CMS 康哲药业
CHINA MEDICAL SYSTEM

康哲®

2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHINA MEDICAL SYSTEM HOLDINGS LIMITED
(STOCK CODE: 867)

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ABOUT THE REPORT

The Report is the ninth Environmental, Social and Governance ("ESG") Report of China Medical System Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "CMS"). This is an annual report, which covers the fiscal year from 1 January 2024 to 31 December 2024 (the "Reporting Period") with some additional related information incorporated that may have occurred outside the Reporting Period.

Basis of Preparation

The Report is prepared as per Appendix C2 *Environmental, Social and Governance Reporting Code* of Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited ("HKEX"). Meanwhile, the Report refers and responds to issues concerned by the United Nations 2030 Sustainable Development Goals (SDGs), MSCI-ESG rating, and S&P DJSI, with the combination of the Company's business development and ESG practices.

Scope of the Report

The Report discloses the ESG risks and performances of the Group conforming to the principles of "Materiality", "Quantitative", "Balance" and "Consistency" mentioned in the *Environmental, Social and Governance Reporting Code*. Unless otherwise indicated, the scope of the Report is the same as that of the *2024 Annual Report* of the Group, and includes the Company, its wholly-owned subsidiaries and majority-owned subsidiaries.

Data Sources and Reliability Statement

The materials and cases disclosed in the Report were from the Group's relevant reports and archives. The Group undertakes that the Report does not contain any false information, misleading statements, or significant omissions, and is responsible for the content of the Report as to its authenticity, accuracy, and completeness.

Obtaining the Report

The Report can be accessed and downloaded from the Exchange's website (www.hkexnews.hk) and the Group's website (www.cms.net.cn). For further consultation, any opinion or suggestion regarding the Report, please contact the Group via ir@cms.net.cn.

CHAIRMAN'S MESSAGE

"FORGE AHEAD WITH DILIGENCE AND FORTITUDE, STRIVE FOR CONTINUOUS IMPROVEMENT. WITH THE MISSION OF "PROVIDING COMPETITIVE PRODUCTS AND SERVICES TO MEET UNMET HEALTHCARE NEEDS", CMS WILL JOIN HANDS WITH ALL STAKEHOLDERS TO BROADEN THE BOUNDARIES OF HUMAN LIFE THROUGH INNOVATION, AND CO-CREATE A BRIGHT FUTURE FOR SUSTAINABLE DEVELOPMENT."

Dear stakeholders and readers,

In 2024, factors such as climate change, geopolitical conflicts, and economic fluctuations continue to affect the realization of the United Nations SDGs, and the overall progress of the SDGs still lags behind the expectations of the 2030 Agenda. There is a need for greater global cooperation, joint efforts and more decisive action. In the face of this complex and volatile external environment, CMS will continue high-quality development with long-termism, contributing CMS's strength to the causes of human health and sustainable development.

Over the past year, CMS has continuously responded to the United Nations SDGs. Adhering to the ESG vision of "becoming a world-leading sustainable pharmaceutical enterprise", and guided by the pursuit of long-term ESG strategic goals, CMS has implemented the concept of sustainable development in the Group's decision-making and operations and systematically enhanced its risk resilience.

We collaborate with global innovation forces, increase R&D investment and accelerate clinical transformation for innovative and orphan drugs to meet unmet healthcare needs. Adhering to the operation principle of "Compliance First", CMS has enhanced the effectiveness of internal control through regulation formulation, systematic training, and standardized monitoring. Meanwhile, we have established the management system and risk control system covering the entire lifecycle of our products, and have guided and advocated for our partners in practicing green and clean operations to co-create a sustainable supply chain. We have also continually refined our employee incentive and training mechanisms to create a diverse and inclusive corporate culture and a healthy and safe work environment, growing together with our employees.

CHAIRMAN'S MESSAGE- continued

CMS has taken its corporate responsibility as a pharmaceutical company and contributed to the prosperity and development of the industry and society. We have explored global cutting-edge biotechnologies and exemplary clinical practices to facilitate breakthroughs in diagnostic and treatment technologies, and have elevated public health awareness by disseminating knowledge of various diseases. Additionally, we are actively involved in a range of public welfare activities, such as poverty alleviation, disaster relief and patient assistant, to spread corporate warmth.

We have noted that global climate change is leading to increasingly frequent extreme weather events, which has emerged as one of the most severe long-term challenges in the world. We are also pursuing the optimal solution for green development, continuously enhancing the efficiency of resource utilization, paying attention to the water scarcity risk, and refining the identification and management of climate change risks and opportunities in line with the framework established by the Task Force on Climate-related Financial Disclosure (TCFD), so as to contribute to the vision of a habitable planet for all.

Forge ahead with diligence and fortitude, strive for continuous improvement. With the mission of "providing competitive products and services to meet unmet healthcare needs", CMS will join hands with all stakeholders to broaden the boundaries of human life through innovation, and co-create a bright future for sustainable development.

Chairman
Lam Kong
Hong Kong, China

ABOUT CMS

Company Profile

CMS (stock code: 0867.HK) is a platform company linking pharmaceutical innovation and commercialization with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

Driven by medical science and clinical needs, the Group has continuously deployed globally first-in-class (FIC) and best-in-class (BIC) innovative products with clinical and social value via the platform for innovative product incubation, and has continuously promoted large-scale clinical application of innovative achievements. As of the end of the Reporting Period, the Group's innovative pipeline has possessed approximately 40 quality innovative products, with a total of 5 innovative drugs (including 6 indications) approved for marketing in China to address unmet medical needs, 4 of which have been included in China's National Reimbursement Drug List and achieved large-scale clinical application, thus enhancing the affordability and accessibility of the innovative products and safeguarding the lives and health of more patients.

Focusing on such fields of speciality diseases as cardiocerebrovascular, gastroenterology, central nervous system, dermatology, and ophthalmology, the Group has adhered to responsible business operations with high ethical standards. It has built a differentiated product portfolio with academic value and quality standards. Through its professional academic platform and network, the Group provides professional products and services that empower the optimization and breakthroughs in diagnostic and treatment technologies and clinical practices. The Group also pays close attention to the medical needs of other developing countries, and continues to improve the platform integrating "research, manufacture and sales" in the Southeast Asian market, so that global new drugs with high cost-effectiveness can benefit local patients in a more timely and extensive manner.

