglexian® Iopamidol Injection, was recognized by experts at the conference, and valuable clinical application experience was gained.



On May 10

Xinhua News Agency, China Council for Brand Development, China Appraisal Society, and the Information Center of the State-owned Assets Supervision and Administration Commission of the State Council held the "2021 China Brand Value Evaluation Information Release and China Brand Building Summit" in Shanghai. The brand value of Guangzhou Consun Pharmaceutical rose from \$4.043 billion last year to \$4.984 billion this year, ranking 17th in the medicine and health category. The brand value of Yulin Pharmaceutical reached \$1.360 billion, and was jointly selected with Consun Pharmaceutical as one of the "2021 My Favourite Chinese Brands", reflecting the support and recognition of consumers for Consun and Yulin brand products.



On 24 June

The 2021 International Quality Festival and Consumption Leadership Summit, themed "Quality Drives Growth", was held in Beijing. Consun Pharmaceutical won the "2021 Outstanding Manufacturing Brand Award" and the "2021 Outstanding Manufacturing Product Award" for Consun's flagship product, Uremic Clearance Granules, due to its excellent clinical efficacy. The two awards are another testament to the outstanding brand concept and product development strength of Consun Pharmaceutical.



From 21 to 25 July

The 2021 China Symbiosis Conference for the Pharmaceutical and Health Industry was held in Kunming International Convention and Exhibition Center. With its strong R&D and production capabilities and steady marketing ability, Consun Pharmaceutical was listed in the "2020 China Top 100 Chinese Medicine Enterprises," ranked 32nd on the list. The Group's flagship product, Uremic Clearance Granules, has been ranked on the "China Medicine - Brand List" "Hospital Terminal List" for five consecutive years for its excellent market performance, while Consun Jade's representative product, Shiduqing Capsules, has been ranked on the "China Medicine - Brand List" "Retail Terminal List" for many years.



On 25 September

On 14 January 2022

The 11th China Philanthropy Festival and 2021 Corporate Social Responsibility Carnival was held in Shanghai. Consun Pharmaceutical Group was awarded the "2021 Corporate Social Responsibility Award for Listed Companies". While R&D and innovation are the foundation of a Group's growth and strength, social responsibility is the key to its long-term success. With the corporate mission of "Inheriting the past and promoting the new, providing good medicine to the people", Consun Pharmaceutical has been committed to improving human health since its establishment, and has always been committed to public welfare and fulfilling its corporate social responsibility.



On 18 December

The "2021 Clinical Value of Proprietary Chinese Medicine Brand List" was officially announced at the China Association of Chinese Medicine Industry Information Conference. Consun Pharmaceutical' flagship product "Uremic Clearance Granules" was once again listed on the "2021 Clinical Brand List of Proprietary Chinese Medicines", ranking at the top of the nephrology list. The listing on the "2021 Clinical TCM Brand List" not only demonstrates Consun's mission to "inherit the past and develop the new, and to help the people with good medicine", but also conveys to the public Consun's confidence and determination to be a "health minister".



In December

After several rounds of online voting, Consun Yulin Medicine's Zheng Gu Shui and Yunxiang Analgesic Tincture (also known as Yunxiang Essence) were both selected as the "Top Brands of China's Household Medicine for 2020-2021". Among them, Bone-setting Liquid was awarded as a brand in the "External Pain Relief" category, while Yunxiang Analgesic Tincture was awarded as a brand in the "Rheumatism and Bone Pain" category, fully demonstrating the strong brand strength of Consun Yulin Medicine products and the recognition and affirmation of the general public.



From 21 to 24 October

The 2021 Annual Meeting of the Renal Disease Committee of the Chinese Association of Integrative Medicine was held in Chongqing. The event was held on 22 October from 17:00 to 18:00, with the "Sharing of Results on the Yishenhuashi Particle." Prof. YANG Hongtao, Prof. LI Wei and Prof. JIANG Chen were invited to give presentations on the open topics of renal disease. In particular, three professors, namely DENG Yueyi, LIU Yuning and ZHAN Yongli, were invited to give their comments on the three topics and suggest research directions and recommendations. The chairman of the conference, CHEN Xiangmei, academican of the Chinese Academy of Engineering and president of the Chinese Association of Integrative Medicine, concluded the conference by acknowledging the strong support of Consun Pharmaceutical in medical research and looking forward to the prospect of the Uremic Clearance Granules being recognized by more experts in integrative Chinese and Western medicine.



In October

The first Taishan Pharmaceutical Forum and the launch of the 2020 China Pharmaceutical Industry Most Influential List was held in Jinan, Shandong Province. Consun Pharmaceutical Group and Consun Pharmaceutical (Inner Mongolia) Co., Ltd. were awarded the "2020 China Top 100 Pharmaceutical Industry" and "2020 China Top 50 Pharmaceutical Industry Growth" respectively, based on their strong overall strength and R&D and innovation capabilities. These two awards fully reflect the recognition of Consun Pharmaceutical by the industry and the market, and confirm the strong production capability of Consun Inner Mongolia.



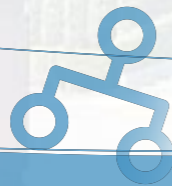
The 13th Xi Pu Conference announced in Boao, Hainan, the "Comprehensive Competitiveness Index of Pharmaceutical Industry in 2021." Consun Pharmaceutical was ranked 41st in the "Top 50 Chinese Medicine Index," demonstrating the Group's overall competitiveness. At the award ceremony held on the evening of 26th, Consun Pharmaceutical' flagship product "Uremic Clearance Granules" was awarded the "Xipu Index - Health Industry - Brand Development Index TOP Brand" for the third time, fully indicating the clinical value and brand strength of the product.



01

Responsible Governance

-  ESG Governance Structure
-  ESG Target Approach
-  ESG Risk Management
-  Stakeholder Engagement
-  Anti-Corruption Initiative



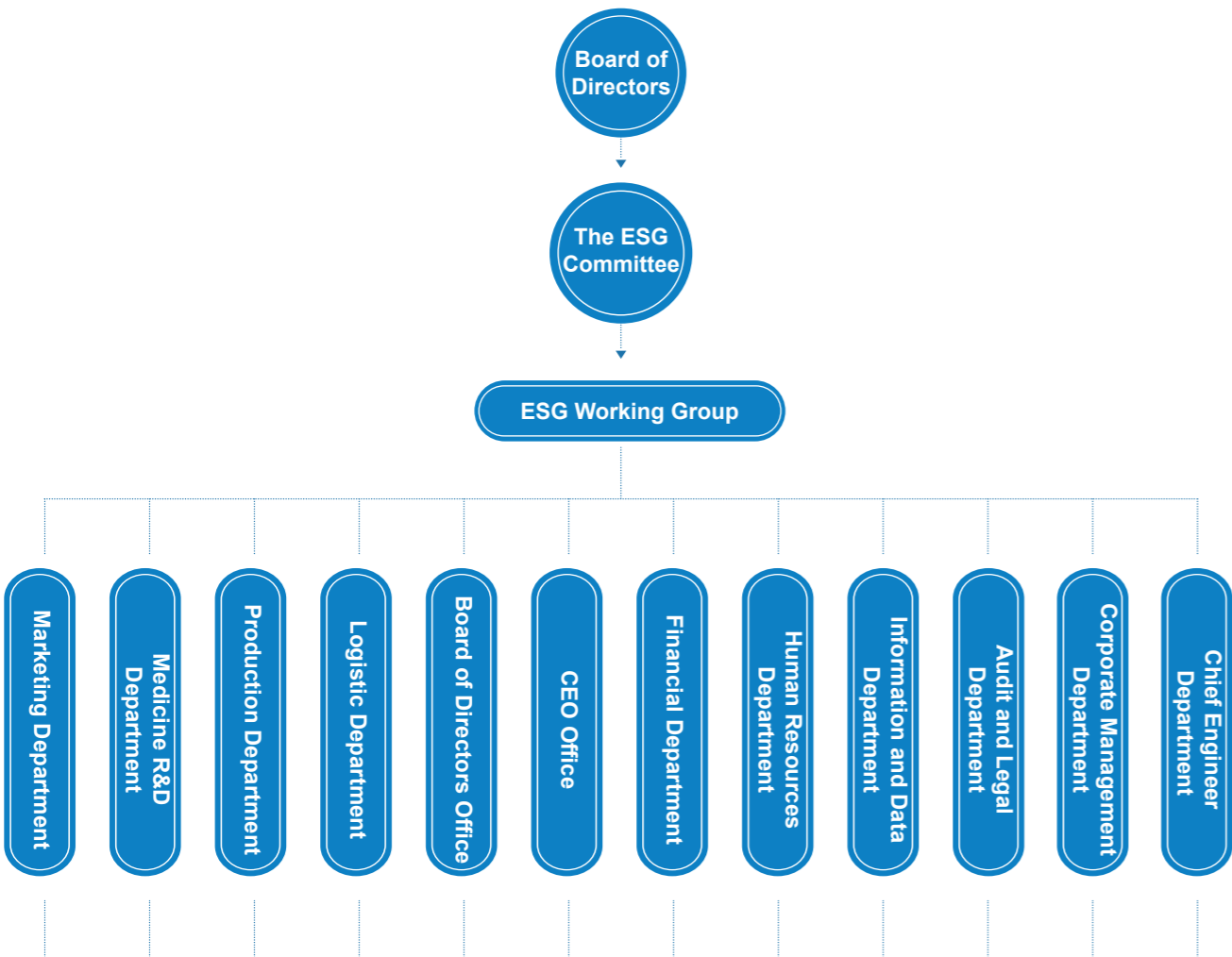
Consun Pharmaceutical is committed to maintaining a comprehensive ESG governance system. The Board leads the Group's overall ESG work plan and actively integrates ESG factors into its business operations and its own management system, insisting on a sustainable business model to create value for society.

ESG Governance Structure




Consun Pharmaceutical has established an ESG governance structure led and overseen by the Board, which provides a unified planning and management of the Group's ESG efforts to ensure that ESG management is integrated into the Group's strategies and decisions, and to promote the Group's sustainable development in a comprehensive manner. The Board plans and formulates the overall ESG management approach and strategy, evaluates and prioritizes important ESG-related issues for decision making and monitoring management, and reviews progress against the overall ESG objectives set to ensure the orderly implementation of the Group's ESG work.

The Group has established an ESG Committee (the "Committee"). The Committee is spearheaded by and composed of members of the Board. The Committee is responsible for assisting the Board in guiding and reviewing the development and implementation of the Group's corporate sustainability strategy and reporting to the Board on a regular basis on ESG-related issues.

The Committee has an ESG Working Group (the "Working Group") as the executive arm to implement the Group's ESG efforts. The Working Group consists of a number of functional departments and subsidiaries responsible for ESG issues and is jointly responsible for carrying out specific ESG tasks and reporting regularly to the ESG Committee on ESG-related issues.



Based on the above structure, the Group has further defined the organizational functions of the Committee and the Working Group to ensure the effective implementation of ESG management and the control and avoidance of ESG risks.

Name of Organization	Key Responsibilities
 Board of Directors	<ul style="list-style-type: none"> Plan and formulate the overall ESG strategy and objectives. Review and monitor the implementation of the Group's ESG management strategy, progress against targets and performance. Consider and make decisions on key ESG issues relevant to the Group's business.
 ESG Committee	<ul style="list-style-type: none"> Coordinate and manage the Group's ESG issues and report to the Board on key ESG issues. Develop and review the Group's ESG management approach and strategy, including assessing, prioritizing and managing key ESG-related issues, including risks to the Group's business, and ensuring the effectiveness of the Group's internal control system. Set ESG-related objectives in the context of the Group's business and regularly reviewing progress and performance against these objectives. To review and approve the annual ESG report prepared by the Working Group. To coordinate other ESG-related work as requested by the Board.
 ESG Working Group	<ul style="list-style-type: none"> Assist the Committee in coordinating and managing the Group's ESG matters and coordinate the implementation and execution of ESG-related work by various functional departments of the Group. To assist the Committee in formulating ESG management policies and strategies, and to develop and implement specific ESG work plans in accordance with the Group's ESG management policies and strategies. To assist the Committee in assessing, prioritizing and managing key ESG-related issues (including risks to the Group's business), preparing lists of key issues and analysis reports, and making recommendations on appropriate and effective ESG risk management and internal control measures. To assist the Committee in setting ESG-related objectives and developing work plans and reviewing progress against these objectives and reporting regularly to the Committee on progress against these objectives. Communicate with stakeholders (including but not limited to the Board, management, employees, shareholders and investors, government and regulatory authorities, suppliers, peers, the community, and the public) on ESG-related issues and provide feedback to the Board, the Committee, management or relevant departments as necessary. Coordinate with the relevant departments regarding the preparation of the annual ESG report and submitting it to the Committee for approval. Conduct other ESG-related tasks as requested by the Committee, including but not limited to providing ESG-related training to the Board and the Committee.

ESG Target Approach

The Group has developed the following ESG objectives and action strategies for the environmental area:



ESG Risk Management

An effective risk management system helps companies identify, assess, and manage the significant factors that can adversely affect their business. Risk management is therefore an important element in establishing a sound corporate governance system. The Board leads the Group on risk management matters and is responsible for ensuring that the Group maintains a solid and effective risk management and internal control system and reviews its effectiveness at least once a year. The Audit Committee assists the Board in fulfilling its governance functions in relation to the Group's risk management and internal control at the financial, operational, and compliance levels. The Group's Audit and Legal Department assists the Board and the Audit Committee in the ongoing review of the effectiveness of the Group's risk management and internal control systems. The Board is regularly informed of significant risks that may affect the Group's performance.

Consun Pharmaceutical has incorporated ESG-related elements into the Group's risk management system to further monitor potential risks and opportunities. We have analyzed megatrends, key ESG issues and issues of concern to our peer companies in relation to the Group's business to screen out sustainability risks relevant to the Group and build up an ESG risk pool for the year. We scored each risk in two dimensions, "importance of ESG risk impact" and "likelihood of ESG risk occurrence," to map out this year's ESG risk matrix and identify a total of nine important ESG issues.

Based on the results of the ESG risk assessment, the Group identified the following ESG risks of critical importance to its operations and business during the Reporting Period and reviewed the management of these risks within the Group to ensure that they are effectively controlled.

Important ESG Risk	Potential Impacts	Risk Management Measures
Supply Chain Safety and Management	The raw materials used by the Group are mainly Chinese herbal medicines and chemical products, etc. The production process is complex and quality control is difficult, and improper supply chain management will expose us to potential environmental and social risks. In addition, production accidents may occur during the production process due to improper handling or inadequate maintenance measures during the loading, unloading, transportation, storage, and use of the raw materials, which involve hazardous chemicals.	<ul style="list-style-type: none"> Formulated the <i>Procurement Risk Management System</i> to analyze the risk level of the six procurement risk categories identified below, formulate and implement corresponding risk management measures to strengthen the risk management of the raw material procurement process and ensure the stability of the Group's supply chain Formulating the <i>Standard Operating Procedures for Material Procurement</i> to standardize the material procurement process and methods to ensure the quality of purchased materials Formulate the <i>Supplier Management System, Material Supplier Management Procedures</i> and other regulations and systems to establish comprehensive standards and management processes for the selection, inspection and evaluation of suppliers, and regulate the management of suppliers to ensure that they provide qualified materials and services to the Group Develop <i>Standard Operating Procedures for Receiving, Warehousing and Storage of Raw and Auxiliary Materials</i> to regulate the quality control of raw materials prior to receipt

Important ESG Risk	Potential Impacts	Risk Management Measures
Employee Welfare and Benefits	Low employee satisfaction will lead to low work efficiency and high employee turnover rate. If the internal salary system is not set up properly, and there is a big difference between the salary of internal promotion and external recruitment, it may reduce the motivation of internal staff and fail to retain talents. If a company is unable to attract sufficient talents, it will not be able to support its normal operations, thus reducing its competitiveness.	<ul style="list-style-type: none"> ● Formulate Remuneration Management Policies such as the <i>Remuneration and Benefit Management System</i>, combine performance with remuneration and bonus, and set up quarterly and year-end performance bonuses to motivate, attract and retain outstanding staff ● Formulate the <i>Employee Handbook</i> and the <i>Employee Leave Management System</i> to regulate the working hours and leave time of staff and fully protect the basic treatment of employees ● Provide equal promotion opportunities for employees based on their abilities and performance standards. Through a combination of key performance indicators and work objectives, employees with excellent performance and ability are listed as reserve leaders and are prioritized for promotion opportunities ● Formulate the <i>Welfare Allowance Management Regulations</i> to regulate the management of benefits such as daily lunch subsidies, transport and communication subsidies, annual body checks, medical mutual insurance and festive gifts for employees
Research and Development (R&D)	From R&D to marketing, pharmaceutical products have to go through the process of pre-clinical research, clinical trials, filing and registration, and approval for production, which are characterized by large investment, multiple components, long cycle time and high risks, and are susceptible to unpredictable factors.	<ul style="list-style-type: none"> ● The Medicine R&D Department has established a series of management systems and operational procedures to ensure the quality management of pharmaceutical R&D ● Optimizing the R&D organizational structure to rationalize the new product pipeline in the medium to long-term ● Through the collaboration of internal R&D platform and professional R&D team, we can reasonably set and realize internal R&D objectives ● Continuously explore different R&D fields through enterprise cooperation and university-enterprise-cooperation, and better anticipate market needs through cooperation and exchange
Employee Development and Training	The pharmaceutical industry requires solid professional knowledge. Lack of adequate training for employees may lead to safety hazards and product quality problems, which may affect the Group's reputation and the achievement of future strategic objectives and hinder the company's development. The unreasonable setting of employee key performance indicators (KPIs) may reduce performance evaluation efficiency and affect employee promotion, resulting in talent loss.	<ul style="list-style-type: none"> ● Develop a <i>Training and Career Development Management System</i>, <i>Internal Trainer Management System</i> and <i>New Employee Training Management System</i> to regulate employee training management, including departmental responsibilities, training plans, activity budgets, etc. ● Develop annual training plans and activities in accordance with development needs and employee intentions, and conduct training for each department in an orderly manner, and regularly review and improve training activities in order to provide training activities that keep pace with the times ● Create a comprehensive training system for employee through systematic design and diversified training programs ● All functional departments work together to develop employee learning maps in accordance with their functional requirements and employee development needs ● Continuously improve the quality of internal training programs through the development and integration of internal training resources and materials ● Develop a mobile learning platform to provide employees with a wealth of learning resources through the procurement of external courses and the integration of internal training courses

Important ESG Risk	Potential Impacts	Risk Management Measures
Intelligent Property Rights Management	The pharmaceutical industry focuses on R&D. Failing to manage intellectual property rights and systematically manage their proprietary products, technologies, and basic and improvement patents and trademarks may result in the infringement or violation of intellectual property rights and lead to lawsuits or failure of protecting the brand from counterfeits, thus losing the core competitiveness.	<ul style="list-style-type: none"> ● Formulated the <i>Intellectual Property Rights Management Regulations</i>, <i>the Group Patent Management System</i>, <i>the Group Cultural Brand Management System</i> and <i>Group Information Confidentiality Regulations</i> to clarify the legal responsibilities related to the daily use and management of intellectual property rights and establish intellectual property management systems for the effective protection of the Group's intellectual property rights ● Establishing a trademark ledger to regulate the management of the Group's intellectual property rights ● Provide training on intellectual property rights for all departments to enhance employee awareness of intellectual property rights protection
Natural Resources and Biodiversity Loss	Improper production processes in factories may lead to problems such as leakage of hazardous chemicals, which may have a negative impact on the surrounding ecological environment, including the loss of biodiversity and shortage of natural resources, which in turn affects the quantity and quality of Chinese herbal medicines harvested, thus affecting the supply of raw materials to enterprises. Similarly, natural resources and biodiversity may also decline under other environmental issues, thus affecting the supply of raw materials.	<ul style="list-style-type: none"> ● Establishing regulations such as the <i>Regulations on the Management of Sewage Treatment and Discharge in the Plant Area</i>, <i>Regulations on the Management of Environmental Protection and Management System for the Disposal of Pharmaceutical Slag</i> to regulate the management of wastewater, waste gas and hazardous and non-hazardous waste to ensure that the discharge of waste does not cause significant negative impact on the surrounding ecological environment ● Establishing wastewater treatment facilities to collect and treat wastewater to meet local wastewater discharge standards, and at the same time regularly commissioning qualified organizations to conduct sampling tests on discharged wastewater to further strengthen the management and supervision of wastewater discharge, so that the discharge of wastewater does not cause significant impact on the surrounding ecological environment, such as loss of biodiversity ● To formulate policies such as the <i>Management System for Reagents</i>, <i>Reference Standards</i>, <i>Biological Materials and Subjects</i> and the <i>Spill Prevention Measures for Yulin Pharmaceutical Chemicals</i> to regulate the collection, storage, and disposal of chemicals after use, spill prevention measures and related emergency measures to ensure no significant impact on the surrounding ecological environment and natural resources
Policy Changes and Compliance Risks	Environmental policies are becoming increasingly stringent and failure to comply with legal and regulatory requirements may result in regulatory risk, which could lead to legal sanctions or regulatory penalties, significant financial, access and registration risks. The import and export activities of products required by enterprises are subject to the laws and regulations of different countries and regions, and failure to comply with the requirements may result in import and export risks. In addition, the reform of the national medical and healthcare system may have an uncertain impact on the marketing of the Group's products, resulting in fluctuations in market demand and prices.	<ul style="list-style-type: none"> ● From time to time, the Board and employee at all levels are provided with anti-corruption trainings such as the <i>Tampering System and Compliance Emphasis</i> and <i>Marketing Legal Knowledge and Compliance</i>.

Important ESG Risk	Potential Impacts	Risk Management Measures
Employee Health and Safety	Failure to take adequate safety management measures in the factories and office areas, including regular maintenance of equipment and safety inspections, and failure to provide adequate safety training to employee may result in injury or death, which may result in compensation to employee or lawsuits and reputational damage.	<ul style="list-style-type: none"> Develop a series of safety production management systems, such as the <i>Safety Inspection and Potential Hazard Control System</i>, the <i>Safety Education and Training System</i>, the <i>Safety Management System for Production Equipment and Facilities</i>, and the <i>Occupational Health Management System</i>, to regulate occupational health and safety matters in the course of operation Set up a production safety leadership team that is responsible for providing safety education to employees under the Production Management Department, formulating the implementation details of production safety, and supervising and inspecting production safety work to ensure that the Group's various safety directives are thoroughly implemented Formulate policies such as the <i>Overall Emergency Response Plan for Emergencies</i>, <i>Emergency Response Plan for Laboratory Safety Incidents and Emergency Response Plan for Occupational Disease Hazards</i>, and organize regular safety drills to enhance staff's knowledge and ability to respond to safety emergencies <i>The Health Management Protocol, Occupational Disease Hazard Prevention and Control System, Occupational Disease Hazard Detection and Evaluation System and Occupational Disease Hazard Publicity and Education System</i> have been formulated to actively prevent occupational hazards and protect the health of employees. At the same time, it regularly organizes employees to attend body checks and occupational disease check-ups to keep abreast of the health status of employees, adjusts work positions for employees diagnosed with occupational diseases and arranges robust treatment

In respect of "climate change and extreme weather risks," although the Group does not have a risk management policy for now, the Group has planned to establish and improve the relevant risk management system benchmarking with peer companies' management and control measures in accordance with the actual situation within the Group.

Stakeholder Engagement

Active communication with stakeholders to build close ties is the key to the sustainable development of Consun Pharmaceutical. We have established diversified communication platforms to understand the views and expectations of our stakeholders and to enhance our ESG planning accordingly.

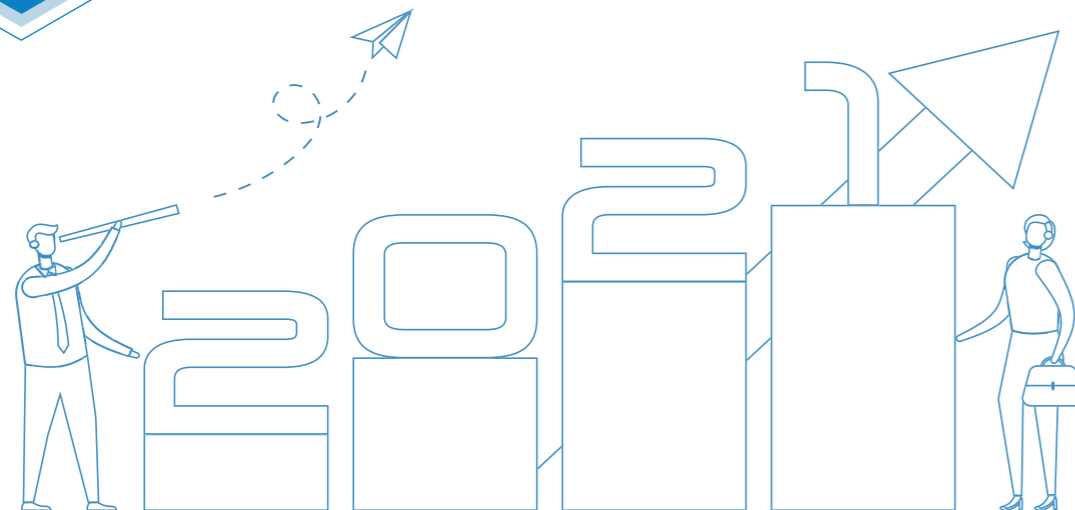
Diversified communication platforms

Considering the interaction between Consun Pharmaceutical and its stakeholders, Consun Pharmaceutical has identified key stakeholders who are closely related to the Group's business process and has initiated different forms of communication with them to understand their expectations of the Group through different channels.

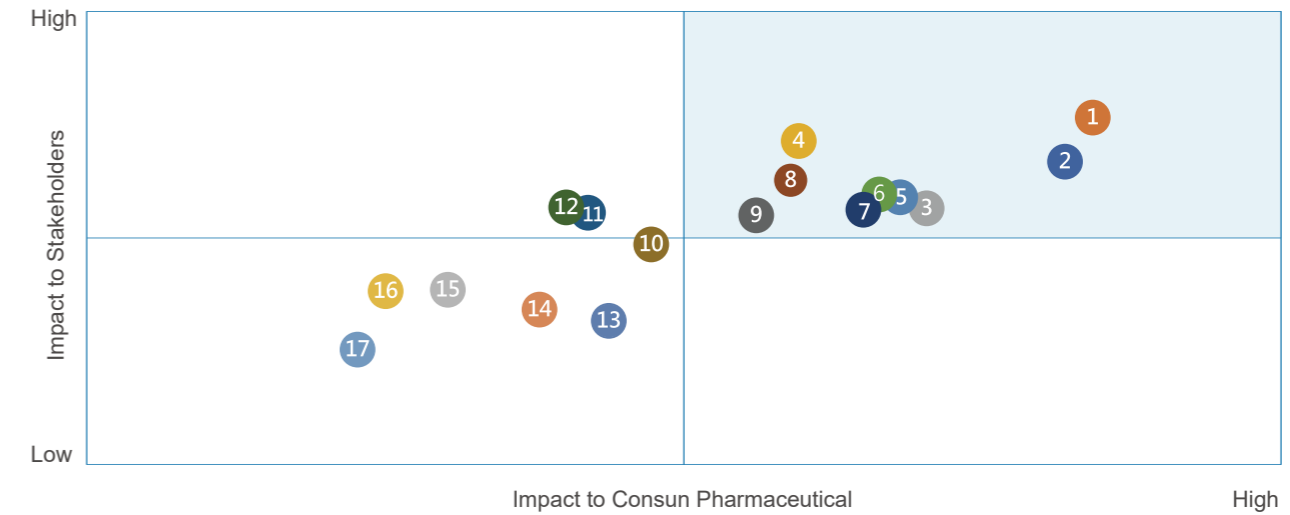
Key Stakeholders	Communication Channels of the Group	Expectations to the Group	Communication Frequency
 Governments and Regulatory Agencies	<ul style="list-style-type: none"> Participate in government projects Pass the qualification examinations Submit work plans and reports 	<ul style="list-style-type: none"> Compliance with laws and regulations Strengthen R&D of drugs 	<ul style="list-style-type: none"> Regular or irregular
 Investors (Shareholders)	<ul style="list-style-type: none"> Shareholders' general meetings Information disclosure Investor consultation Roadshows 	<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 survey Customer complaint management Daily customer communication 	<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 irregular
 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, ongoing 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

Materiality Assessment

In order to identify the Group's key focuses in the field of sustainability, the Group conducted a materiality assessment to understand the stakeholders' latest concerns on sustainability issues. The procedures of the materiality assessment are as follows:



Materiality Assessment of Sustainability Topics



- 1. Quality Management of Pharmaceutical Production
- 2. Product R&D and Innovation
- 3. Employee Development and Training
- 4. Occupational Health and Safety
- 5. Clinical Trial Safety and Participant Protection
- 6. Employment and Employee Rights
- 7. Intellectual Property Protection
- 8. Customer Service and Rights Protection
- 9. Supply Chain Sustainability Management
- 10. Resources Utilization
- 11. Environmental and Natural Resource Policies
- 12. Pollutants Discharge and Management
- 13. Advertising and Product Labeling
- 14. Anti-corruption
- 15. Responding to Climate Change
- 16. Greenhouse Gas Emissions and Management
- 17. Community Investment

We have incorporated sustainability issues into the various chapters of the Report and have made key disclosures to address the concerns of different stakeholders. In addition, the results of the materiality assessment have helped the Group to identify focus areas to enhance monitoring and management accordingly. We are also considering incorporating materiality issues into our ESG management efforts as part of our corporate sustainability planning.

List of Material Issues (in descending order of importance)	Corresponding Chapter
1. Quality Management of Pharmaceutical Production	Quality Management
2. Product R&D and Innovation	R&D Innovation
3. Employee Development and Training	Talent Development
4. Occupational Health and Safety	Health and Safety
5. Clinical Trial Safety and Participant Protection	R&D Innovation
6. Employment and Employee Rights	Employee Management
7. Intellectual Property Protection	R&D Innovation
8. Consumer Services and Rights Protection	Quality Service
9. Supply Chain Sustainability Management	Sustainable Supply Chain Management

Anti-Corruption Initiative

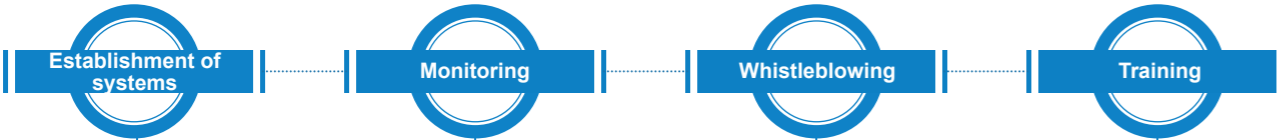
Consun Pharmaceutical upholds the highest business ethics and attaches great importance to maintaining a clean business environment. The Group strictly complies with the laws and regulations of the places in which it operates, including but not limited to the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Interim Provisions on Banning Commercial Bribery*, etc. It has established an internal control and supervision mechanism to provide comprehensive management of anti-corruption and anti-misconduct work.

Under the internal control and supervision mechanism, Consun Pharmaceutical has formulated a series of anti-corruption policies as a starting point, supplemented by supervision, reporting and training measures to combat illegal and unlawful acts related to bribery, extortion, fraud and money laundering, and to raise the integrity awareness of all employees.

During the Reporting Period

Number of employees attending our anti-corruption training:
600

Cases received in relation to corruption litigation:
0



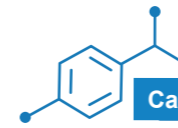
The Group's internal control and compliance management was strengthened through the formulation of the the *Internal Audit Management System*, the *Employee Complaint and Report Management System*, *Regulations on Market Inspection*, *Commercial Tampering*, *Hospital Outflow and Anti-Counterfeiting* and *Product Tampering Management System*, which regulated the workflow of internal audit and employee complaints as well as the duties of relevant departments. The Group's internal control and compliance management was strengthened through the formulation of the the *Internal Audit Management System* and the *Employee Complaint and Report Management System*, which regulated the workflow of internal audit and employee complaints as well as the duties of relevant departments.

The Group's Audit and Legal Department is responsible for inspecting and supervising all functional centers, departments, subsidiaries, contact points and related personnel to prevent violations of rules and regulations, as well as fraud, corruption, bribery, fraud and money laundering by employees. The Audit and Legal Department also visits various regions from time to time to conduct audits on irregularities.

The Group's Human Resources Department, the President's Office and the Finance Department also work together to ensure that anti-corruption policies and reporting procedures are strictly enforced and effectively monitored.

Consun Pharmaceutical has set up various complaint channels such as telephone, email, letter, face-to-face interview, fax and OA to receive complaints from customers, employees and third parties regarding staff disciplinary offences. The Group will keep the information of the whistleblower strictly confidential and conduct investigation into the incident to protect the rights of the whistleblower.

In order to raise awareness of anti-corruption among all staff and encourage them to comply with the Code of Ethics, we provide anti-corruption training to our Board and employees at all levels from time to time, such as the *Declaration of the Fraudulent Goods System and Emphasis on Compliance Matters* and *Legal Knowledge and Compliance in Marketing*.



Case Study

Training on "The Fraudulent Cargo System and Compliance Emphasis"

On 18 December 2021, the Group organized an online training session on the "Promotion of the Tampering System and Compliance" for the employees of the Commercial Department and the Retail Department, and over 400 employees has attended the training session.



Online training session on the theme of "Promoting the Tampering System and Compliance Issues"



02

Medicine for the People



R&D Innovation



Quality Management



Quality Service



Sustainable Supply Chain Management





At Consun Pharmaceutical, our mission is to protect the health of patients and to meet their needs. Over the years, we have focused on the R&D and production of pharmaceutical products. Under the path on 'industry chain operation and internationalization,' we have been consolidating our cornerstone businesses and improving our business layout to cover the entire pharmaceutical and health care industry chain. We have built up three major industry chains, namely "renal care + kidney care," "bone therapy + pain relief," and "diagnostic and therapeutic integration," with product lines covering chronic kidney disease treatment, diagnostic imaging, pain relief, and other areas. By the end of 2021, the Group will have a total of 138 pharmaceutical products, including 62 Chinese medicines and 76 Western medicines, providing patients with a wide range of pharmaceutical choices and ensuring affordable access to our medicines.

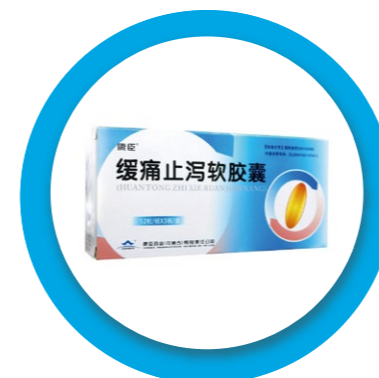
Through the management of the entire life cycle of pharmaceutical products, Consun Pharmaceutical continues to improve the quality management system related to R&D, production and sales, so as to continuously enhance the quality of our products and services to ensure patients' peace of mind in the use of medicines. The Group has a "1+6" product line covering nephrology, imaging, orthopedics, women and child series, gastroenterology, hepatobiliary and dermatology. Of the existing 138 pharmaceutical products, 34 have been included in the National Essential Drug List and 65 in the National Health Insurance List.



"1+6" Product Line



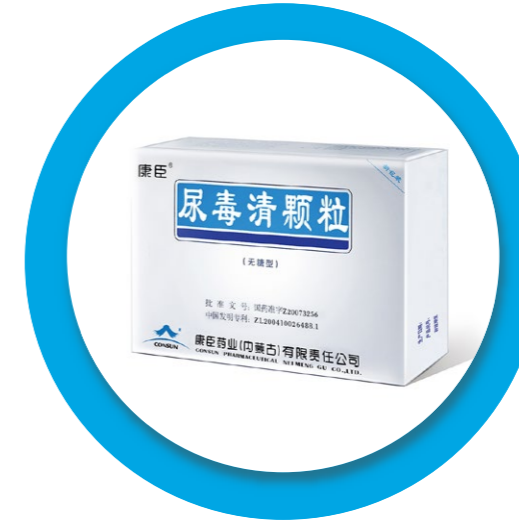
Imaging Series



Gastroenterology Series



Women & Children Series



Nephrology Series



Dermatology Series



Hepatobiliary Series



Orthopedics Series



Consun Pharmaceutical continues to invest in R&D, including the addition of new R&D facilities and R&D personnel, to strengthen the R&D foundation. We have refined the management of each module of our quality system and strengthened supervision and training to ensure the smooth and compliant commencement of R&D projects.