Upholding the vision of "becoming an innovation-leading, trustworthy speciality pharma", CMS helps to improve the quality of patients' lives with quality products and services. While embracing the concept of sustainable development, the Group continuously improves its internal governance, upholds the baseline of product responsibility, respects and inspires employee value, proactively engages in public welfare and environmental protection activities, and joins hands with stakeholders to promote the healthy, harmonious, and sustainable development of the enterprise, environment, and society.

ESG Awards

During the Reporting Period, the Group's efforts and results in ESG governance have been widely recognized.

S&P Global
64
S&P Global ESG Score, surpassing 93% of global peers

MSCI
AA
MSCI-ESG Rating

恒生指數 HANG SENG INDEXES
A-
the Hong Kong Quality Assurance Agency (HKQAA) Sustainability Rating

In addition, the Group has received a number of ESG-related awards, including:

Being included in the global edition of S&P Global Sustainability Yearbook

Being included again in the S&P Global Sustainability Yearbook (China Edition)

Being listed in the "Top 10 Low-Carbon Pioneers of Chinese Pharmaceutical Listed Companies"

Being listed in the "Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness" for the third consecutive year

Being awarded again the "Pioneer in Corporate Governance Award"

ESG GOVERNANCE STRATEGY

Statement of the Board of Directors

The Board of Directors of the Company is the supreme supervisory body for ESG strategy, management and execution, and is responsible for overall supervision, direction and review. The Group has set up a scientific and effective ESG governance structure by establishing the ESG Committee under the Board of Directors. The Company's executive director chairs the ESG Committee to take charge of ESG management work, and two independent non-executive directors are appointed as the committee members. Under the ESG Committee, the Group has established the organization-wide ESG Working Group to comprehensively promote and execute ESG-related work. Moreover, in order to facilitate the systematization, standardization and transparency of ESG governance, the Group has developed *The Environmental, Social and Governance Committee Terms of Reference* to specify the authorities and duties as well as procedures of ESG management, to ensure the well-ordered advancement and efficient fulfilment of relevant tasks.

Based on the United Nations SDGs, the Board of Directors of the Company has developed a comprehensive ESG strategy and guidelines in line with the Group's vision and mission. Moreover, in order to ensure that the Group's strategic decisions meet the expectations and requirements of stakeholders, the Group has established a routine communication mechanism for internal and external stakeholders to proactively learn their demands and concerns, which is an important reference for the effectiveness assessment of the ESG strategy and business management.

The Board of Directors of the Company also actively promotes the effective integration between the ESG concept and the Group's daily operation management. By holding quarterly ESG Committee meetings, the Board of Directors of the Company tracks and reviews ESG management goals, the corresponding work plans and the implementation of the work plans. The ESG Working Group has developed quantitative ESG targets covering resource management, GHG emissions, employee rights, and business ethics, etc., which have been reviewed by the ESG Committee and submitted to the Board of Directors for approval. During the Reporting Period, under the guidance of the ESG strategy and the effective supervision of the Board of Directors, the Group improved its internal management regulations in multiple operation segments, to provide more comprehensive guidance for the advancement and implementation of ESG management and to safeguard the Group's sustainability development.

In addition, the Board of Directors of the Company acknowledges the significance of climate change impacts, and proactively takes on the responsibility for reviewing and overseeing climate change matters with the support of the ESG Committee. Through annual climate change information/thematic training and discussions with external experts on climate change opportunities and challenges, the Board members are better equipped with the latest climate change information and scientific management methods, and fully incorporate climate-related factors into their material decisions. During the Reporting Period, the Board members of the Company have learned the requirements and trends of the latest climate change policy, and the Board of Directors of the Company has reviewed the Group's work plans for climate information disclosure, identification and management of climate-related risks and opportunities, and related target-setting and implementation.

The Board of Directors of the Company has approved the Report to ensure that there is no false information, misleading statements, or material omission in its content.

ESG Strategy

As a committed practitioner of sustainable development, the Group makes continuous efforts to promote the deep integration between ESG governance and the Group's development strategies. The Group also proactively responds to the United Nations SDGs and develops its sustainable development vision, strategy and objectives on the basis of its business, vision, mission and value, as well as the materiality ranking of ESG issues by stakeholders. During the Reporting Period, the Group has reviewed the ESG strategy to ensure that it is aligned with the Group's business development strategy and stakeholders' concerns.

Group's Mission

Providing competitive products and services to meet unmet healthcare needs

Group's Vision

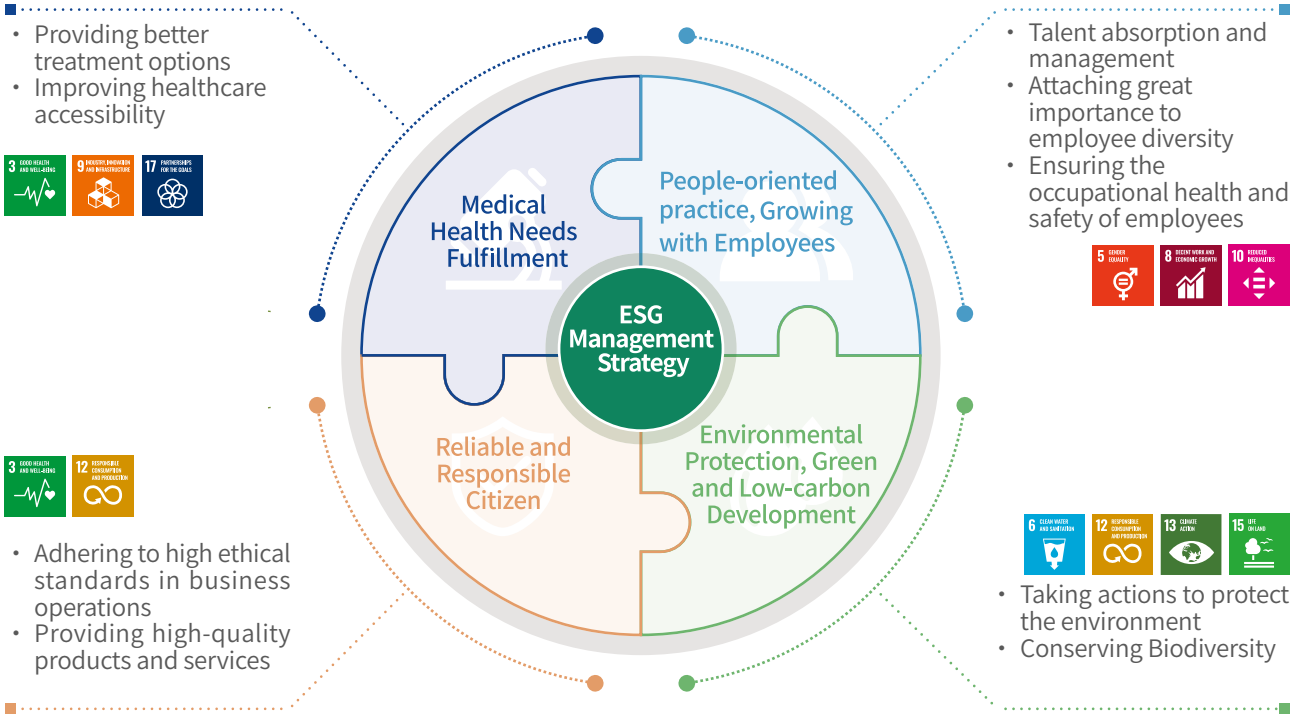
Becoming an innovation-leading, trustworthy specialty pharma