Currently, the Group has 15 projects under R&D, covering new Chinese medicines, secondary development of Chinese medicines, innovative chemical medicines and generic chemical medicines, of which two have completed process validation, four have completed pilot production and secondary development of Chinese medicines.

During the Reporting Period, the Group completed and successfully passed the acceptance of two provincial and municipal level technology projects and two-phase evaluations. In FY2021, the Group continued to establish a joint laboratory with the Institute of Advanced Technology of the Chinese Academy of Sciences, enhanced its R&D efforts in the field of ultrasound, and signed strategic cooperation agreements with WuXi AppTec and Beite Pharmaceutical Industry to promote the research and development of innovative pharmaceutical products.

R&D Innovation

R&D First

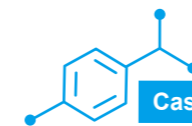
With the mission of “Inheriting the past and promoting the new, and helping the people with good medicine”, Consun Pharmaceutical is committed to developing medicines for the benefit of patients. We have actively optimized our R&D organization structure, carefully laid out our medium and long-term new product pipeline and further defined our R&D strategy. At present, Consun owns the only Chinese Medicines Research Department for Renal Diseases invested by the Group in China, two provincial “Engineering Technical Research Department,” three provincial “Enterprise Technical Research Department,” two “Academician Expert Workstation,” one “Postdoctoral Scientific Research Workstation,” and Consun Chinese Medicines Research Department for Renal Diseases in Hong Kong Baptist University. With the support of our in-house R&D platform and professional R&D team, we steadily enhance our R&D work heading to our objectives.



Total R&D investment RMB
102,160 (in thousand yuan)

During the Reporting Period,
 R&D equipment increased by
11%

The number of R&D staff increased by
18%



Case Study

Consun Pharmaceutical and WuXi AppTec sign strategic cooperation agreement to increase R&D of innovative drugs

In July 2021, Guangzhou Consun, a wholly-owned subsidiary of the Group, signed a strategic collaboration agreement with Shanghai WuXi AppTec New Drug Development Company Limited to collaborate on the development of innovative small molecule drugs primarily for the treatment of kidney disease and its complications, and possibly extend to other innovative drugs in other disease areas thereafter.






Strategic Collaboration with WuXi AppTec in an Innovation Drug Signing Ceremony

Protecting Intellectual Property

Since Consun Pharmaceutical views intellectual property rights as a driving force for innovation, the Group attaches great importance to the protection of intellectual property rights. The Group strictly abides by the relevant laws and regulations that are relating to intellectual property rights protection and have a significant impact on the Group, such as the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*, etc. The Group has formulated the *Management System of Intellectual Property* to establish a systematic approach to establish clear legal responsibilities for the day-to-day use and management of intellectual property rights and establishing institutional safeguards for the effective protection of the Group's intellectual property rights.


The Group strictly complies with laws and regulations that have a significant impact on the Group, such as the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, Chapter 5, Section 3 Intellectual Property Rights of the General Principles of the Civil Law, the Anti-Unfair Competition Law and Certain Provisions on the Prohibition of Infringement of Trade Secrets, and has formulated the Measures for the Management of Intellectual Property Rights, as well as the Group has formulated the Management System for the Group's Cultural Brand, the Management System for the Group's Patent, the Regulations on the Confidentiality of Group Information and the File Management System to clarify the relevant legal responsibilities for the daily use and management of intellectual property rights and to establish institutional safeguards for the effective protection of the Group's intellectual property rights.

Aligning with the principles of timeliness, confidentiality, unified management, teamwork, and orderliness, the Group manages intellectual property rights such as trademarks, copyrights, patents, and trade secrets.

 <p>Timeliness</p> <p>The application, renewal, and payment of fees for intellectual property rights are time-sensitive and need to be processed in a timely manner to ensure the validity of the rights.</p>	 <p>Confidentiality</p> <p>Intellectual property is a trade secret of the Group and must be strictly protected and must not be disclosed or used for any purpose other than the Group's business.</p>	 <p>Unified management, teamwork, and orderliness</p> <p>All departments of the Group shall take practical measures to strengthen the management of the Group's intellectual property rights, enhance the awareness of intellectual property protection, and safeguard the legitimate rights and interests of the Group's intangible assets.</p>
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2021 Granted Patent Licensing Showcase

- 4 Chinese invention patents were filed
- 2 invention patents
- 1 utility model patent were granted in 2021
- A cumulative total of 47 domestic and foreign patents were granted



2021 Newly Registered Trade Marks Display

- 2 new trademarks registered in 2021
- As of 31 December 2021, there are a cumulative total of 199 domestic and foreign registered trademarks








To standardize the Group's intellectual property management and effectively protect the Group's intellectual property rights, Consun Pharmaceutical has also established a trademark ledger for management and provided training on intellectual property rights for various departments to enhance employee awareness of intellectual property protection, including Pharmaceutical Affairs Department, Medicine R&D Department, Foreign Trade Department, General Manager's Office, Marketing Department and Corporate Management Department to provide guidance on the commencement of intellectual property work.

Safeguarding Clinical Safety

As clinical trials are an important and fundamental part of the development of pharmaceutical products, the Group attaches great importance to the safety of clinical trials and is committed to protecting the rights of clinical trial volunteers or participants. In the course of clinical trials, we strictly adhere to the *People's Republic of China on Drug Administration Law*, *Regulations on the Administration of Pharmaceutical Product Registration* and *Regulations on the Quality Management of Clinical Trials of Pharmaceutical Products* and other laws and regulations that have significant impact on the Group to ensure that trials are conducted while meeting the fundamental requirements of compliance, high quality, high safety, and R&D ethics.

 <p>Right to know</p>	<ul style="list-style-type: none"> • All clinical trials of the Group are ethically approved and endorsed by the research unit to ensure that the participants have the right to be informed and have a clear understanding of the process and associated risks and benefits of the trial. Participants are free to choose whether or not to participate in the trial and sign an informed consent form before they can take part in the trial.
 <p>Clinical Trial Insurance</p>	<ul style="list-style-type: none"> • The Group takes out commercial insurance for all participants in clinical trials to protect the rights interests of the participants.
 <p>Monitoring and Reporting Mechanism</p>	<ul style="list-style-type: none"> • The Group has established a comprehensive safety monitoring system and an adverse reaction reporting mechanism, with a side effect specialist on pharmacovigilance to monitor the safety of participants regarding drug use in a timely manner. • The Group has established an annual reporting system for pharmacovigilance, which includes regular safety literature research and safety update reporting, as well as required instruction manuals updating.

Quality Management

We always prioritize patients' health and safety and ensure the provision of high quality pharmaceutical products to patients through our sophisticated pharmaceutical quality management system. The Group has established a stringent pharmaceutical quality control system in compliance with the Law of the People's Republic of China on Drug Administration, Regulations for the Implementation of the Law of the People's Republic of China on Drug Administration, Good Manufacturing Practice (2010 Edition) (GMP) and other laws and regulations that are relevant to product health and remedies and have a significant impact on the Group. The system includes the Management Regulations of Pharmaceutical Quality Management System, Management Regulations of Pharmaceutical Quality Control System, Management Regulations of Pharmaceutical Quality Assurance System, Management Regulations of Quality Risk and Management Regulations of Pharmaceutical Factory Release.

The Group's senior management assumes fundamental responsibility for the quality management of pharmaceutical production and creates an environment of full participation for the effective operation of the quality management system to ensure the establishment and implementation of an effective pharmaceutical quality management system that achieves the Group's quality objectives. Being responsible for design, implementation, monitoring, and maintenance of the management system, allocation of resources, establishment of authority, establishment of effective communication processes, and management performance review, the management team establishes a top-down and rigorous control of the Group's pharmaceutical quality management system.

We have defined two major components of knowledge management and quality risk management in the Management Regulations for Pharmaceutical Quality Management System. The Group manages product quality and knowledge in terms of technological process throughout the entire manufacturing life cycle of pharmaceutical products, including product R&D, technology transfer, and full-scale commercial production. We also adopt a systematic process of assessing, controlling, communicating, and auditing quality risks throughout the product life cycle in a forward-looking or retrospective manner. We set quality objectives for each stage of the life cycle to ensure that product management quality measures are operating effectively.



To ensure that the quality of pharmaceutical products meets the pre-determined standards under the Pharmaceutical Quality Management System, we have established four pharmaceutical quality management systems to further strengthen the control of our internal pharmaceutical quality management system and to promote continuous improvement of our internal quality management system to ensure that the quality requirements and control of pharmaceutical products keep pace with the times.

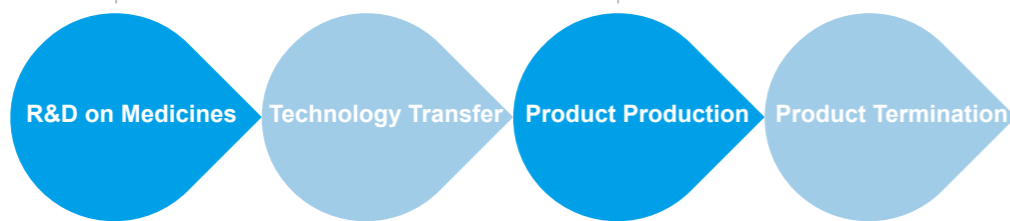
<p>01 Technology performance and product quality management system</p> <ul style="list-style-type: none"> Establish quality control strategies by using quality thresholds, including on raw material supply, facility operating conditions, process control, and quality standards of the finished product. Provide the necessary resources to enhance technological innovation. 	<p>02 Corrective and prevention action management system</p> <ul style="list-style-type: none"> Implement corrective and preventive measures to improve the quality of products and technology by addressing complaints, product rejections, nonconformities, audits, technology performance and product monitoring trends. 	<p>03 Amendment management system</p> <ul style="list-style-type: none"> Manage amendments relating to quality risk management and product technology to ensure that changes do not adversely affect product quality. 	<p>04 Technology performance and product quality review management system</p> <ul style="list-style-type: none"> Regular review of the results of inspection, audit and assessment. Regular review of indicators related to product quality.
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All the production sites of Consun Pharmaceutical have been awarded GMP certification, and the RenHou site of Yulin Pharmaceutical has been certified by the FDA and TGA of Australia respectively.



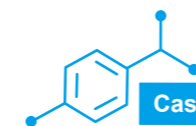
To ensure that products and the design of production technology meet the needs of patients and customers

To ensure that products are produced using appropriate technology which is in accordance with relevant quality requirements, and to continuously evaluate and improve production processes



To complete the transfer of knowledge of product and technology from R&D stage to production stage and the transfer in the internal production areas to achieve product production

To manage the final stage of the product effectively through predefined approaches



Case Study

Consun Inner Mongolia wins "Mayor's Quality Award of Tongliao City"

On March 9, 2021, the second Tongliao Mayor's Quality Award Ceremony was held at the Tongliao Municipal People's Government. The Consun Pharmacy (Inner Mongolia) Co. was awarded the Mayor's Quality Award because of its outstanding contribution to the product quality revitalization of Tongliao City.



Consun Inner Mongolia Participates in the Second Mayor's Quality Award Recognition Meeting in Tongliao City

Quality Risk Management

Consun Pharmaceutical has established an effective quality risk management process to identify, evaluate, control, communicate, and audit risks throughout the product life cycle to reduce or eliminate all potential or existing quality risks. The Group has established a quality risk management team to manage product quality through risk assessment, control, and review based on the principles that quality risks should be assessed based on scientific knowledge and experience in order to ensure product quality and that the methods, measures, forms, and documentation used in the quality risk management process should be appropriate to the level of risk present. The application of pharmaceutical quality risk management includes, but is not limited to, the following:



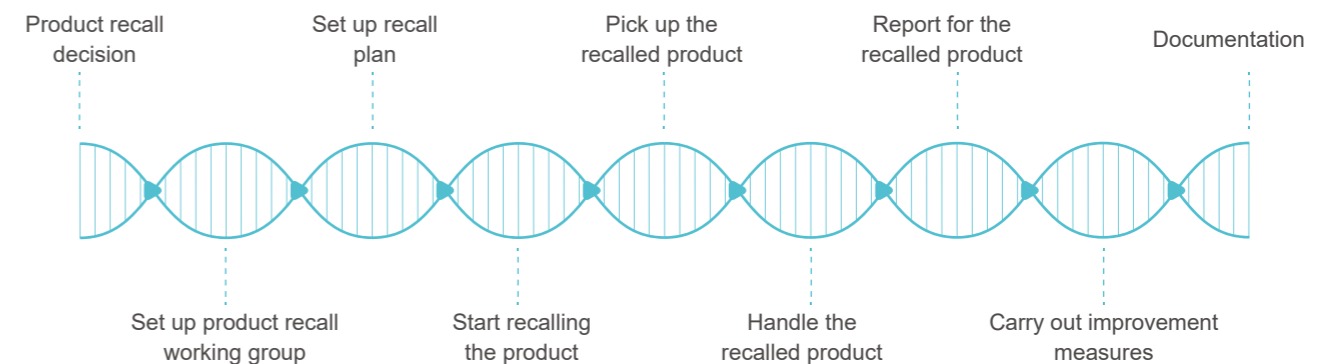
Pharmaceutical Products Quality Testing

Each production base of Consun Pharmaceutical implements quality inspection process for materials and products inputted in the production process and carries out quality control at all stages. Consun Inner Mongolia has formulated *the Regulations on the Release of Pharmaceutical Products from the Factory, Regulations on the Management of Inspection Methods, Regulations on the Management of Inspection Reports and Regulations on the Management of Inspection Records* to regulate the various aspects of quality inspection of pharmaceutical products. Yulin Pharmaceutical has formulated the *Standard Operating Procedures for the Release of Finished Products* and the *Inspection Management Procedures* to ensure that all products discharged from the warehouse meet the quality requirements.

Sampling of products	<ul style="list-style-type: none"> • QA personnel collect samples according to the corresponding sampling standards for raw and auxiliary materials, processed materials, intermediate products, finished products, etc.
Inspection	<ul style="list-style-type: none"> • QC inspectors collect samples and carry out quality inspections in accordance with the corresponding inspection procedures.
Recording of Inspection	<ul style="list-style-type: none"> • QC inspectors record the inspection results. • QC technicians and supervisors review inspection records to ensure samples complying with the quality standards.
Approval for Product Release	<ul style="list-style-type: none"> • The business team issues an inspection report based on the inspection results. The products can be released to the next production stage upon the approval of QC representatives
Verification of finished products	<ul style="list-style-type: none"> • Upon completion of the finished product, QC personnel conducts an audit on the production process, inspection records of the batch, storage process, deviations handling and amendment control, etc. QC personnel completes the verification of the finished products release form after passing the audit. All pharmaceutical products are only allowed to be sold when they grant the release form.

Product Recall Management

To protect the health and safety of consumers, the Group has established policies such as the *Product Recall Management Regulations* and the *Product Return Management Regulations* to ensure that any batch of products with safety hazards can be recalled from the market quickly and effectively when necessary to ensure the effectiveness of the recall process. We have graded pharmaceutical recalls, established an organizational structure for product recalls and initiated the product recall process when the investigation and assessment has confirmed that the relevant safety hazards of the products have reached the established factors.



* During the Reporting Period, there was no recall of the Group's products due to factors such as product safety and health.

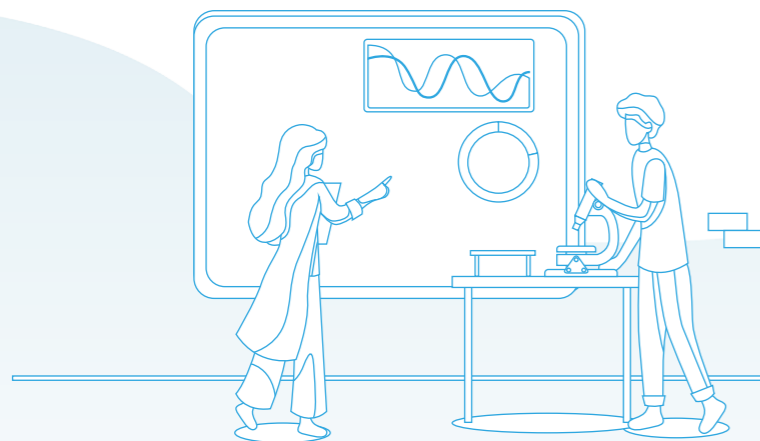


Quality Service

Consun Pharmaceutical has always adhered to the service concept of "Dedication and Perfection" and implemented the marketing strategy of *Deep Distribution, Market Segmentation and Category Management*.

We have set up more than 70 contact points across the country, and our products are exported to more than 30 countries and regions to provide comprehensive and quality services to consumers.

In order to better serve consumers and patients, we have built our own chronic kidney disease management platform (Chronic Disease Platform), the "Consun Doctor" mobile application, to provide chronic kidney disease patients with self-health management services, allowing patients to have more channels to provide feedback and connecting pharmaceutical companies, clinicians and patients. In the future, we are committed to building an integrated nephrology data center and health+medicine platform for the whole-course management of patients with chronic kidney disease, creating a new strategic edge.



Listening to Consumers

At Consun Pharmaceutical, we always value listening to consumers' opinions. In order to maintain close contact with consumers, we have upgraded our 400 hotline for chronic disease management and established a patient WeChat group to provide real-time services to a wide range of patients. We have also developed our own chronic disease management platform and public website with the core concept of "Consun Doctor", which allows us to keep abreast of patients' conditions and opinions, so as to continuously improve the quality of our services and enhance consumers' trust and satisfaction with the Group. To ensure good communication between consumers and our employee, the Group has also formulated the "Customer Service Hotline Guidelines", which stipulates that all employee of the Chronic Disease Platform are responsible for answering the hotline in strict accordance with the hotline guidelines and providing timely feedback to the relevant departments on hotline needs that require follow-up, so as to ensure smooth follow-up and prompt resolution of problems for consumers.



Patient Response Mechanism

The Group attaches great importance to the quality complaints lodged by patients against the Group's products. In order to regulate the response and handling process of product quality complaints, to ensure the smooth flow of patient complaints and to safeguard the corporate brand image and market reputation, the Group has formulated a system for the handling of patient complaints with reference to the People's Republic of China on the Protection of Consumers' Rights and Interests Laws and relevant rules and regulations. The following are the responsibilities and scope of work of various departments of the Group in the complaint handling process.

Approval for Product Recall

- Confirm the scale and scope of the recall and report it to the Group's management for approval.

Notification for Product Recall

- Notify the retailers and users to stop selling and using the products in accordance with the recall time limit to recall the products.
- Freeze and recall product-related materials and stock products, and store and label recalled products from the market and stock separately from other products and prohibit their reuse.

Recording of Product Recall

- Record the progress and quantity of product recalls and regularly follow up on product recalls.

Reporting for Product Recall

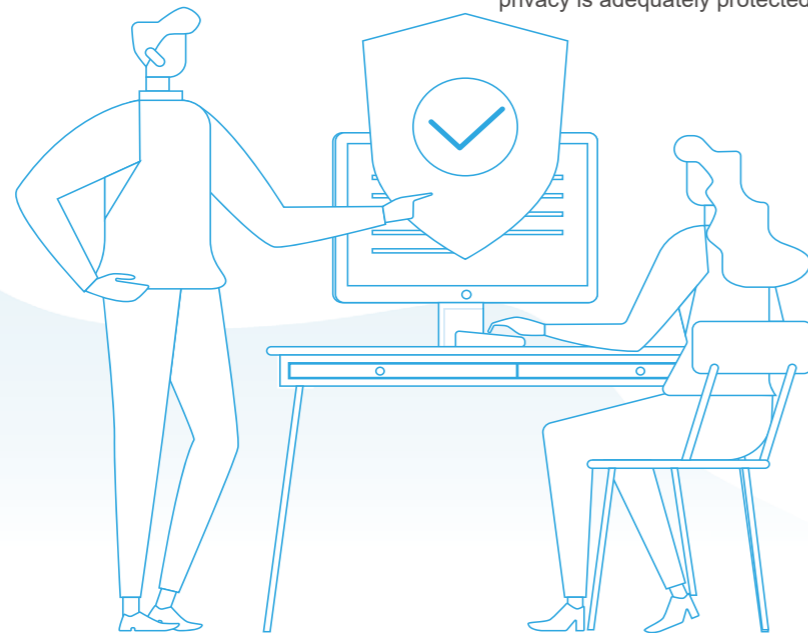
- In accordance with the time limit for product recall, regularly report the progress of product recall to the drug supervision and management department.

* As of the end of the Reporting Period, the Group had received 31 product complaints, which were promptly dealt with and the issues raised by consumers were successfully resolved.

Protection of Personal Privacy

The Group attaches importance to the protection of the personal privacy of its customers and patients and complies with laws and regulations relating to personal privacy such as the *Law of the People's Republic of China on Liability for Infringement* and other laws and regulations that have a significant impact on the Group. It has formulated the *Patient Information Management Process* and the Group's *Employee Conduct Management System* to regulate the patient information management process, establish the confidentiality obligations of employees and require all relevant employees to strictly comply with the relevant systems to avoid disclosure of patients' personal privacy information.

To further enhance the confidentiality awareness of our employees and our partners, we sign confidentiality agreements with our employees at the time of their employment, requiring them to assume confidentiality obligations for all confidential information during their employment. In the course of our collaboration, we also sign confidentiality agreements with our partners or include confidentiality clauses in our contracts to ensure that they are responsible for the confidentiality of all confidential information that comes to their knowledge. For example, in the Blue Ribbon Project, patients are provided with a privacy agreement when they join the Consun Medical platform, informing them that their information and data will only be used for medical research and analysis, and asking them whether they agree to the use of their data for medical research analysis and publication, provided their privacy is adequately protected.



Advertising and Product Labelling

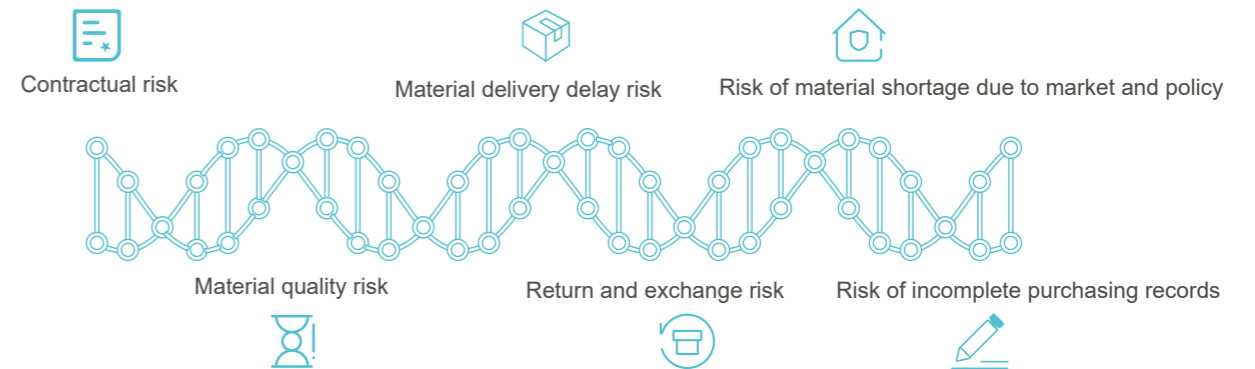
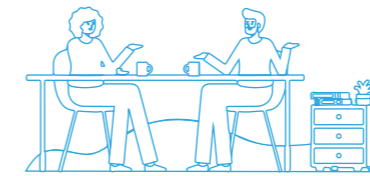
The Group attaches importance to the accuracy of its external advertising and product labeling content to protect the interests of consumers. The Group's product promotions and advertisements are produced in strict compliance with the *Drug Administration Law of the People's Republic of China*, *Advertising Law of the People's Republic of China*, *Regulations on the Examination of Pharmaceutical Advertisements* and other laws and regulations that have significant impact on the Group. Yulin Pharmaceutical has formulated the "Advertising Placement Management System (for Trial Implementation)" to implement supervision and management of advertising to ensure the authenticity, integrity and effectiveness of all advertisements placed.

In addition, the Group prepares labels for pharmaceutical products in strict compliance with the *People's Republic of China on Drug Administration Law*, *Regulations on the Administration of Pharmaceutical Product Registration* and *Regulations on the Administration of Drug Descriptions and Labelling* to eliminate the appearance of unclear and misleading information or terms. At the same time, we have formulated the *Regulations on the Management of Packaging Materials* to regulate the management of packaging materials such as printing, labels and instructions to ensure that the printed information on pharmaceutical packaging is correct.

Sustainable Supply Chain Management

The Group has always maintained a win-win cooperation with its suppliers and has established and maintained a close and efficient cooperation relationship between the two parties. The Group has established a comprehensive supply chain management system to regulate the risks of the supply chain, selection and evaluation of suppliers.

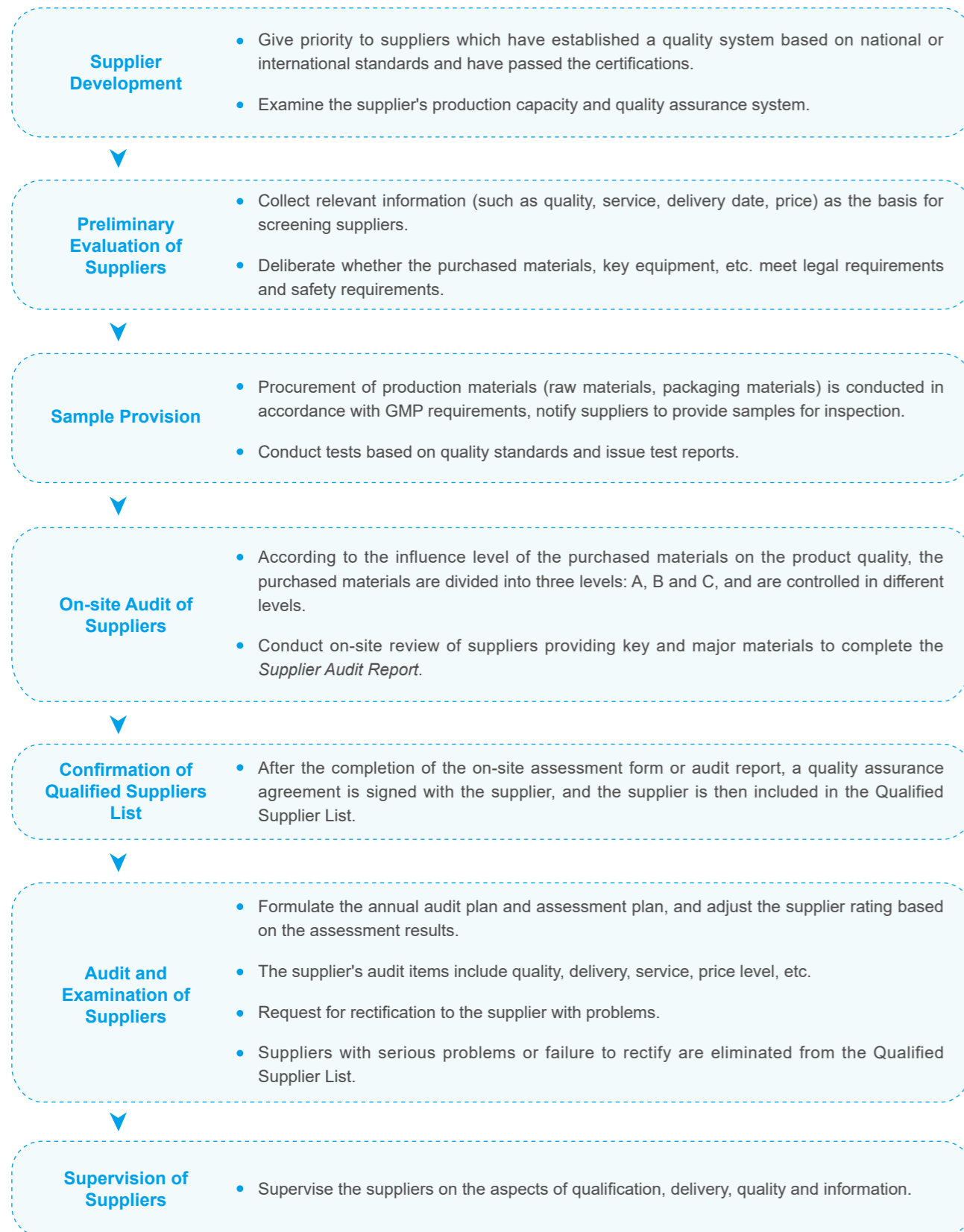
A stable and high quality supply of raw materials determines the sustainability of our business operations. The Group has formulated the *Standard Operating Procedures for Material Procurement* to regulate the material procurement process and methods to ensure the quality of purchased materials. The Group has also formulated the *Procurement Risk Management System* to enhance risk management in the procurement of raw materials. We conducted risk level analysis for the six major procurement risk categories identified below and formulated and implemented corresponding risk management measures to safeguard the quality of the Group's products and the stability of the supply chain:



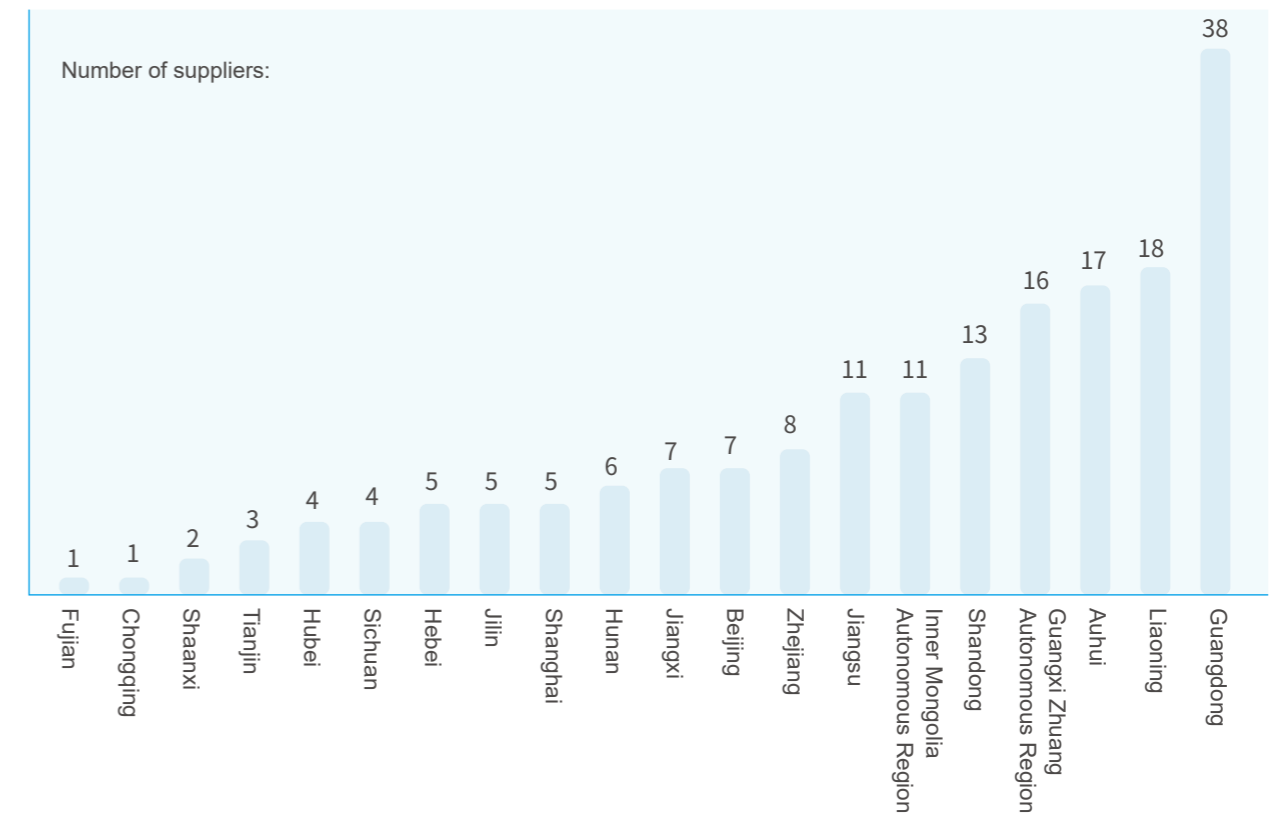
In addition, the Group has established regulations and systems such as the *Supplier Management System* and *Material Supplier Management Procedures*, which set out comprehensive requirements and procedures for the selection and assessment of suppliers, so as to select and manage qualified suppliers and ensure that they provide qualified materials and services to the Group. We give priority to suppliers who have established quality systems in accordance with national (and international) standards and who have passed certification, and we examine the production capabilities and quality assurance systems of suppliers for key materials and equipment. At the same time, we attach great importance to the environmental and safety factors related to the services and products provided by our suppliers, and assess whether their factory environment, product safety and quality comply with relevant regulations and standards. For the Group's supplier management work, we have defined the responsibilities of each department, and the following shows the responsibilities and skills required by each functional department of the Group in supplier management.

Logistics Department / Purchasing Department	<ul style="list-style-type: none"> Responsible for supplier research and introduction, preliminary assessment of qualification materials. Responsible for supplier sample collection, inviting inspection and following up on inspection status. Assist in the liaison and follow-up of suppliers' on-site audits. Responsible for evaluation and assessment of the quality, timeliness and accuracy of materials and services provided by suppliers.
Production Department / Quality Department	<ul style="list-style-type: none"> Responsible for the inspection and confirmation of material samples, on-site audits and assessments. Responsible for evaluating and assessing the quality of suppliers and products and conducting regular audits.
Production Department / Production Management Department	<ul style="list-style-type: none"> Responsible for providing standards or recommendations for material requirements. Responsible for providing feedback and monitoring the use of materials.
Medicine R&D Department	<ul style="list-style-type: none"> Assist with the introduction of supplier research and initial audits of qualification materials as required. Assist with supplier site audits and confirmations as required.

The following is the workflow for the key aspects of the Group's supplier management, including research, initial evaluation, on-site audit, sample inspection, supplier identification, audit and supervision.



As of the end of the Reporting Period, the Group had a total of 182 suppliers and has implemented the above selection and assessment practices for all suppliers.



The Number of Suppliers by Geographical Region

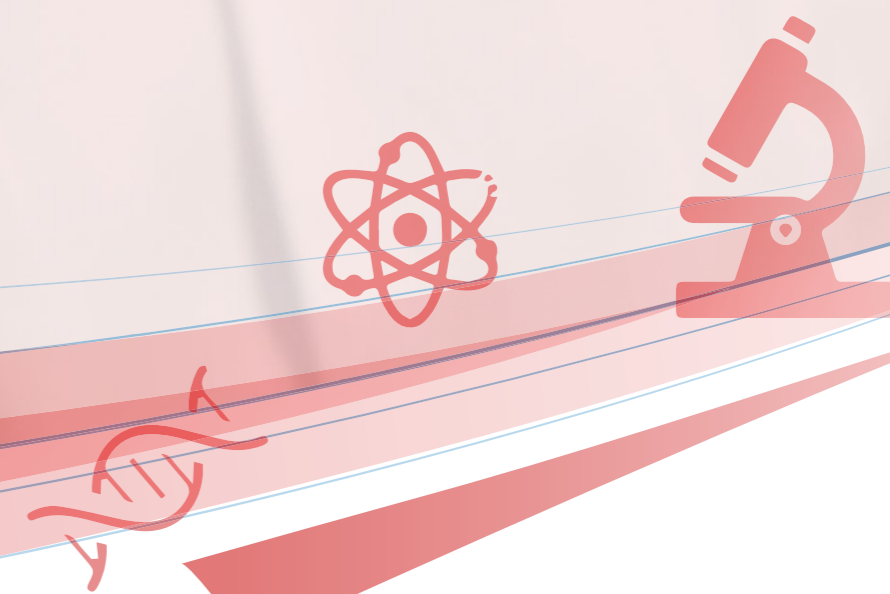


In order to achieve the goal of establishing a green supply chain, the Group has incorporated green and sustainable development requirements into the procurement process of the Group's head office and subsidiaries, including the selection of suppliers and products. For example, the Group gives priority to products packaged with environmentally friendly materials and strongly supports the replacement of plastic packaging materials with paper packaging materials, in the hope that this will encourage suppliers to actively adopt green measures in the production and operation process. We hope that this will encourage our suppliers to adopt environmental protection measures and prioritize the use of green materials in their production and operations and encourage them to fulfill their environmental responsibilities. We will further improve our practices to enhance enforcement and monitoring and will assess suppliers' compliance with environmental and social laws and regulations when conducting on-site audits. We will also further explore mechanisms to identify significant environmental and social impacts of our supply chain in the future.