ESG Vision

Becoming a world-leading sustainable pharmaceutical enterprise

ESG Strategy

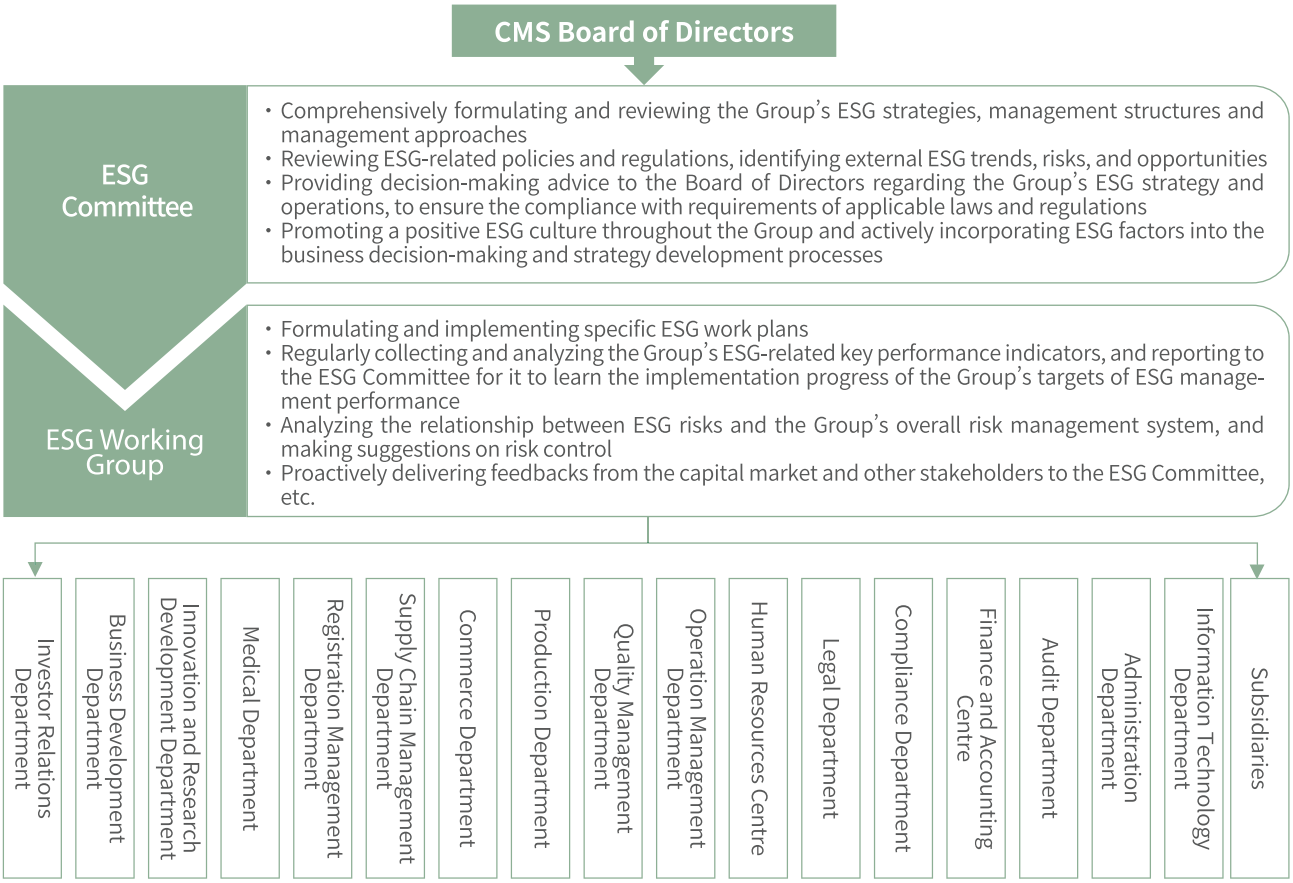
Cooperating with global innovation forces via the Group's platforms and jointly developing differentiated innovative products to meet clinical needs and benefit the patients; promoting healthy, harmonious and sustainable development of the society and environment with responsible development