03

People-oriented

-  Employee Management
-  Caring for Employees
-  Talent Development
-  Health and Safety



Our human resources management philosophy has always been “respect people, nurture them and make them successful.” We actively establish a diversified career development platform for our employees, create a working environment of equality and solidarity, and implement the concept of caring for our employees in our daily life, hoping that our employees can grow together with the Group.

Employee Management

Consun Pharmaceutical strictly complies with the *Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China* and other laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, other treatment and benefits, avoidance of child labor and compulsory labor and which have a significant impact on the Group. It has formulated a comprehensive human resources management system, such as the *Employee Handbook* and the *Employee Labour Contract Management System*, to actively attract talents to join the Group and build an efficient and elite team to sustain the Group’s development.

Recruitment

- The Group has formulated a recruitment-related management system such as the *Recruitment Management System and the Recruitment and Allocation Management System* to regulate the recruitment process. Once the hiring department submits its recruitment requirements, the Human Resources Department will approve the manpower requirements and start the recruitment process. We conduct recruitment activities through a variety of recruitment platforms and select suitable candidates through interviews and other processes. We sign labour contracts with our employees to protect the rights of both the Group and the employees.

Labour Standards

- The Group promotes diversity and equal work opportunities for its employees and prohibits discrimination on the grounds of race, ethnicity, nationality, religious beliefs and gender.
- At the same time, the Group strictly complies with labour standards and laws and regulations such as the *Regulations on the Prohibition of Child Labour*, which prohibit the employment of child labour. During the recruitment process, we carefully check the identity information of candidates, such as their identity cards, to avoid the risk of inadvertent recruitment of child labour due to inaccurate information.
- At the same time, the Group entered into labour contracts with each of its employees in accordance with the *Labour Contract Management System for Employees* to ensure that employees are employed on an equal and voluntary basis and to avoid the occurrence of forced labour.
- As of the end of the reporting period, there were no incidents of child labour or compulsory labour employed by the Group.

Dismissals

- The Group’s *Labour Contract Management System* sets out the conditions, requirements and procedures for the termination of labour contracts between the two parties, so that the Human Resources Department can reject the decision to dismiss an employee who does not meet the requirements, thus protecting the rights and interests of employees

Salary

- The Group has established competitive remuneration management policies such as the *Remuneration and Benefit Management System*. We combine performance and remuneration bonuses by establishing quarterly performance bonuses and year-end performance bonuses to motivate, attract and retain outstanding employees and to lay the human resources foundation for the Group’s long-term development.

Working Hours and Holidays

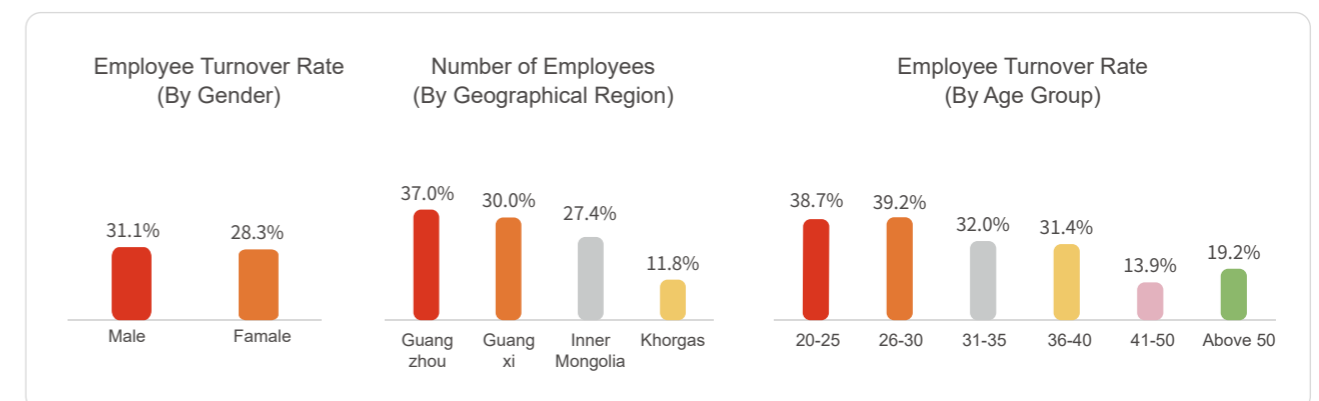
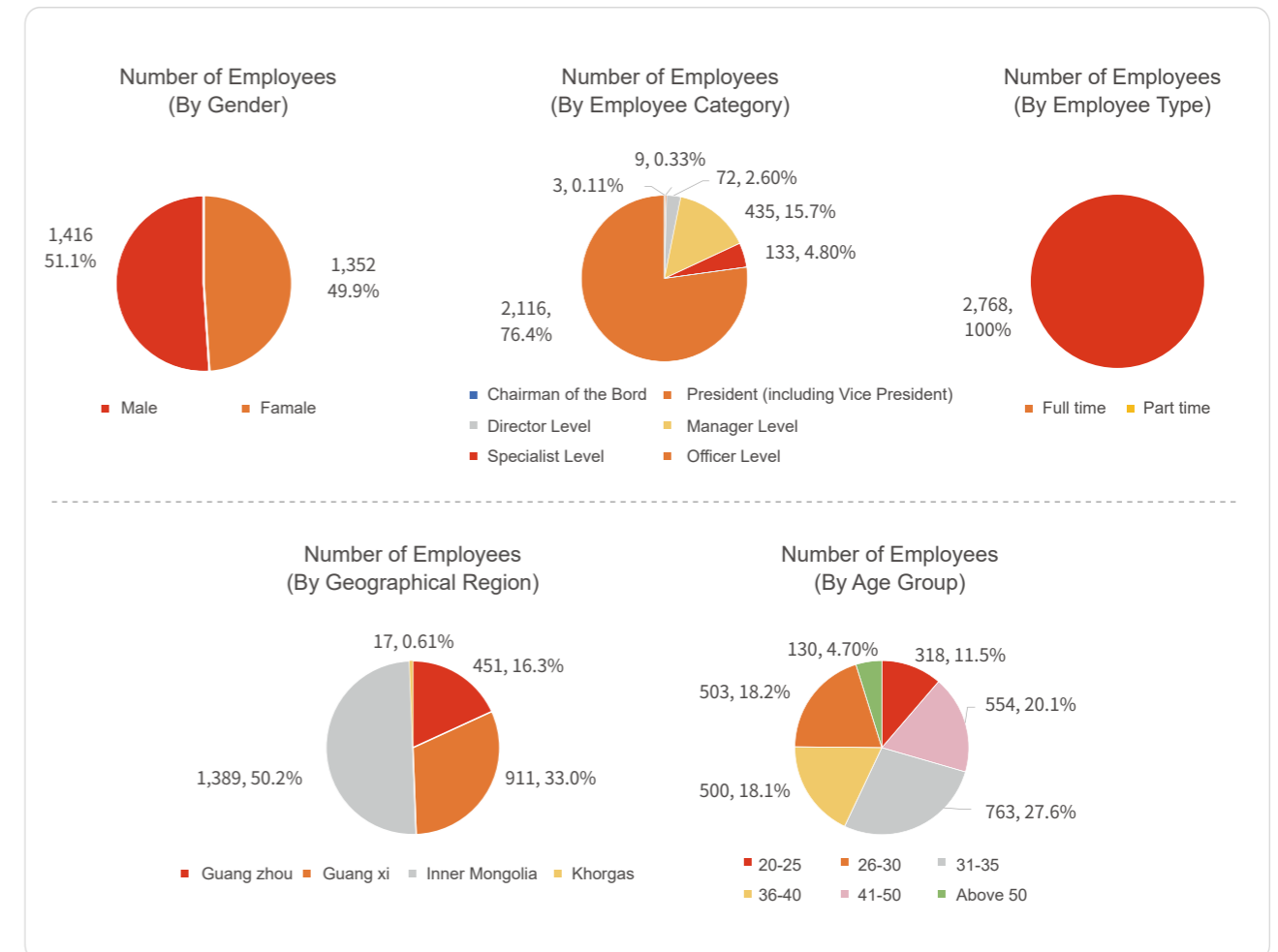
The Group has formulated the *Employee Handbook* and *Employee Leave Management System* according to the actual situation to regulate the working and leave time of the employee and fully protect the basic rights of the employee.

- Working hours: five days and eight hours.
- Leave: public holidays, statutory holidays, annual leave, wedding and funeral leave, maternity leave, paternity leave, work injury leave, medical leave, sick leave, personal leave, special leave, etc.

Promotion

The Group provides equal promotion opportunities to its staff based on their ability and performance. Through a combination of key performance indicators and work target setting, we place staff with excellent performance and ability on a reserve list for priority consideration for promotion.

As of end of the Reporting Period, the Group had a total of 2,768 employees, of which 2,768 were full-time and 0 were part-time employees. The statistics on the number of employee and employee turnover rates¹ by type are shown below.



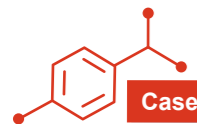
¹ The calculation of the turnover rate of employees: Employees in the specified category leaving employment / Number of employees in the specified category.



Caring for Employees

With the team concept of “One Heart, One Virtue, One Life”, Consun Pharmaceutical has adopted a number of caring policies for its employees and is committed to building a caring corporate culture. We listen carefully to our employees and serve their needs in a practical manner. We also provide a wide range of welfare benefits to our employees and organize various employee activities to foster a sense of belonging and team spirit among them.

The Group has established the *Welfare Allowance Regulations*, which provide our employees with daily lunch subsidies, transport and communication subsidies, annual medical check-ups, mutual medical insurance, commercial accident insurance and festive gifts. At the same time, we have also implemented a share subscription scheme to bring our workforce closer to the Group and further stimulate their enthusiasm for work.

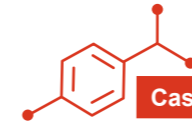


Case Study Consun Pharmaceutical Chinese New Year Greetings

On 22 February 2021, the first day of work in the Chinese New Year, the Group’s headquarters, Yulin Pharmaceutical and Inner Mongolia bases held simultaneous work start ceremonies. With the early morning sun, management staff from all three locations waited at the entrance of the company early in the morning to present Consun employees with Chinese New Year wishes and start-up red packets on behalf of the Group, convey the Group Chairman’s Chinese New Year wishes and start-up messages, and visit various departments.



New Year Kick-off Ceremonies at Consun Pharmaceutical

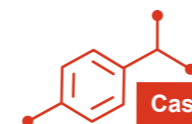


Case Study Consun Pharmaceutical participates in the men’s basketball tournament

On 24 September and 28 September 2021, the Group’s basketball club participated in the non-public enterprise men’s basketball tournament in Kaifa District twice. Consun Pharmaceutical has always insisted on gathering positive energy and encouraging its employee to be aggressive, hardworking and pragmatic with colorful spare time activities. The competition not only strengthened team cohesion, but also fully demonstrated the positive spirit of Consun people.



Multi-departmental team members represented the Group in the Basketball Tournament in the Development Zone



Case Study A film viewing event for the employee of Consun Pharmaceutical

On 15 October 2021, nearly 200 employees from various departments of the Group’s headquarters and Guangzhou base watched the hottest film of this year’s National Day, “The Battle at Lake Changjin”, to reflect on history and give thanks for the present. The movie viewing activity not only added glamour to employees’ spare time, but also effectively enhanced communication among employees, inspired patriotic passion among Consun people and created a positive atmosphere within the enterprise.



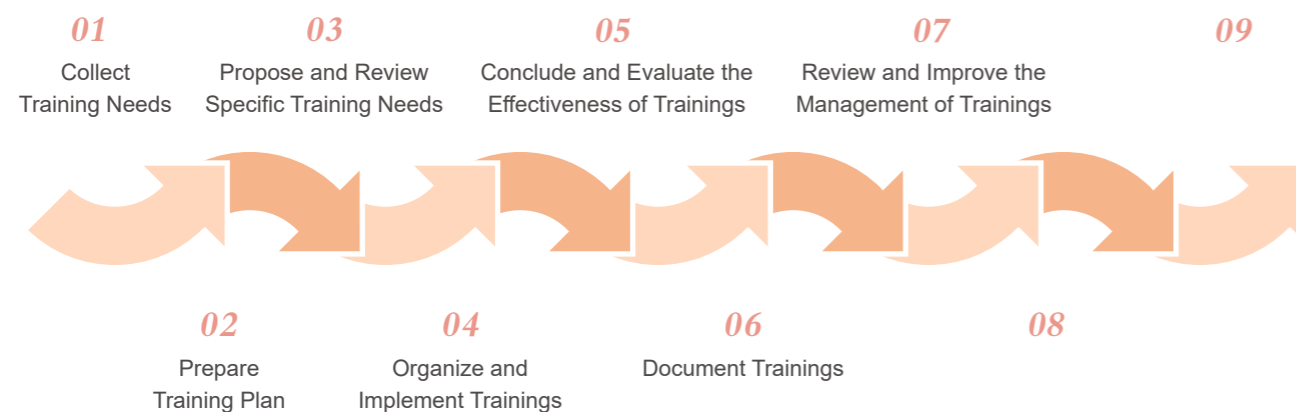
The Film Viewing Event

Talent Development

Consun Pharmaceutical attaches great importance to training management and talent cultivation, and strives to achieve the common development of employees and the Group. In order to standardize the management of staff training, including departmental responsibilities, training plans and activity budgets, we have established systems such as the *Training and Career Development Management System*, the *Internal Trainer Management Regulations* and the *New Employee Training Management Regulations*. The Group's training work is divided into management work and implementation work. The Human Resources Center has the overall management responsibility, while other departments such as Quality, Environment, Health and Safety and Production have the responsibility for training management according to their functions.



The Group strives to encourage and provide opportunities for our staff to realize their potential and support them to participate in training according to their individual needs and responsibilities. We formulate training plans and activities each year in line with our development needs and the wishes of our staff. This year, we have formulated the *2021 Consun Training Plan* and the *2021 Yulin Training Plan* to launch training for various departments in an orderly manner. The Group has implemented the *Plan, Do, Check, Act (PDCA)* concept in its training management process and regularly reviews and improves its training activities in order to provide up-to-date training activities to meet the development needs of the Group and its staff. Our training activities are conducted in accordance with the following process:



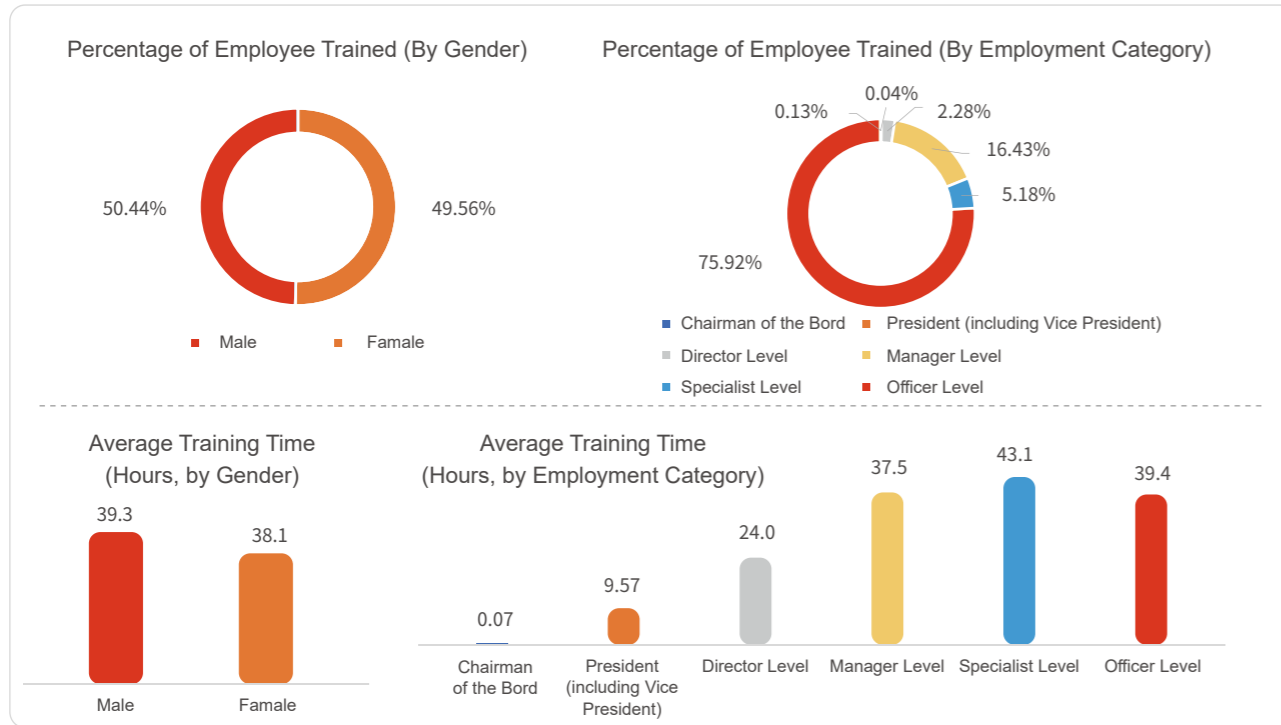
We create a comprehensive training system for our employees by systematically designing diversified training programs. The training system includes a wide range of learning activities such as courses, outdoor development, job rotation and e-learning to continuously enhance the work skills and personal capabilities of our employees, and to promote a win-win model of corporate development and employee self-fulfillment. The Group's training programs are mainly divided into new staff induction training, post training, promotion training, compliance training and specialized training, etc., as follows.



The Group not only makes full use of external teachers' resources and in-house lecturers, but also further develops and optimizes our internal training programme system. Our various functional departments have jointly developed an employee learning map in accordance with the functional requirements and development needs of our employees; continuously improved the quality of internal training courses by developing and integrating internal training resources and materials; and developed a mobile learning platform to provide rich learning resources to our employees by procuring external courses and integrating internal training courses. At the same time, the Group has been implementing the talent concept of "respecting people, nurturing people and achieving people", and has built dual career paths for employees through four work plans: management level, duty level, skill level and job sequence, to help employees develop.