CMS's ESG Strategy

Structure and Process of ESG Governance

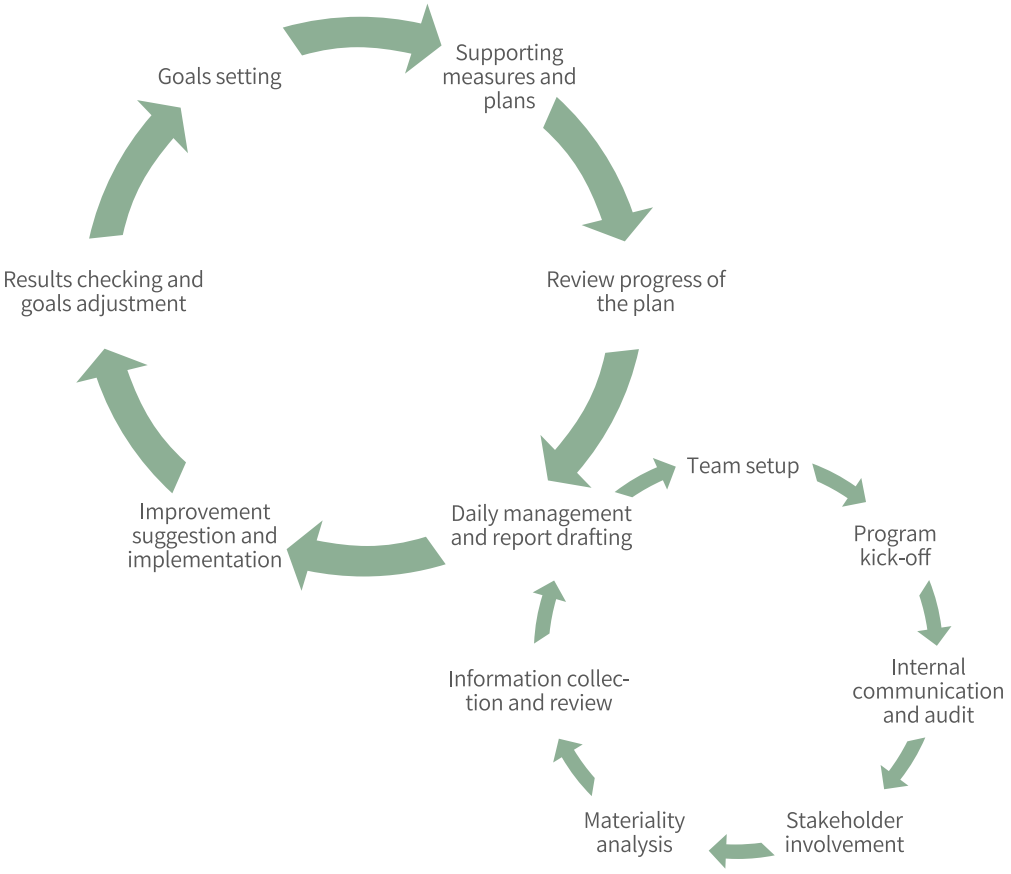
The Company has formed a three-tier ESG governance framework consisting of the Board of Directors, the ESG Committee and the ESG Working Group to systematically carry out ESG management from the governance level of the Board of Directors to the ESG implementation level, and is committed to fully integrating ESG governance into its internal management system. The Company's ESG Committee consists of three directors, among them the Executive Director, Chief Financial Officer and Vice President of the Group, Ms. Chen Yanling is the Chairman of the Committee; the ESG Working Group comprises the heads of different departments, and participates in the concrete implementation and reporting of the ESG work. *The Environmental, Social and Governance Committee Terms of Reference* has been published on the Group's official website for all stakeholders' reference.



CMS's ESG Governance Structure

Closed-loop ESG Management Mechanism

- Reviewing the progress of ESG management goals of the previous year, and proposing and implementing improvement solutions to the issues existing in ESG management through audit, ESG best practice benchmarking, professional third-party recommendation, etc.;
- Reviewing ESG management goals and making adjustments or setting new goals according to the Group's internal and external environment updates and the improvement plans;
- Decomposing the ESG management goals to formulate corresponding ESG management supporting measures and plans;
- Supervising the implementation of the measures through daily ESG management and dynamic monitoring of ESG information, and regularly reviewing the progress of the plan fulfilment;
- Preparing the annual ESG report according to the current situation of ESG management with reference to the results of stakeholders' survey analysis;
- Checking and reviewing the results of ESG governance at the end of the year.



CMS's ESG Management Process

ESG Communication with Stakeholders

The Group values the communication and collaboration with stakeholders, and has established and proactively expanded routine communication mechanisms. Through diverse and targeted communication channels, it has maintained efficient interaction with all stakeholders and actively responded to stakeholders' requirements, in order to facilitate the implementation of sustainable development. CMS has maintained connections with stakeholders via the following methods.

Stakeholders	Major Requirements	Main Communication Methods
Government and regulatory authorities	• Compliance with laws and regulations, and drug safety • Compliant operation under supervision • Tax compliance, and job creation	• Government-company seminar • Supervision and inspection • Work reports and researches
Investor/ shareholder	• Standardized governance and rigorous risk control • Prudent operation and value creation • Disclosure compliance, openness, and transparency	• General meeting, and results announcement • Company news, announcements, and periodic reports • Telephone, email, and voting at general meeting • Company official website and WeChat official account • Investor visit, conference, and presentation • Roadshow
Supplier	• Open and fair procurement • Timely communication, and win-win developments	• Meeting and visit • Work meetings, and communication via telephone and email • Company official website and WeChat official account • Industrial seminar • Public bidding
Distributor	• Integrity management and compliant drugs • Timely communication, and win-win developments	• Work meetings, and communication via telephone and email • Company official website and WeChat official account • Customer service hotline • Meeting and visit
Patient/ consumer	• Product safety, protection of rights and interests • Privacy protection, and business ethics	• Product labelling and information disclosure • Processing of customer complaints and feedback • Medicine and health-related knowledge popularization
Employee	• Protection of rights and interests • Employee caring, and demand communication • Remuneration and benefits, and training and development	• Team building activity • Employee training • Feedback and appeal platforms • Employee satisfaction and engagement survey
External practitioner in the pharmaceutical industry	• Product safety, protection of rights and interests • Privacy protection, and business ethics	• Product labelling and information disclosure • Academic conference and forum • Processing of customer complaints and feedback
Community and the public	• Good interaction, and information disclosure • Product safety, protection of rights and interests • Privacy protection, and business ethics • Inclusive health and charity • Community development and social value	• Product labelling and information disclosure • Processing of customer complaints and feedback • Participation in public welfare activities in communities • Medicine and health-related knowledge popularization • Company official website and WeChat official account

ESG Material Issues

During the Reporting Period, the Group reviewed and assessed the ESG management issues, and used the material issues list as a critical basis for the preparation of the Report, ESG strategy and corporate development management.

The Group makes materiality assessment through the following steps:

- Establishment of the ESG issues database: CMS's ESG management issues library in 2024 has been completed and updated with reference to the Appendix C2 *Environmental, Social and Governance Reporting Code* of Main Board Listing Rules issued by HKEX, the focuses of the capital market, the development trend of the pharmaceutical industry and the Group's operations.

- Identification and ranking of material issues: The Group identifies and ranks the material ESG issues by dynamically conducting stakeholder research based on the changes in the industry and its own business, to ensure that our action plans and strategies are aligned with the expectations of all parties.

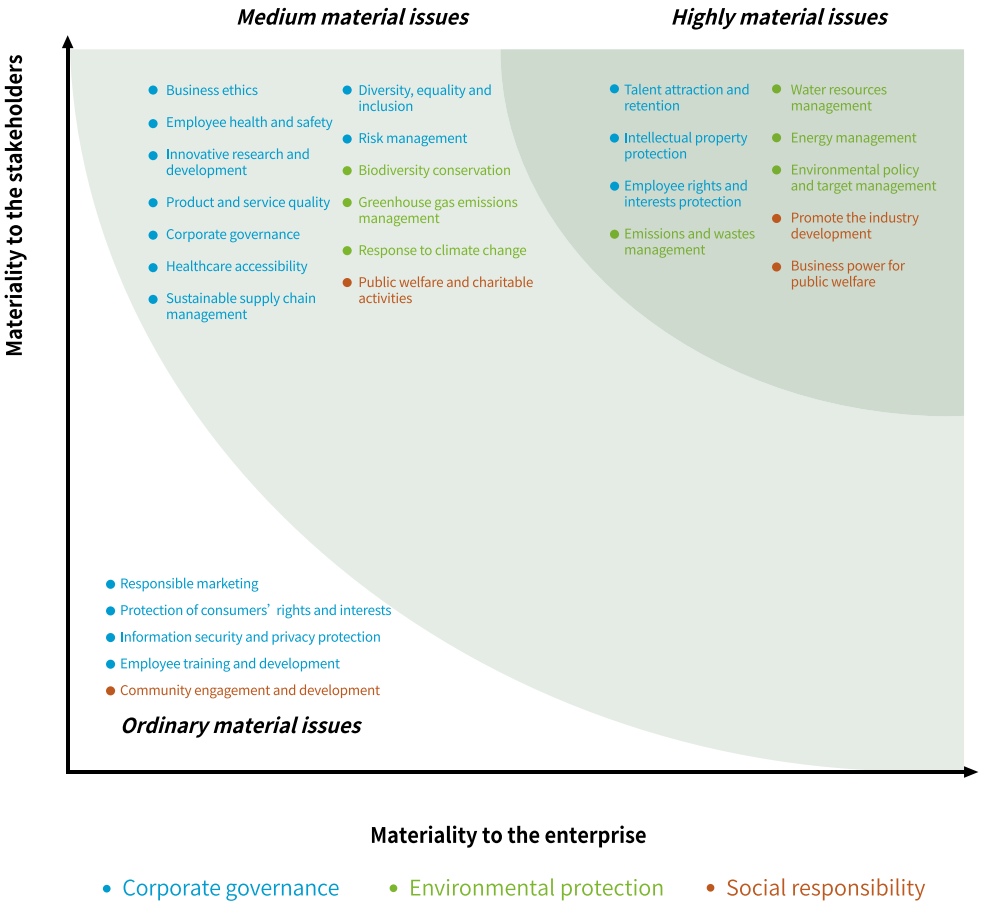
  -In 2023, stakeholders were invited to assess the materiality of CMS' s ESG issues for 2023, covering the government and regulatory authorities, investors/shareholders, patients/consumers, suppliers, distributors, directors of the Company, management members and employees of the Company, external practitioners in the pharmaceutical industry, communities and the public, and 880 pieces of effective questionnaire responses were collected.

  -In 2024, there were no significant changes in the Group' s business segments and operations. After consulting with external experts, the Group has decided to retain the 2023 ESG material issues matrix.

- Review and confirmation: The Board of Directors of the Company has reviewed the assessment procedure of the material issues and confirmed the results.

- Dynamic adjustment and optimization of ESG work: Dynamically adjust and optimize the ESG work for the current year on the basis of the reviewed and confirmed ESG material issues.

  In 2024, CMS has a total of 27 ESG material issues, including 9 highly material issues, 13 medium material issues, and 5 ordinary material issues. The ranking of the materiality of the issues is as follows:



CMS's ESG Material Issues Matrix

Based on the assessment results of material issues, the Group has prepared the ESG Report to respond to the above material issues in an orderly manner.

MEDICAL HEALTH NEEDS FULFILLMENT

The Group focuses on unmet clinical needs. Relying on its innovative drug incubation platform and commercialization platform, the Group constantly empowers the development of research findings into clinical use as well as diagnosis and treatment practice improvement, to offer better choices for disease treatment, and strive to further promote accessibility and affordability of innovative pharmaceutical products.

KEY TARGETS AND PROGRESS

	Targets for Year 2030:	Progress in Year 2024:
Providing better treatment options	• Increasing R&D investment in differentiated innovative drugs for serious diseases/chronic diseases.	• Continuously promoted deployment, clinical development, registration and market access of innovative products for serious diseases and chronic diseases as well as orphan drugs. Total R&D expenditures (including both capitalised and expensed amounts) of the Group increased by 8.9% to RMB 888.3 million in Year 2024 comparing to Year 2023. In the case that all medicines were directly sold by the Group, total R&D expenditures as a percentage of turnover increased by 1.7 percentage points to 10.3% in Year 2024 comparing to Year 2023.
Improving healthcare accessibility	• Improving healthcare accessibility in China and other developing countries.	• Together with Chinese industry associations, public welfare foundations and domestic and overseas medical experts, proactively promoted leading diagnosis and treatment practices exchange, disease knowledge popularization and education, patient care program, etc. • As of the end of the Reporting Period, the Group's 5 innovative drugs (6 indications) and 2 orphan drugs have been approved for marketing, including 4 innovative drugs and 1 orphan drug which were included in the National Reimbursement Drug List ("NRDL"), which significantly improved the accessibility and affordability of products. • Continued to improve its "R&D, manufacture and commercialization" business structure in Southeast Asia. By facilitating registration of more quality products that meet local clinical needs and accelerating the progress of formulation CDMO business, the Group empowered pharmaceutical R&D and production in emerging markets, and improved the accessibility of high-quality pharmaceutical products in the local markets.

Adhering to the original aspiration, the Group insists on the operation mission of "providing competitive products and services to meet unmet medical needs". The Group is committed to providing patients with more and better treatment options and takes practical actions to improve the accessibility and affordability of pharmaceutical products, so as to contribute CMS's strength to the healthcare accessibilities.