During the Reporting Period, the Group's total training hours amounted to approximately 107,221 hours and the average number of training hours per employee amounted to 39 hours. The following shows the percentage² and average number of training hours³ of the Group's employees by gender and employment category respectively.



Case Study "The Cocoon Project" - A Transformation Camp for New Management Staff at Consun

From 10 June to 15 July 2021, the Human Resources Department organized the 2021 Consun New Managers Transformation Camp to help new regional managers, new functional supervisors and functional managers to systematically master relevant team management skills, enhance their management level and ensure team effectiveness, so as to complete the smooth transition from "individual contributor" to "team manager".



Seminar on management issues for new managers in transition camps

New management staffs spread holiday blessings to colleagues

² The percentage of staff trained is calculated as: Total number of staff trained in this category / Total number of staff trained as of the end of the Reporting Period

³ The average number of hours of training received by staff is calculated as: the total number of hours of training received by staff in that category / the total number of staff in that category as of the end of the Reporting Period

Case Study 2021 Marketing New Employee Training

In 2021, to help new employees strengthen their sense of identity with the Group, Consun Pharmaceutical organized four training sessions for new retail employees. The training was designed to solve practical business problems and to help employees learn in-depth product knowledge. Through exams and flipped classroom, the training sessions helped employees consolidate and deepen their knowledge, focusing on four basic skills and forming a professional academic marketing routine.



Classroom training for new sales staff

Group photo of new marketing staff at the end of their training

Case Study Consun Yulin Pharmaceutical 2nd Annual "Cost Month" Campaign

From May to June 2021, Consun Yulin Pharmaceutical held its second "Cost Month" campaign. The event included a series of fun activities such as "Cost Month" promotion activities, training seminars, knowledge competitions, improvement "magic tools", case sharing, and essay competitions, aiming to raise employees' awareness of their primary responsibility to control costs, encouraging employees to save resources, improve work efficiency, and reduce production costs.



"Cost Month" Activities Handbook

Recognition Ceremony



Health and Safety

Ensuring safe production is the cornerstone of the production operations of Consun Pharmaceutical. The health and safety of our employees is paramount importance to the Group and we are committed to providing a safe working environment for our employees. The Group strictly complies with laws and regulations such as the *Law of the People's Republic of China on Production Safety*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the *Regulations on Supervision and Administration of Occupational Health* in workplaces, and implements safety protection measures in production work and daily operations to protect the health and safety of employees.

The Group's major operations include production workshops, laboratories and office areas. We have formulated a series of occupational health and safety management documents for different occupational health and safety risks, such as the *Compendium of Safety Production Management Systems* and *Employee Health Management Procedures*, to regulate occupational health and safety matters in the operation process. The Group has established a production safety leadership team, which is responsible for educating the staff under the production management department on production safety, formulating production safety implementation rules and operational procedures, implementing production safety supervision and inspection and enforcing the Group's safety directives to ensure production safety. The Group has strictly complied with the relevant laws and regulations and no work-related fatal safety incidents have occurred in the past three years.



Some of the important production safety management systems are shown below.

Safety inspection and safety risks control system

- Each department have organized regular and irregular security inspections and daily security inspections.
- Safety inspection highlights the key area of production systems, process, equipments and devices, and to strengthen the inspection of possible dangerous operations.
- Immediate remediation and report of safety risks

Safety education and training system

- New recruits must receive three-level training on safety production (Protection plant, workshop, positions) before taking up their posts.
- The transferred personnel should re-receive workshop and team-level safety training taking up their posts.
- Personnel with special types of duties shall undergo special safety training, pass the assessment, and obtain the corresponding qualifications before they can take up their posts, and shall be subject to regular review.

Safety of production equipment management system

- The Engineering Equipment Department have urged and inspected various departments in installation, acceptance, operation, maintenance, overhaul and dismantling of production equipment, so as to facilitate safety management throughout the operation process .
- Equipment users should strictly follow the requirements of the equipment manual to implement safe operation procedures to avoid over-temperature, over-pressure and over-loading operation.
- The production equipment and facilities are managed and maintained by special personnel, and the regular maintenance method is customized for each production equipment and facility regulations and inspection standards.

Occupational health management system

- Adopting of new technologies, new processes and new materials, which are conducive to the prevention and control of occupational diseases and the protection of the health and safety of employees, are highly preferred. Before the completion and acceptance of construction projects, the evaluation of the impacts of occupational disease hazard control have been carried out, the monitoring of occupational hazard factors, notice boards and warning signs have been put in place.
- For workers who are exposed to occupational hazards, occupational health inspections have been conducted before, during and when workers leave their job positions.
- Regularly organize occupational health examinations.

Emergency management system

- Emergency headquarters and an emergency command office have been set up for the daily emergency rescue management.
- The accident responding department has organised an emergency rescue plan, on-site rescue, accident handling and reporting, and coordinating accident investigation and handling.
- The safety committee is responsible for supervising the accident management process, reviewing and handling opinions, and assisting the government and superiors in conducting investigations. The committee are also responsible for the following up of accidents and the implementation of corrective measures



In addition, the Group has formulated policies such as the *Overall Emergency Response Plan for Emergencies*, *Emergency Response Plan for Laboratory Safety Incidents* and *Emergency Response Plan for Occupational Disease Hazards* for occupational health and safety-related emergencies. For example, we conducted fire safety emergency drills during the Safety Month to further enhance the emergency response capability of our staff in fire safety, and conducted emergency rescue training for lift failure to enhance the co-ordination and quick response capability of our staff in emergency response to lift failure.

To protect the occupational health of our staff, the Group has formulated policies such as the *Occupational Disease Hazard Prevention and Control Responsibility System*, the *Occupational Disease Hazard Detection and Evaluation Management System* and the *Occupational Disease Hazard Publicity and Education System* to actively prevent occupational hazards. We regularly organise annual health check-ups and occupational disease examinations for our staff to keep abreast of and protect their health conditions, and arrange for the adjustment of work positions and effective treatment for staff diagnosed with occupational diseases.

Case Study Safety Warning



Notice board on safety risk points for wastewater treatment ponds set up at Consun's Inner Mongolia production site



Occupational hazard notification cards set up at Consun's Inner Mongolia production site

Case Study Firefighting Emergency Rescue Exercise and Alcohol Storage Incident Special Emergency Plan

On 19 November 2021, in order to improve the emergency rescue skills and the overall quality of emergency response of staff, Consun Yulin Pharmaceutical Renhou site held a fire emergency rescue drill and a special emergency plan drill for alcohol warehouse accidents.



The fire emergency drill

Case Study Case Study Annual Body Check for Employee

On 19 October 2021, the Group provided annual body checks to over 300 employees at its headquarters and Guangzhou base to help them gain a more comprehensive understanding of their health conditions.



The annual body check sites

04

Green operations



Energy Saving and Reduce Consumption



Water Resources Management



Emissions Management



Noise Management



Chemicals Management



Environmental Promotion and Education





The Group recognizes that a green and sustainable development model is the inevitable way forward. We attach great importance to environmental protection and continue to incorporate the concept of green development in our daily operations. We adopt efficient environmental management measures for different production and operation segments, and actively address the risks and opportunities brought by environmental issues, with a view to achieving joint progress in economic development and environmental protection.

The daily operations of Consun Pharmaceutical mainly comprise production sites, laboratories and offices. The main environmental impacts of our operations are energy consumption, water use, GHG emissions, atmospheric emissions, hazardous and non-hazardous waste emissions, noise and chemical disposal. The Group has formulated environmental policies for each of these impacts and implemented a number of management measures to minimize negative impacts on the environment. In addition, we place emphasis on the development of environmental awareness among our staff. We continue to promote environmental awareness among our staff through various green activities and encourage them to work together to protect the environment.

During the Reporting Period, the Group has strictly complied with the following environmental laws and regulations (including but not limited to) relating to emissions of exhaust and GHGs, discharges to water and land, generation of hazardous and non-hazardous waste and which have a significant impact on the Group.

The Environmental Protection Law of the People's Republic of China

Law of the People's Republic of China on the Prevention and Control of Water Pollution

The Law of the People's Republic of China on Prevention and Control of Air Pollution

Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste

Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution

Law of the People's Republic of China on Energy Conservation

Energy Saving and Reduce Consumption

GHG and atmospheric pollutant emissions from energy consumption are important issues that the Group needs to overcome in its green development path. The Group is committed to reducing GHG emissions from its operations and promoting a green and low-carbon business model by actively implementing energy saving and consumption reduction measures. The Group's energy consumption mainly comes from production base operations, office area electricity consumption and vehicle usage.

Energy Consumption Management

To manage the energy consumption of the production bases, the Group has formulated the *Energy Efficiency Monitoring and Measurement Management Regulations* and the *Energy Efficiency Assessment Management Regulations*, set energy consumption quotas, conducted energy efficiency assessments for the relevant functional units, standardized the management of energy efficiency assessments, implemented energy management work from the overall level to the departmental level, and further enhanced the awareness of energy saving among staff. The energy saving management work implemented at departmental level and overall management is as follows:

Overall Management Level

Monitor Energy Efficiency

- Regularly collect and consolidate energy consumption data to ensure that it truly and reliably reflects the energy consumption of the production sites.
- Regularly analyze energy consumption data and rectify abnormal and high consumption situations.

Departmental Level



Establish Energy Consumption Quota

- Establish the energy consumption quota proposal with departments according to situations such as the past energy consumption and the industry performance, etc.
- Relevant departments organize and arrange duties in strict accordance with their energy consumption quotas.
- Establish documentation of energy consumption management, including original consumption records and statistical analysis files of the energy consumption.

Evaluate Energy Efficiency

- Assess the implementation of energy consumption quota of departments through quarterly assessment and daily sampling.



Inner Mongolia Consun has also established the *Power Energy Management Regulations* to regulate the use of energy, reduce consumption costs, and improve the efficiency of energy use. The following are important energy and energy saving related usage regulations:

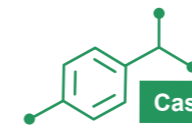
- | | |
|--|--|
|  Steam Energy | <ul style="list-style-type: none"> • To do a good job of saving coal (salt), water and steam in boilers, to achieve economic and reasonable operation, reduce consumption and costs. • Organize regular boiler analysis to continuously improve thermal efficiency. |
|  Electricity | <ul style="list-style-type: none"> • Improve basic technical information to ensure that there are plans for electricity supply, indicators for electricity consumption, quotas for consumption and measures to save electricity. • Promote the application of new technologies, techniques, equipment and materials to continuously improve the utilization rate of electricity. |



Energy Saving Measures

The Group's production bases actively implemented various energy saving and emission reduction measures. The Yulin Renhou production site adopted a daily plan to analyze daily energy consumption reports and strengthened daily monitoring and management of energy usage to address abnormal situations in a timely manner. The production sites of Inner Mongolia Consun have set energy saving targets and implemented energy saving measures in strict accordance with the *Management Procedures for Energy Saving Targets* during the Reporting Period, and the energy saving situation will be assessed after the end of the year. The following are the energy saving measures adopted by Inner Mongolia Consun:

- | | |
|--|---|
|  Energy saving measures | <ul style="list-style-type: none"> • Adopting advanced high efficiency and low consumption lighting technology to reduce electricity consumption. • Eliminate outdated electrical equipment and install inverters on high-powered appliances to reduce electricity consumption. • Monitor implementation. |
|  Coal saving measures | <ul style="list-style-type: none"> • Based on the current status of gas production and heating, coal saving targets are achieved by analyzing and exploring management areas with greater coal saving potential. • Strengthen the management of coal consumption to reduce unnecessary consumption and notify the gas supply department in a timely manner to close the valves after steam has stopped being used. • Winter heating should be adjusted according to weather conditions to reduce energy wastage. |



Case Study Inner Mongolia Consun Energy Conservation Measures and Results

Inner Mongolia Consun introduced energy-saving equipment chillers and adopted a centralized production model to bring down electricity and coal consumption in 2021.



Oral Liquid Workshop Double Head Screw Chiller



Solids Workshop Double Head Screw Chiller

The Group also actively promotes a green office culture by promoting office automation (OA) systems and paperless offices to reduce the use of office consumables. At the same time, we provide information to our staff on green office practices and issue the *Green Office, Low Carbon Life* initiative, asking them to actively implement green energy-saving measures in their offices.



- Avoid permanent lighting, reduce the use of lighting and make extensive use of natural light sources.
- The temperature setting of air-conditioning should not be lower than 26°C in summer and higher than 20°C in winter. Advocate to reduce the operating hours of air-conditioning by 1 hour per day and postpone the operation of air-conditioning for 1 hour after work in summer.
- 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.
- 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.

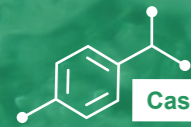


Water Resources Management

The wastewater generated from the Group's production process is mainly industrial wastewater and domestic sewage, with major pollutants including chemical oxygen demand, suspended solids, ammonia nitrogen and phosphorus. We have implemented various water management policies to regulate wastewater treatment and water conservation measures to effectively protect water resources.

Wastewater Treatment

All the Group's production bases has built wastewater treatment facilities to collect and treat wastewater to ensure that it meets the local water pollution discharge standards and is discharged into the municipal network to the local wastewater treatment plant for centralized treatment. At the same time, each of the Group's production bases regularly commissions qualified organizations to conduct sampling tests on the discharged wastewater to further enhance the management and supervision of wastewater discharge. The Group also actively considers the application of efficient wastewater treatment technologies to enhance the effectiveness of wastewater treatment. Each of the Group's production sites has formulated a policy on wastewater treatment, such as the *Plant Effluent Treatment and Discharge Management Regulations*, to manage industrial wastewater.



Case Study

Inner Mongolia Consun Wastewater Treatment Plant



Industrial Wastewater Management Measures

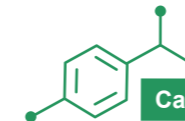
- A sewage treatment system is in place and direct discharge to the municipal network is strictly prohibited.
- Weekly sampling of the temperature, pH and COD of the discharged wastewater to ensure that the treated wastewater meets the effluent discharge standards.
- Regular maintenance of the wastewater treatment facilities to ensure their safe, reliable and effective operation.
- Process wastewater and cleaning wastewater from each production plant must be diverted to the wastewater treatment facility via the plant sewage network to ensure that the wastewater is properly treated.

Water Conservation

In addition to wastewater treatment, we also attach great importance to the protection of water resources. Even though our production sites are located in areas that do not involve access to water, we insist on implementing water conservation measures to reduce water wastage. We have made technological changes to efficiently recover cooling and condensate from extraction, concentration and drying to improve water efficiency and reduce water consumption and effluent discharge. At the same time, we have adopted a number of water conservation measures as follows:

Water Conservation Measures

- Installed secondary and tertiary water meters and conducted water balance tests.
- Implemented daily meter reading to monitor water consumption, planned water use and implemented an enhanced reward and punishment system.
- Posting of water saving publicity slogans.
- Carried out an inspection of water points in the plant and rectified water leaks.
- Renovated the extraction plant, adding new equipment and revamping the production process.



Case Study

Water saving measures and results for air conditioning in the Renhou South Warehouse

Installation of a butterfly valve in the air conditioning cooling water return line of the Renhou South Warehouse to reduce the water consumption and time required for repeated cycle cleaning of the cooling towers.



Before installation



After installation

Emissions management

Air Emissions Management

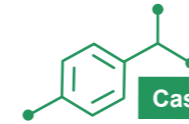
Emissions from the Group's operations mainly come from coal-fired boiler flue gas and process emissions. In order to actively carry out pollution prevention, control and reduction of pollutant emissions, the Group has formulated policies such as the *Environmental Protection Management Regulations*, which set out the relevant responsibilities of various departments as well as operational guidelines.



Air Emissions Management

- Flue dust from coal combustion in boilers is subject to de-dusting, desulphurisation and denitrification prior to emission.
- The emissions are tested quarterly by a qualified inspection body.
- To ensure the safe, reliable and efficient operation of the exhaust gas absorption system; to utilise its technical characteristics to ensure efficient, long-term, safe and economical operation of the system, thereby enabling the exhaust gas to meet emission standards.
- Recycling and proper disposal of waste gases and chemical media generated during the process, with direct emissions strictly prohibited.
- Strict control of disorganised emissions and sealing of all storage containers with lids.

During the Reporting Period, the Group has commissioned a professional testing institute to conduct tests on the atmospheric emissions from the boiler vents and regularly monitor the emissions from the boiler vents. The Group is also equipped with corresponding dust removal equipment in granulation plants, so as to protect the health of employees and maintain a clean working environment. For example, the Guangzhou Consun production site is equipped with a medium efficiency filter and a cloth bag dust removal process in the pharmaceutical granulation plant.



Case Study Inner Mongolia Consun East Desulphurization and Dust Removal System



The Inner Mongolia production base has established a boiler air dust and desulphurization system to ensure that the emissions from boilers meet the required standards.