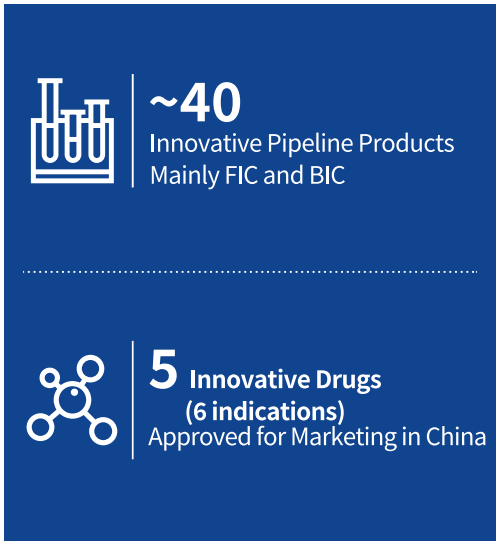
The Group initiates various business collaborations globally to provide high-quality pharmaceutical products to benefit more patients in developing countries. This contributes to the enhancement of healthcare practices and standards in these countries. The Group supports the *Doha Declaration on TRIPS Agreement and Public Health*, recognizing its significance in helping less-developed countries in need to gain access to medicines under certain circumstances. The Group recognizes and supports reasonable generic competition and makes its best efforts to improve healthcare accessibility across different geographies, especially in less-developed countries, contributing to global sustainable development. In addition, the Group has acknowledged resistance to antibiotics as one of the public health threats worldwide. To halt the global spread of antibiotic resistance and its impact on medical progress, the Group attaches great importance to the scientific and prudent use of antibiotic drugs, calls for enhanced management of relevant prescription drugs, and supports to R&D and industry exchange addressing antibiotic resistance.

The Board of Directors of the Company is the highest responsible body for matters related to healthcare accessibilities, and the ESG Committee under the Board of Directors regularly reviews and supervises the implementation of related strategies, policies, and works to enhance healthcare accessibilities on an annual basis.

Providing Better Treatment Options

Innovative Products

Remaining steadfast in the implementation of innovation development strategy and focusing on unmet clinical needs, the Group continues to invest in R&D of innovative drugs that can resolve clinical difficulties of serious diseases/chronic diseases. With a developed innovative product incubation platform and deep cooperation with global innovative forces, the Group rapidly introduces global new and good drugs into the markets of China and other developing countries through diverse methods, including equity investment, strategic cooperation and self-developed, etc. The Group also efficiently promotes the transformation of research findings into clinical applications, improves the accessibility of cutting-edge medical technologies and outcomes, providing better treatment options to patients.



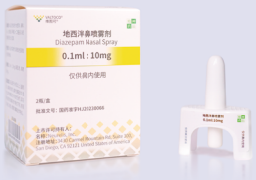
With the expansion of innovative products, the Group has developed a pipeline of about 40 short-, medium- and long-term innovative products with a relatively high level of innovation and differentiation.

During the Reporting Period, the Group added 2 quality innovative pipeline products:

- In December, the Group gained an exclusive commercialization right of the class 1 innovative drug ABP-671 for the treatment of gout and hyperuricemia in Mainland China, Hong Kong and Macau Region. The product is anticipated to offer more effective and safer treatment alternatives for patients suffering from gout and hyperuricemia.

- In March, the Group gained an exclusive license to research, develop, register and commercialize the selective oral small molecule JAK1 inhibitor povorcitinib for the treatment of non-segmental vitiligo, hidradenitis suppurativa (HS), etc. in Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries and a non-exclusive license to manufacture the product in the Territory. The product has the potential to provide a new treatment option for patients suffering from autoimmune and inflammatory dermatologic diseases.

The Group has also efficiently promoted the clinical development, registration for marketing and clinical application of its innovative products, which expedites the application of innovative therapies to more patients. During the Reporting Period, 1 innovative drug (LUMEBLUE) was approved for marketing in China, and an additional indication of 1 innovative drug (METOJECT) for rheumatoid arthritis (RA) was approved for marketing in China. As of the end of the Reporting Period, the Group already have 5 differentiated innovative drugs approved for marketing in China, 4 of which (VALTOCO, ILUMETRI, METOJECT, and VELPHORO) have been included in the NRDL, and have entered large-scale clinical application, significantly improving the accessibility of innovative products and effectively relieving patients' burden of medication.

Product Names	Product Pictures	Product Introduction
LUMEBLUE Methylthioninium Chloride Enteric-coated Sustained-release Tablets		The first Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China, providing a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy. Date of Marketing Approval in China : June 2024
METOJECT Methotrexate Injection		China's first pre-filled MTX injection for subcutaneous administration for the treatment of psoriasis and RA. Previously, it has been included in the *Urgently Needed Drugs List* in China as an urgently needed clinical drug with short supply. Date of Marketing Approval in China : RA indication-July 2024 Psoriasis indication-March 2023
VALTOCO Diazepam Nasal Spray		The first Diazepam Nasal Spray approved for marketing in China, which can be administered at anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy. Date of Marketing Approval in China: June 2023
ILUMETRI Tildrakizumab Injection		A monoclonal antibody specifically targeting to the p19 subunit of IL-23, requires only 4 administrations per year during its maintenance period for the treatment of psoriasis, which may lead to higher patient compliance. Date of Marketing Approval in China : May 2023
VELPHORO Sucroferric Oxyhydroxide Chewable Tablets		The first iron-based, non-calcium phosphate binder (PB) approved in China, and filled the gap of phosphorus-lowering treatment for Chinese pediatric patients aged 12 to 18 years old with CKD stages 4-5 or CKD on dialysis. Date of Marketing Approval in China : February 2023

Introduction of CMS's Marketed Innovative Drugs

In addition, during the Reporting Period, the New Drug Application (NDA) of 2 innovative drugs (ruxolitinib phosphate cream for vitiligo, Desidustat Tablets) were accepted by the China National Medical Products Administration (NMPA). As of the end of the Reporting Period, through the "Early and Pilot Implementation" policy of Hainan Boao, and the "Hong Kong and Macau Medicine and Equipment Connect" policy, the innovative drug ruxolitinib phosphate cream (vitiligo indication) has successively entered pilot clinical applications in 6 designated hospitals in Hainan and the Greater Bay Area in China, which shortened the time difference for Chinese vitiligo patients to use innovative drug. Moreover, the localization technology transfer of the product is being orderly advanced, which may further improve the accessibility and affordability of global quality innovative drugs in China.

Furthermore, the Group constantly deepens cooperation with first-class medical colleges and institutions in China, enhancing innovative R&D capabilities. Meanwhile, driven by unmet clinical needs, the Group makes forward-looking deployment of new targets in the specialty fields to facilitate breakthroughs in local biotechnology. As of the end of the Reporting Period, the Group has steadily advanced about 20 in-house R&D projects, among which, 4 innovative drugs (VEGFA+ANG2 Tetravalent Bispecific Antibody, Highly Selective TYK2 Inhibitor CMS-D001 Tablets, GnRH Receptor Antagonist CMS-D002 Capsules, and GLP-1R/GCGR Dual Agonist CMS-D005 Injection) have entered the clinical development in China.

Orphan Drugs

As one of the major medical challenges posed to global human health, the improvement in treatment capabilities of rare diseases has attracted widespread attention. The Group pays close attention to interests and treatment needs of patients with rare diseases, providing this special group with better quality and more diversified treatment options. During the Reporting Period, the innovative product povorcitinib newly introduced by the Group could be used to treat the rare disease hidradenitis suppurativa (HS), which is expected to meet unmet clinical needs in the field of rare diseases.

As of the end of the Reporting Period, 2 orphan drugs of the Group were approved for marketing in China:

- In July, Ursofalk (Ursodeoxycholic Acid Oral Suspension) was approved for marketing in China, with the approved indications including a rare disease (for the treatment of liver disease associated with a condition called cystic fibrosis in children aged 1 month to 18 years). Moreover, the product is an oral suspension that further meets clinical medication needs of patients with rare diseases and pediatric diseases due to its unique new variety, dosage form and specification as a paediatric drug, which is in line with physiological characteristics of children.

- Tetrabenazine Tablets, a generic drug, was approved for marketing in China in May 2023 for the treatment of a rare disease named Huntington's disease, and it was included in the NRDL. As a first-line drug for Huntington's disease, Tetrabenazine Tablets is expected to provide more accessible and affordable treatment options for patients with rare diseases.

R&D Investment

Innovative R&D is one of the key drivers for the sustainability of the pharmaceutical industry. Focusing on patients' needs, the Group continuously increases R&D investment, optimizes the innovation system, enriches the pipeline of drugs for serious diseases, chronic diseases and rare diseases, and proactively promotes the clinical development and commercialization, accelerating the realisation of products' clinical and social values and benefiting more patients and families. During the Reporting Period, the Group had a turnover of RMB 8,621.6 million in the case that all medicines were directly sold by the Group, and its total R&D expenditures (including both capitalized and expensed amounts) increased by 8.9% to RMB 888.3 million in 2024 comparing to last year. In the case that all medicines were directly sold by the Group, total R&D expenditures as a percentage of turnover increased by 1.7 percentage points to 10.3% in 2024 comparing to last year.

Improving Healthcare Accessibility

Chinese Market

The Group attaches great importance to the needs of Chinese patients in different regions, of different ages and suffering from different diseases, and is committed to providing them with safe, effective, accessible and affordable treatment options. The major marketed products of the Group have sufficient medical evidence, good reputation, and relatively low daily treatment costs.

The Group is dedicated to providing quality pharmaceutical products at reasonable prices, and takes accessibility improvement of pharmaceutical products in the entire country as its mission. In the product pricing process, the Group strictly follows domestic laws, regulations, and regulatory policies related to drug prices while fully considering the economic development levels of different regions, and conducts fair pricing through regional tendering procedures before sales to ensure the rationality and fairness of drug prices. Meanwhile, the Group proactively promotes the inclusion of its products in the NRDL to further improve the affordability and accessibility of drugs for patients. As of the end of the Reporting Period, among the Group's core marketed products, over 60% of them were included in the NRDL, and over 10% of them were included in the National Essential Drug List.

The prices of the Group's major marketed products can be found on the official websites of the National Healthcare Security Administration or drug procurement centres of different provinces. Among them, the prices of 2 drugs are publicly disclosed in the *National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2023 Version)* (the 2023 NRDL). The Group's core marketed product, XinHuoSu (the only Recombinant Human Brain Natriuretic Peptide medicine in the Chinese market) continued to be included in the 2023 NRDL, with its price reduced to RMB 424.98 (0.5mg/injection), which is about a 4.5% decrease. The orphan drug, Tetrabenazine Tablets, was newly included in the 2023 NRDL at the price of RMB 7.59 (12.5 mg/tablet) and RMB 12.9 (25 mg/tablet). The 2023 NRDL has been formally implemented during the Reporting Period.

Meanwhile, the Group actively promotes the expansion and penetration of the county-level and lower-tier markets, as well as economically backward areas. The Group's marketed products have achieved extensive coverage in hospitals/medical institutions/drugstores in China, significantly improving the accessibility of the products. Moreover, in order to improve the efficiency of the pharmaceutical supply, the Group supplies the pharmaceutical products to the local distributors, and provides reasonable packaging planning in advance for the delivery and transportation of pharmaceutical products. The Group also offers suggestions on the optimal transportation solutions to maximize the efficiency of the supply chain, so as to minimize the procurement costs for customers and to ensure the timeliness of pharmaceutical supply.

The Group also joins hands with industry participants to promote the development of the medical and healthcare industry in China. Together with industry associations, public welfare foundations, domestic and overseas medical experts as well as medical personnel, the Group organizes academic interactions among countries, regions, and hospitals at different levels, to exchange and discuss cutting-edge medical technologies, academic information and outstanding clinical practice experiences, which not only strengthens the sharing of professional knowledge and experience but also enhances the quality and efficiency of medical services.

Meanwhile, the Group enhances the popularization and publicity of disease and health knowledge through diversified methods to raise public health awareness. During the Reporting Period, by actively cooperating with industry associations and public welfare foundations in the relevant disease fields, the Group conducted disease knowledge promotion, drug donations and charity clinics for patients via activities such as patient caring programs, public lectures, etc:

Epilepsy patient caring program

The Group has established the "CAAE Epilepsy Care Fund - CMS Fund" with China Association Against Epilepsy (CAAE). In conjunction with CAAE, the Group promoted the epilepsy patient caring program, encouraged innovative ways to empower the management, education and communication of epilepsy patients, and launched activities such as disease education, popularisation, charity clinics, etc., to improve the understanding and cognition of epilepsy among patients and the public.

Assistance program for patients with autoimmune diseases

As a donating enterprise, the Group participated in the "Hand-in-hand Patient Assistance Program" jointly initiated by the Primary Health Care Foundation of China and the Beijing Life Oasis Public Service Centre, and donated its products to patients with autoimmune diseases for free, to help them receive standardised treatment, relieve their financial burden, and improve their life quality and drug accessibility. During the Reporting Period, the Group has donated drugs worth RMB 1.8 million in total.