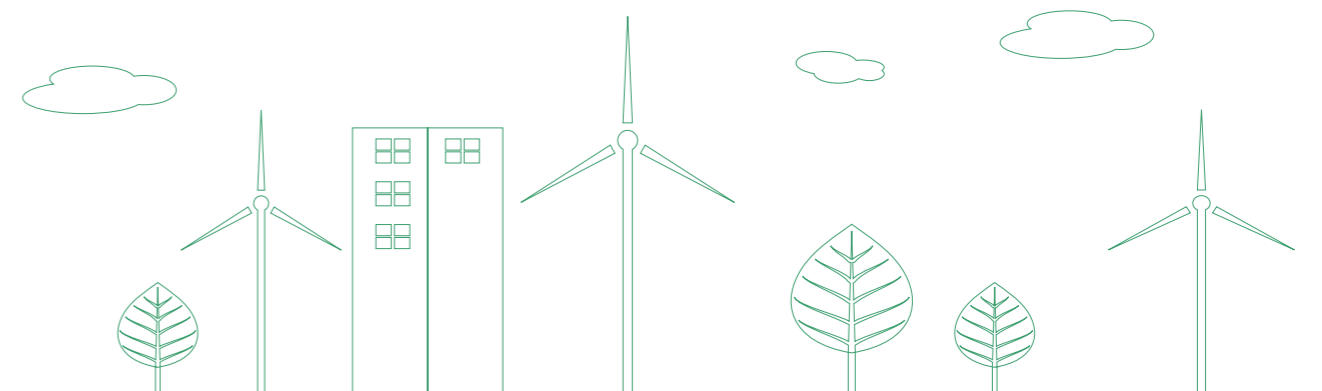
Inner Mongolia Consun East Desulphurization and Dust Removal System

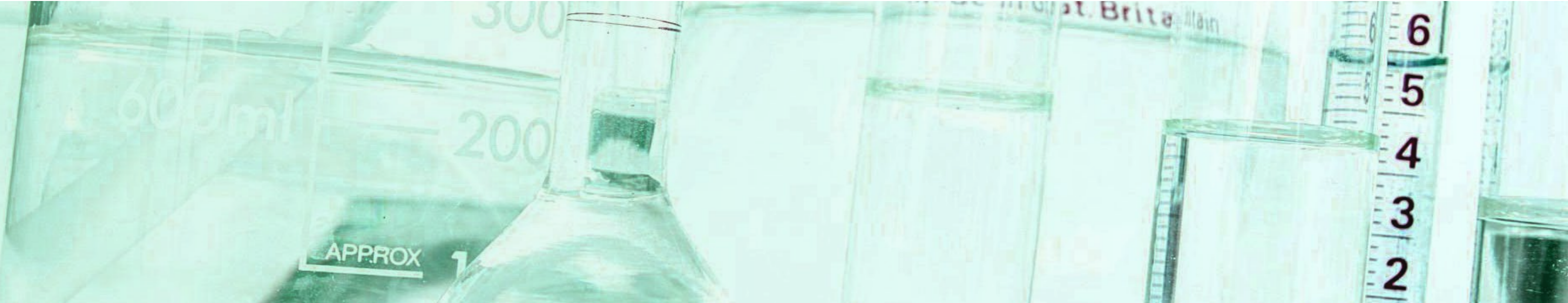
Waste Disposal

The Group's hazardous waste mainly includes waste liquids from the Medicine R&D Department, discarded fluorescent tubes and ink cartridges generated from daily office work, while non-hazardous waste mainly includes pharmaceutical slag, boiler slag and food waste. The Group has established systems such as the *Pharmaceutical Slag Disposal Management System* and the *Environmental Protection Management Procedures* to standardize the management of waste disposal. For example, we stipulate that the dregs should be handed over to qualified organizations for cleaning, transfer and legalized treatment. The production sites monitor the completion and quality of work of the dregs treatment companies and communicate with them in a timely manner to ensure timely, regular and reasonable treatment of the dregs.

 Collection and Disposal	<ul style="list-style-type: none"> • Hazardous and non-hazardous wastes are collected separately and stored at designated locations, and the locations where hazardous wastes are stored are marked. • Hazardous waste such as waste liquids generated by the Medicine R&D Department are handed over to a certified recycling organisation for proper disposal. • Hazardous waste is cleaned and disinfected on a regular basis.
 Waste Reduction	<ul style="list-style-type: none"> • Reduce the impact of waste on the environment by separating and recycling recyclable waste. • Reduce paper waste by recycling office paper and collecting paper, newspapers and books that have been fully utilised. • Promote the recycling of office supplies and equipment to reduce the amount of waste generated in the office.

The Group is proactive in reducing the generation of various types of waste through the recycling of hazardous and non-hazardous waste. Please refer to the Environmental Performance Summary in the Appendix for detailed statistics.





Noise Management

The noise generated by the Group mainly comes from production equipment, such as air compressor chillers, various types of fans and some mechanical rotating equipment in the production process. During the Reporting Period, the Group regularly inspected the noise at the plant boundary to ensure that it complied with the requirements of the *Environmental Noise Emission Standards for Industrial Establishments*. The Group implemented the following noise management measures to reduce the impact on the surrounding area of the plant boundary:

Noise Prevention Measures

- In the layout of the plant, the noisier workshops are located away from the plant boundary and office areas.
- Use quality powered mechanical equipment, install noise reduction devices and/or silencers for high-noise equipment.
- Strengthen the maintenance of equipment to eliminate high noise levels caused by abnormal operation of equipment.
- To enhance the greenery in the plant, green belts are installed around the plant boundary to reduce noise.



Employees Wear Noise Protection Equipments During Production



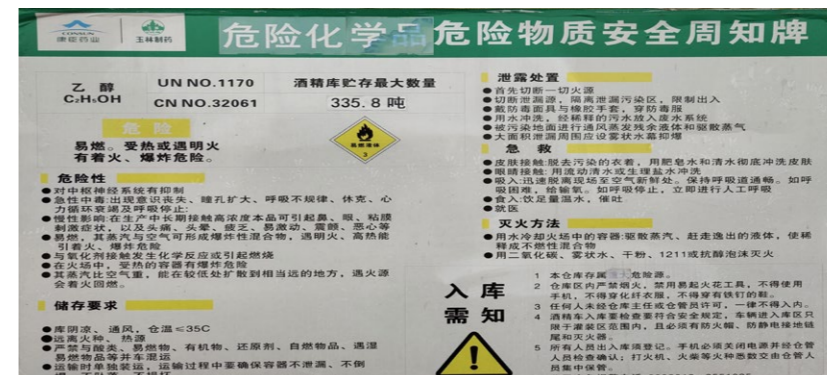
Warning Signs for Occupational Hazards in the Workplace

Chemicals Management

The Group is involved in the application of chemicals in its production and R&D processes. Due to the toxicological, flammable and explosive properties of some of these chemicals, there is a risk that spills or improper handling may have a significant impact on the environment and natural resources, such as soil and water contamination. We attach great importance to the handling and storage of chemicals and manage them in a safe and environmentally friendly manner to protect the natural environment and the health of our employees. We have established policies such as the *Management System for Reagents, Reference Standards, Biological Materials and Subjects* and the *Spill Prevention Measures for Yulin Pharmaceutical Chemicals* to regulate the acquisition, storage and disposal of chemicals after use, spill prevention measures and related emergency response measures.

Chemical Safety Measures

- Chemicals must be obtained from proper sources and stored in accordance with the required storage conditions.
- Record chemical storage data to ensure proper storage and transfer of chemicals.
- Properly trained staff are required to handle chemicals.
- Strict chemical store management.
- Preventive measures for leaking drums and chemical containers are implemented.
- Implement spill prevention measures for open storage of chemicals.



Warning Specification For Occupational Hazards of Highly Toxic Substances in the Workplace



Warning Signs of Chemical Warehouses



Environmental Promotion and Education

Apart from incorporating green development concepts into our daily operations, we are also committed to promoting environmental awareness among our staff and encouraging them to practice green practices in their daily lives to help protect the environment and natural resources. We display different types of green stickers in our factories, office areas and canteen to remind our employee to conserve resources in their work. Through a wide range of publicity and education programs, we disseminate environmental protection knowledge and skills to our staff. In addition, we also organize various environmental activities for our staff from time to time to raise their awareness of environmental protection and encourage them to work together with the Group to help protect the environment in the community.

Environmental Awareness Promotion



Inner Mongolia Consun World Environment Day Promotion



Guangzhou Consun Posting Environmental Protection Posters



Case Study

Yulin Pharmaceutical launches "Embrace Spring, Love Nature" green campaign

On 13 March 2021, Yulin branch of Consun organized over 40 employees that are members of the Communist Party, the Communist Youth League, and the Yulin branch of Consun Yulin Society to initiate a green activity of "Embracing spring, Loving nature" and "planting" hope and "raising" spirit in the peach blossom garden at Renhou base.



Yulin Pharmaceutical Tree Planting Activity

05

Serving the Community



Caring for the Community



Helping the Needy



Respecting and Helping the Elderly



Student and Teaching Support

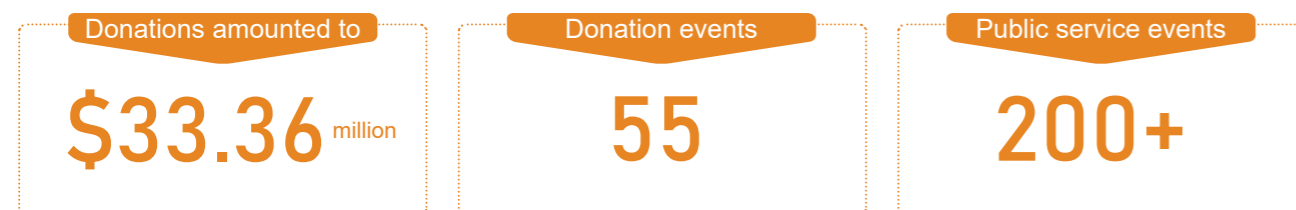


Disaster Relief & Against the Pandemic



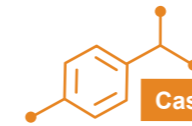


Since its establishment, Consun Pharmaceutical has been upholding the belief of serving the nation through industry, practicing corporate social responsibility and serving the society and the public. With the community in mind, we have been involved in charitable activities over the years, such as helping the needy, the disabled and the disadvantaged, helping education and supporting the development of medicine.



In 2018, the Group set up a corporate-initiated, employee-engaged volunteer organization called "Consun Charity Association". The "Consun Charity Association" promotes participatory and experiential philanthropic actions and voluntary services through its own and NGO-based approach. During the Reporting Period, we donated a total of RMB13.86 million in funds and medical supplies.

Caring for the Community

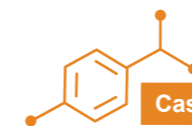


Case Study Free Physiotherapy for Rheumatic Diseases

In May, September, and December 2021, Consun Pharmaceutical launched free physiotherapy activities on rheumatism and neck, back, shoulder, and leg pain at the plaza near Tongliao Cogeneration Plant, Shenyang Guoda Pharmacy Baogong Store, and Shenyang Neptune Pharmacy Poly Shanglin Bay Store respectively. The series of activities introduced preventive health care knowledge about rheumatism and related bone diseases to residents in the neighborhood, and at the same time promoted the use of the "Cloud Bone Therapy" physiotherapy and treatment methods.



"Cloud Bone Therapy" Free Physiotherapy Activity



Case Study Caring for the community sanitation worker

On September 26, 2021, the Guangzhou branch of Consun Charity Association visited the environmental workers in the Yunpu community. The event covered more than 500 sanitation workers on Yunpu Street and brought them practical health services and daily necessities. 500 bottles of Zheng Gu Shui and Yunxiang Analgesic Tincture were donated, hoping to build a better community environment with the "urban beauticians."

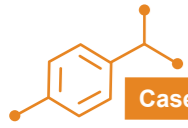


"Consun Charity Association" participating in Yunpu Community Services



Providing Health Services for Yunpu Sanitation Workers

Helping the Needy



Case Study Visiting the Needy Family

From 19 to 20 January 2021, under the leadership of GUO Guorong, the Chairman and General Manager of Consun Pharmaceutical, the management staff of Consun Pharmaceutical visited the low-income households who are sick, disabled or incapacitated, and delivered a total of 20 holiday gifts to low-income households to Renhou Town, Yuzhou District, Yuzhou City, Nanjiang Street, and Yucheng Street.

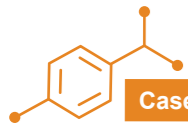


"Consun Charity Association" visiting the Needy Family Activity in Yulin City



Group Photo

Respecting and Helping the Elderly

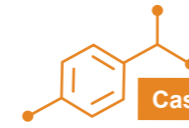


Case Study Respecting the elderly

In October 2021, the Consun Pharmaceutical organized a "Contribute to the Elderly, Build Respect for the Elderly" activity. The Yulin Branch of Consun Charity Association brought rice, noodles, and eggs to visit the elderly in Fumian Shatian, as well as Zheng Gu Shui and Yunxiang Analgesic Tincture, explaining their effects and helping the elderly with massage to relieve their physical discomfort.



"Contribute to the Elderly, Build Respect for the Elderly" Activity in Fumian City



Case Study Caring for the Elderly in the Community

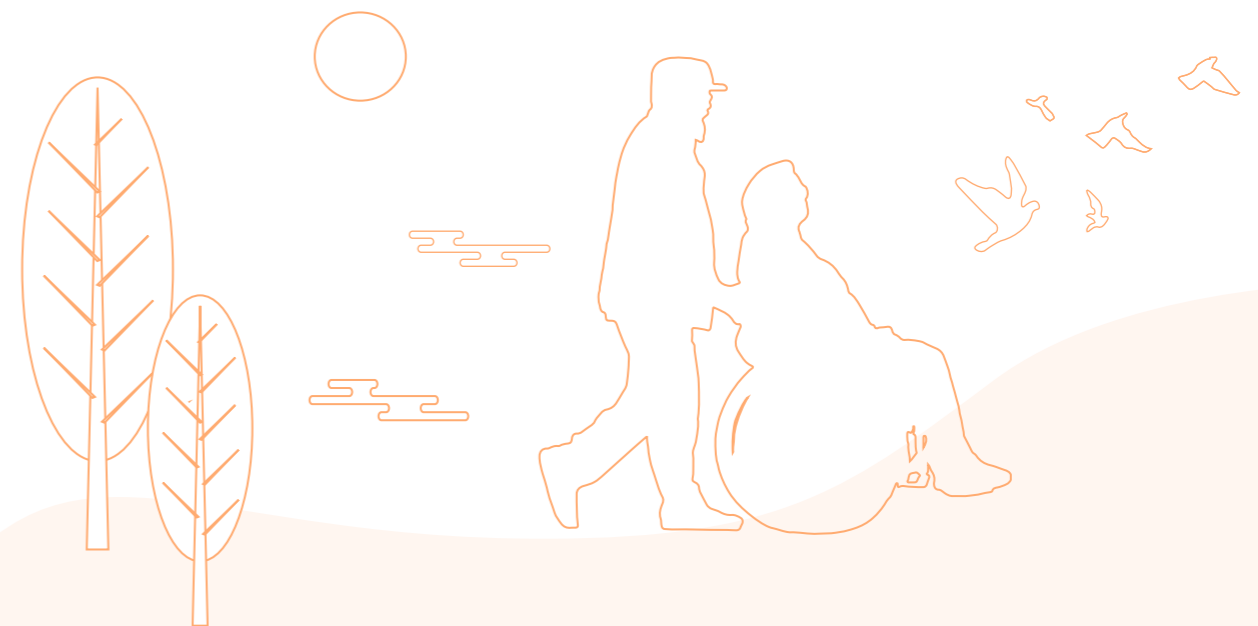
On 12 October 2021, the Health Charity Walk for the Elderly was held in the Happy Neighborhood on the eve of the Double Ninth Festival. During this activity, Consun Charity Association provided Zheng Gu Shui and Yunxian Analgesic Tincture to the elderly living in the resettlement housing units, and also conducted a "Cloud Bone Therapy" activity on site, which was well received by the elderly present.



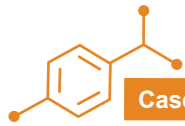
Health Charity Walk for the Elderly



"Cloud Bone Therapy" Experience Activity



Student and Teaching Support



Case Study Health Walk "Love in School" Project

On 31 May 2021, a ceremony was held at MiHu Primary School in Sangzhi County, Zhangjiajie City, Hunan Province to mark the inauguration of Consun Pharmaceutical Group's "Love School" project and the first "Red Star Medical Room" in China. This is the first "Red Star Medical Office" in China, which is a realization of the concept of building public health facilities for primary and secondary schools in the old revolutionary area (Red Zone). In addition, over \$400,000 was spent on renovating runway, stage, and purchasing computer desks for MiHu Primary School to promote teaching environment.



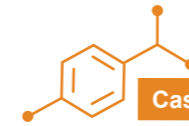
"Red Star Medical Room" Opening Ceremony at MiHu Primary School

On 26 October 2021, the "Love at School" and "Red Star Medical Room" donation projects of Consun Pharmaceutical Group was held at MiHu Middle School in Sangzhi County, Zhangjiajie City, Hunan Province. Consun Pharmaceutical donated the "Red Star Medical Clinic" and 1,800 sets of school uniforms to MiHu Middle School to facilitate the healthy growth of the students.



"Red Star Medical Room" Opening Ceremony at MiHu Middle School

Disaster Relief & Against the pandemic

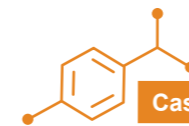


Case Study Protecting the home and supporting post-disaster reconstruction in Henan

In 2021, the devastating rainstorm in Henan Province touched the hearts of all Chinese. In response to the urgent need for supplies, reconstruction of homes, and resumption of work and production after the disaster, Consun Pharmaceutical Group actively implemented the Red Spirit and organized the members from Zhengzhou and Yulin branches of Consun Charity Association to participate in the disaster relief work. The Group also donated RMB 1 million yuan in urgently needed supplies and RMB 10 million yuan in its own OTC medicines (Zheng Gu Shui and Yunxian Analgesic Tincture) to the disaster-stricken areas in Henan Province.



Disaster relief work and donations of Consun Charity Association



Case Study Working together to help Zhangjiajie fight the pandemic

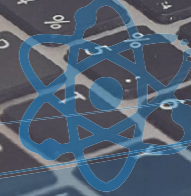
In 2021, the pandemic has rebounded in many places in China and the global pandemic situation was critical. In response to the shortage of pandemic prevention supplies in Sangzhi, Zhangjiajie, Consun Pharmaceutical Group quickly raised RMB 2 million yuan in anti-epidemic supplies and medicines, including medical protective clothing with bodysuits, medical disposable masks, protective masks, eye protection, isolation suits, 84 disinfectant, 75% alcohol disinfectant, hand sanitizers, and many of Consun's best products, and delivered to the frontline as quickly as possible to support the medical workers who are fighting on the frontline.



Providing anti-epidemic supplies and medicines for Zhangjiajie

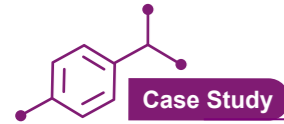
06

Industry Support



Industry Support

Consun Pharmaceutical is committed to enhancing the strength of the healthcare industry chain. We continue to strengthen our industry collaboration in the hope of promoting the stable development of the healthcare industry and better serving our patients.



Case Study

Consun Pharmaceutical promotes academic exchange on kidney disease in Hunan, Hubei, Fujian and Guizhou provinces

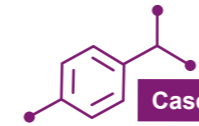
On 18 April 2021, Consun Pharmaceutical joined hands with nephrologists to hold the “Hunan, Hubei, Fujian and Guizhou Renal Disease Summit 2021” in Tongren City, Guizhou Province. This high-level academic exchange aimed to strengthen the exchange among nephrologists from the four provinces and promote the development of nephrology in the four provinces. During the meeting, experts from the four provinces highly praised Consun Pharmaceutical’ national sentiment in promoting the development of kidney disease.



“Hunan, Hubei, Fujian and Guizhou Renal Disease Summit 2021”



Summit on site



Case Study

Consun Pharmaceutical and Leyao Pharmaceutical reach a strategic partnership

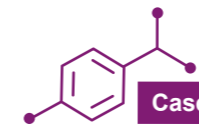
In June 2021, Consun Pharmaceutical held a cooperation and exchange meeting with Leyao Group, a subsidiary of Yao Shi Bang, at Consun Pharmaceutical’s headquarters in Guangzhou and reached a preliminary strategic cooperation agreement. At the meeting, Ms Lai Qian, Vice Chairman of the Board of Directors and President of the Group, expressed the expectation that the two sides would complement each other’s strengths, further develop and promote pharmaceutical products, and work together to build a long-term cooperation.



Exchange Meeting on site



Group Photo



Case Study

“Star Cup” Guangdong Province Radiology Residency Clinical Skills Competition co-organised by Consun Pharmaceutical

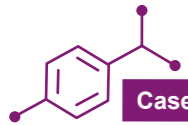
On September 25, 2021, the second “Star Cup”, a clinical skills competition for radiology resident doctors in Guangdong Province, was held in Guangzhou City, organized by the Guangdong Medical Doctors’ Association and co-organized by Consun Pharmaceutical. This is the second year that Consun Pharmaceutical has supported the “Star Cup” competition, hoping to contribute to the radiology residency training in the province and the whole country.



Competition on site



Group photo of winners



Case Study "Huaxi Obstetrics Forum Obstetrics Case Competition" organized by Consun Pharmaceutical

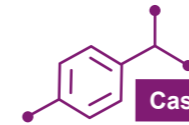
On 16 July 2021, the first "Huaxi Obstetrics Forum Obstetrics Case Competition" organized by the Group was held in Chengdu. Nearly 100 doctors attended the event, and authoritative experts in the industry gave wonderful comments on the cases. Through this competition, we hope to enhance the exchange of obstetrics skills, promote the development of the discipline and improve the professional skills of obstetricians.



Competition on site



Group Photo



Case Study The 26th National Paediatric Congress of the Chinese Medical Association

From 21 to 24 October 2021, the 26th National Paediatric Congress of the Chinese Medical Association was held in Wuhan, organized by the Chinese Medical Association and the Paediatric Branch of the Chinese Medical Association. Consun Pharmaceutical brought its Yuanli Kang® - Iron-dextrin Oral Solution to this academic feast and set up a special exhibition area to provide experts and scholars with consultation services on the knowledge of Iron Dextran and to have in-depth exchanges with many clinicians.



Competition on site



Exhibition Booth of Consun Pharmaceutical

Appendix

Environmental Performance Index

	Data in 2021	Data in 2020	Unit
Resource Consumption			
Total Energy Consumption ^{1,2}	93,269.88	81,643.70	mWH
Energy Consumption Intensity	0.46	0.47	mWH/RMB 10,000 of income ³
Direct Energy Consumption			
Total Town Gas Consumption ⁴	5,076	0	m ³
Town Gas Consumption Intensity	0.025	0	m ³ /RMB 10,000 of income
Total Coal Consumption	7,692.78	7,282.07	Tonnes
Coal Consumption Intensity	0.038	0.042	Tonnes/RMB 10,000 of income
Total Gasoline Consumption (Veichles) ⁵	107,926.00	102,202.00	Liters
Gasoline Consumption Intensity (Veichles)	3,083.60	3,097.03	Liters/gasoline-using vehicles
Total Diesel Consumption	34,779.00	27,946.00	Liters
Diesel Consumption Intensity (Veichles)	2,898.25	2,328.83	Liters/diesel-using vehicles
Indirect Energy Consumption			
Total Purchased Electricity Consumption ⁶	13,274,404.63	11,513,885.53	kWH
Purchased Electricity Consumption Intensity	64.92	65.69	kWH/RMB 10,000 of income
Total Purchased Steam Consumption ⁷	36,842.94	28,558.26	Tonnes
Purchased Steam Consumption Intensity	0.18	0.16	Tonnes/RMB 10,000 of income
Total Water Consumption ⁸	378,089.00	338,704.00	Tonnes

¹ The calculation of total energy consumption includes purchased electricity, natural gas, coal, purchased steam, gasoline and diesel, the calculation methods are referenced from Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial), the Gasoline for Motor Vehicles (GB 17930-2016) and the Automobile Diesel Fuels (GB19147-2016).

² Due to the substantial increase in the production of the Group in 2021, the resources consumption has increased significantly.

³ The revenue of the Group in 2021 was RMB 2,044,660,000.

⁴ The Group has started recording the data of town gas consumption in 2021, therefore, data in 2020 is marked as "0".

⁵ As of the end of the Reporting Period, the Group owned a total of 35 gasoline vehicles and 12 diesel vehicles, adding two new gasoline vehicle compared to 2020.

⁶ Due to the substantial increase in the production of the Group in 2021, the electricity consumption has increased significantly.

⁷ Due to the substantial increase in the production of the Group in 2021, the steam consumption has increased significantly.

⁸ The calculation of total water consumption includes tap water consumption, bottled water consumption and groundwater consumption. Due to the substantial increase in the production of the Group in 2021, the total water consumption has increased significantly.

	Data in 2021	Data in 2020	Unit
Total Water Consumption Intensity	1.85	1.93	Tonnes/RMB 10,000 of income
Total Packaging Box Consumption	1,126.61	911.62	Tonnes
Packaging Box Consumption Intensity	0.0033	0.0052	Tonnes/RMB 10,000 of income
Total Specification Consumption	81.46	67.04	Tonnes
Specification Consumption Intensity	0.0004	0.0004	Tonnes/RMB 10,000 of income
Total Paper Box Consumption	486.68	415.24	Tonnes
Paper Box Consumption Intensity	0.0024	0.0024	Tonnes/RMB 10,000 of income

	Data in 2021	Data in 2020	Unit
Air Pollutants Emissions of Boilers⁹			
NO _x Emissions	0.23	4.92	Tonnes
SO ₂ Emissions	2.33	1.92	Tonnes
PM Emissions	0.67	1.91	Tonnes
Air Pollutant Emissions of Vehicles¹⁰			
CO Emissions	1,413.94	1,333.74	Kg
NO _x Emissions	924.25	1,038.34	Kg
SO _x Emissions	2.06	1.94	Kg
PM _{2.5} Emissions	26.7	31.63	Kg
PM ₁₀ Emissions	29.54	35.05	Kg
Greenhouse Gas Emissions (Scope 1 & Scope 2)			
Total Greenhouse Gas Emissions	35,639.68	31,857.68	Tonnes CO ₂ e
Greenhouse Gas Emission Intensity	0.174	0.182	Tonnes CO ₂ e/RMB 10,000 of income
Greenhouse Gas Emissions (Scope 1)	17,037.60	16,418.91	Tonnes CO ₂ e
Boiler Emissions ¹¹	15,935.66	15,084.88	Tonnes CO ₂ e
Vehicle Emissions ¹²	336.33	302.86	Tonnes CO ₂ e

⁹ The calculation of air pollutant emissions from boilers includes only the boilers of the Inner Mongolia production bases, the calculation methods are referenced from the *Industrial Pollution Source Emissions Factor Manual*. As we adopted end-of-pipe treatment in 2021, it has effectively reduced the generation of air pollutants in our operation.

¹⁰ The calculation of air pollutant emissions of vehicles includes the vehicles of the Group owned and operated, the calculation methods are referenced from the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)*.

¹¹ The calculation of greenhouse gas emissions from boilers includes only the boilers of the Inner Mongolia production bases, the calculation methods are referenced from the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)*.

¹² The calculation of greenhouse gas emissions of vehicles includes the vehicles of the Group owned and operated, the calculation methods are referenced from the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)*.

	Data in 2021	Data in 2020	Unit
Town Gas Emissions ¹³	6.21	0	Tonnes CO ₂ e ¹⁴
Refrigerant Emissions ¹⁵	794.43	1,049.31	Tonnes CO ₂ e
Offset by Trees ¹⁶	(35.03)	(28.96)	Tonnes CO ₂ e
Greenhouse Gas Emissions (Scope 2)	18,602.09	15,438.76	Tonnes CO ₂ e
Purchased Electricity Emissions ¹⁷	7,750.92	7,024.62	Tonnes CO ₂ e
Purchased Steam Emissions ¹⁸	10,851.16	8,414.14	Tonnes CO ₂ e
Wastewater Discharge			
Wastewater Processed	176,424.29	193,639.02	Tonnes
Wastewater Processed Intensity	0.86	1.10	Tonnes/RMB 10,000 of income
COD Discharge ¹⁹	41.05	38.54	Tonnes
COD Discharge Intensity	0.00020	0.00022	Tonnes/RMB 10,000 of income

¹³ The Group has started recording the data of town gas consumption in 2021, therefore, data in 2020 is marked as "0".

¹⁴ The calculation methods are referenced from the Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial).

¹⁵ The calculation methods of emissions of refrigerants are referenced from the Global Warming Potential Values.

¹⁶ The calculation methods of greenhouse gas offset by trees are referenced from the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

¹⁷ The calculation greenhouse gas emissions from electricity use are referenced from the Guidelines for Accounting Methods and Reporting of Corporate Greenhouse Gas Emissions - Power Generation Facilities (2021 Revised Edition).

¹⁸ The calculation methods of emissions of purchased steam are referenced from the Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial). Due to the substantial increase in the production of the Group in 2021, the steam consumption has increased significantly.

¹⁹ Due to the increase in the COD monitoring value of the Guangzhou production base in 2021, the COD emissions have increased significantly.

	Data in 2021	Data in 2020	Unit
Generation of Non-Hazardous Waste²⁰			
Total Amount	11,964.10	10,035.55	Tonnes
Generation of Medicine Dreg	10,689.56	8,866.07	Tonnes
Recovery of Medicine Dreg	10,689.56	8,866.07	Tonnes
Generation Intensity of Medicine Dreg	0.052	0.051	Tonnes/RMB 10,000 of income
Generation of Boilers' Residue	1,076.99	1,021.06	Tonnes
Recovery of Boilers' Residue	1,076.99	1,021.06	Tonnes
Generation Intensity of Boilers' Residue	0.0053	0.0058	Tonnes/RMB 10,000 of income
Generation of Waste Packaging Materials	183.53	140.92	Tonnes
Recovery of Waste Packaging Materials	183.53	133.18	Tonnes
Generation Intensity of Waste Packaging Materials	0.0009	0.0008	Tonnes/RMB 10,000 of income
Generation of Food Waste	13.93	7.50	Tonnes
Recovery of Food Waste	13.93	7.50	Tonnes
Generation Intensity of Food Waste	0.005	0.003	Tonnes/Employee
Generation of Hazardous Waste²¹			
Total Amount	6.22	4.81	Tonnes
Generation of Laboratory Liquid ²²	5.90	4.50	Tonnes
Generation of Intensity Laboratory Liquid	0.00003	0.00003	Tonnes/RMB 10,000 of income
Generation of Waste Ink Cartridge	56.65	70.05	Kg
Generation Intensity of Waste Ink Cartridge	0.0003	0.0004	Kg/RMB 10,000 of income
Generation of Waste Toner Cartridge ²³	0	115.50	Kg
Generation Intensity of Waste Toner Cartridge	0	0.0007	Kg/RMB 10,000 of income

²⁰ Due to the substantial increase in the production of the Group in 2021, the generation of non-hazardous waste have increased significantly.

²¹ All hazardous waste is disposed of by a licensed third party.

²² Due to the substantial increase in production of the Group in 2021, the amount of pharmaceutical testing has increased, resulting in an increase in waste liquid generated.

²³ The Group has used ink cartridges in 2021, no waste toner has been generated.

	Data in 2021	Data in 2020	Unit
Generation of Waste LED Lightning	70.83	44.95	Kg
Generation Intensity of Waste LED Lightning	0.0003	0.0003	Kg/RMB 10,000 of income
Generation of Waste Fluorescent Tubes ²⁴	82.32	3.90	Kg
Generation Intensity of Waste Fluorescent Tubes	0.00040	0.00002	Kg/RMB 10,000 of income
Generation of Waste Imaging Drum	60.12	69.00	Kg
Generation Intensity of Waste Imaging Drum	0.0003	0.0004	Kg/RMB 10,000 of income
Generation of Waste Batteries ²⁵	50.81	8.60	Kg
Generation Intensity of Waste Batteries	0.00025	0.00005	Kg/RMB 10,000 of income

²⁴ In order to improve management performance, the Group has counted the amount of waste fluorescent tubes generated by all departments in 2021. Therefore, the generation of fluorescent tubes has increased significantly comparing to 2020.

²⁵ In order to improve management performance, the Group has counted the amount of waste batteries generated by all departments in 2021. Therefore, the generation of waste batteries has increased significantly comparing to 2020.

Social Performance Index

Safety			
Number of Fatalities	2021	0	Person
	2020	0	Person
	2019	0	Person
Work Injury and Safety Accidents	Number of Accidents	1	Event
	Lost Days due to Injury	3	Day
Product Safety	Medicine Recalls Due to Safety and Health	0	%

Employees			
		Number of Employees	Turnover Rate ^{26, 27}
Total Employees		2,768	29.7%
By Gender	Male	1,416	31.1%
	Female	1,352	28.3%
By Employment Type	Full-time	2,768	/
	Part-time	0	/
By Age	20-25	318	38.7%
	26-30	503	39.2%
	31-35	763	32.0%
	36-40	500	31.4%
	41-50	554	13.9%
	Above 50	130	19.2%
Regional Distribution	Guangzhong	451	37.0%
	Guang xi	911	30.0%
	Inner Mongolia	1,389	27.4%
	Khorgas	17	11.8%

²⁶ The calculation of the turnover rate : Employees in the specified category leaving employment/Number of employees in the specified category.

²⁷ The Group does not have statistics on the turnover rate of full-time and part-time, "/" have been marked.

Employee Training			
		Percentage ²⁸	Average Training Hours ²⁹
By Gender	Male	50.44%	39.3
	Female	49.56%	38.1
By Employee Category	Chairman of the Board	0.04%	0.07
	President	0.13%	9.57
	Director Level	2.28%	24.0
	Manager Level	16.43%	37.5
	Officer Level	5.18%	43.1
	Specialist Level	75.92%	39.4

Product and Service Quality		
Product Complaints	31	Cases

²⁸ The calculation of the average employees training : Employees who took part in training in the specified category/Total employees who took part in training*100%.

²⁹ The calculation of the average employees training hours: Total number of training hours for employees in the specified category/Number of employees in the specified category.

Number of suppliers		
	Regional	Numbers
Geographical Distribution	Guangdong	38
	Liaoning	18
	Auhui	17
	Guangxi Zhuang Autonomous Region	16
	Shandong	13
	Inner Mongolia Autonomous Region	11
	Jiangsu	11
	Zhejiang	8
	Beijing	7
	Jiangxi	7
	Hunan	6
	Shanghai	5
	Jilin	5
	Hebei	5
	Sichuan	4
	Hubei	4
	Tianjin	3
	Shaanxi	2
	Chongqing	1
Fujian	1	

Anti-corruption		
Corruption Case	0	Case

ESG Content Index

Environmental		
Items	Disclosures	Relevant Section in the Report
Aspect A1: Emissions		
General Disclosures	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 GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operations
KPI	A1.1 The types of emissions and respective emissions data.	Environmental Performance Table
	A1.2 Direct (Scope 1) and energy direct (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Table
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Table
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Table
	A1.5 Description of emission target(s) and steps taken to achieve them	Green Operations
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction target(s) and steps taken to achieve them	Emissions Management, Environmental Performance Table
Aspect A2: Use of Resources		
General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operations
KPI	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Table
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Table
	A2.3 Description of energy use efficiency initiatives and results achieved.	Energy saving and Reduce Consumption
	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 (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance Table
Aspect A3: The Environment and Natural Resources		
General Disclosures	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Green Operations
KPI	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operations

Environmental		
Items	Disclosures	Relevant Section in the Report
Aspect A4: Climate Change		
General Disclosures	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ESG Risk Management
KPI	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ESG Risk Management

Social		
Items	Disclosures	Relevant Section in the Report
Aspect B1: Employment		
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Caring for Employees
KPI	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employees Management Social Performance Table
	B1.2 Employee turnover rate by gender, age group and geographical region.	Employees Management Social Performance Table

Aspect B2: Health and Safety		
General Disclosures	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.	Health and Safety
KPI	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year.	Health and Safety 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

Social		
Items	Disclosures	Relevant Section in the Report
Aspect B3: Training and Development		
General Disclosures	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Development
KPI	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Development Social Performance Table
	B3.2 The average training hours completed per employee by gender and employee category.	Talent Development Social Performance Table
Aspect B4: Development and Training		
General Disclosures	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.	Employees Management
KPI	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Employees Management
	B4.2 Description of steps taken to eliminate such practices when discovered.	There were no incidents of child labour or forced labour employed by the Group during the Reporting Period.
Aspect B5: Supply Chain Management		
General Disclosures	Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management
KPI	B5.1 Number of suppliers by geographical region.	Sustainable Supply Chain Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Sustainable Supply Chain Management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Sustainable Supply Chain Management
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Supply Chain Management

Social		
Items	Disclosures	Relevant Section in the Report
Aspect B6: Product Responsibility		
General Disclosures	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.	Medicine for the People
KPI	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Management Social Performance Table
	B6.2 Number of products and service-related complaints received and how they are dealt with.	Quality Services
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	R&D Innovation
	B6.4 Description of quality assurance process and recall procedures.	Quality Management
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Quality Services
Aspect B7: Anti-corruption		
General Disclosures	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.	Anti-Corruption Initiative
KPI	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases.	Anti-Corruption Initiative
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption Initiative
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-Corruption Initiative
Aspect B8: Community Investment		
General Disclosures	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.	Serving the Community
KPI	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Serving the Community
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Serving the Community



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