Public lectures on inflammatory bowel disease (IBD)

The Group has supported the large-scale public lectures named Salofalk "World IBD Day (19 May)" for several consecutive years, to raise IBD patients' cognition about the disease, improve their disease management ability, and effectively lift their life quality through disease knowledge popularization. Moreover, the Group cooperated with the China Crohn's & Colitis Foundation in facilitating the training programs for IBD doctors to improve their diagnosis and treatment skills.

Public lectures on hyperphosphatemia

The Group supported China Health Promotion Foundation to hold Velphoro "Wishing Drift Bottle Activity for Patients with kidney diseases" and give a series of academic public lectures related to "hyperphosphatemia management" , to enhance the awareness and attention of patients with kidney diseases to hyperphosphatemia.

Public lectures on psoriasis

The Group launched a special column named "Talking About Psoriasis Together" , inviting multiple experts in the psoriasis field to discuss the current hot topics in the treatment of psoriasis with biological agents and to provide knowledge popularization about the daily management of psoriasis. During the Reporting Period, the Group has produced 10 expert interview videos about psoriasis, to provide patients with diagnosis, treatment and care advices on psoriasis based on the professionals' knowledge, thereby improving patients' life quality.

In addition, the Group launched a disease knowledge popularization column "CMS Sees" on its Wechat official account to further promote the popularization of disease knowledge. During the Reporting Period, the Group published 5 articles on its Wechat official account to disseminate the knowledge of diseases related to psoriasis, arthritis, epilepsy, vitiligo, and macular degeneration to the public in an easy-to-understand format.

Southeast Asian Market

The Group is gradually expanding its business from China to emerging markets such as Southeast Asia. Focusing on the unmet clinical needs in the region, the Group has established a Southeast Asia business, Rxilient Health, to develop high-quality and relatively affordable products with differentiated advantages. Rxilient Health is steadily promoting the construction of its systematic platform covering "Drug Introduction, Development, and Promotion" .

Rxilient Health is headquartered in Singapore and has branch offices in Malaysia, Vietnam, the Philippines, Indonesia and Thailand, and employs local talents to run the business, providing employment opportunities and positions for local people.

The Group also actively promotes the re-education of local healthcare professionals in Southeast Asia. During the Reporting Period, Rxilient Health has organized or joined, in the Philippines, Thailand, and Malaysia, interactive exchanges and academic activities that were held for healthcare professionals, to discuss cutting-edge medical technologies and outstanding clinical practices, which empowered local healthcare professionals to build up their professional competence and treatment capabilities.

Meanwhile, the Group is committed to eliminating health disparities for residents in underdeveloped regions and bringing more quality and affordable pharmaceutical products to emerging markets such as Southeast Asia. The Group has quality products resources and actively licenses out products that meet the clinical needs in Southeast Asian market to Rxilient Health. Meanwhile, leveraging its rich industry resources, the Group supports Rxilient Health to reach collaborations with global pharmaceutical enterprises or biotech companies in Southeast Asia. As of the end of the Reporting Period, Rxilient Health has established a diversified product matrix in Southeast Asia covering oncology, dermatology, central nervous system, gastroenterology, autoimmune, ophthalmology, and other disease fields. Several products including the innovative medical device, EyeOP1 Glaucoma Treatment Device, have successively been approved for marketing and entered commercialization in Southeast Asian countries. Rxilient Health actively promoted the marketing application and registration of several innovative pipeline products in Southeast Asian countries.

Moreover, Rxilient Health accelerated the progress of the Named Patient Program (NPP) for ruxolitinib cream in certain countries in Southeast Asia, which has already been implemented in Singapore, Malaysia and some other regions, allowing patients with vitiligo to get drug therapy earlier before the product is formally approved for marketing to shorten the waiting time for Southeast Asian patients to use international quality innovative drugs.

The Group attaches great importance to the accessibility of its products across different countries and regions and actively promotes equitable pricing policy. For products approved for marketing in the Southeast Asian market, the Group adopts fair and locally appropriate pricing strategies for different markets within and across countries based on the affordability of the products and by fully considering the levels of economic and industrial development of different countries. Our considerations include the local economic growth rate, income level per capita, medical system level, product manufacture and supply condition, medical insurance system, competitors' prices, etc. Meanwhile, the Group actively participates in local government bidding, striving to reduce the financial burden of medication for patients in developing countries and improve the accessibility of drugs.

To facilitate the rapid entry of global pharmaceutical enterprises into Southeast Asia and empower the more efficient internationalization of Chinese pharmaceutical enterprises, the Group completed the purchase of a Singapore manufacturing plant through its Singaporean joint venture. As the plant and site for the joint venture to carry out pharmaceutical formulation, finishing, and packaging business, the Singapore manufacturing plant is expected to accelerate the Group' s formulation CDMO business development in Singapore, improve the capabilities of pharmaceutical research, production and supply in the region, improve the level of local pharmaceutical industrialization to some degree, and enhance the accessibility of global quality products in emerging markets like Southeast Asia. In addition, the Group also supports suppliers to deliver their products directly to the Southeast Asian market, helping to improve the accessibility of quality drugs in Southeast Asia and benefiting more patients.

RELIABLE AND RESPONSIBLE CITIZEN

China Medical System always adheres to the principle of "Compliance First", carries out responsible business operations with high business ethics standards, constantly improves internal governance and operation efficiency, and is devoted to providing stakeholders with professional and high-quality products and services.

KEY TARGETS AND PROGRESS

	Targets for Year 2030:	Progress in Year 2024:
Adhering to high ethical standards in business operations	• Maintain 100% employee coverage of business ethics training every year.	• The Group provided all employees (including interns) with *Self-discipline Training* courses covering anti-bribery, conflict of interests, trade secrets, and whistleblowing management, etc., achieving 100% employee coverage. • The Group required all employees (including interns) to sign the *CMS Self-discipline Commitment.*
Providing high-quality products and services	• Continuously improve quality management in the entire process of product lifecycle.	• Product quality and safety training covered 85% employees (including interns). • The Group conducted internal and external audits related to the quality of products and services, and optimized the internal quality management system and measures accordingly. • The Group's manufacturing subsidiary obtained the GB/T 19001-2016/ISO 9001:2015 quality management system certification.

Adhering to High Ethical Standards in Business Operations

Business Ethics

CMS is convinced that compliance operations are of great significance to corporate sustainable development, adheres to high-standard business ethics, and resolutely resists various forms of improper and unethical business practices. On the basis of strict compliance with the laws and regulations of the People's Republic of China and other countries and regions where its business operations and investments are located, the Group strives to establish a scientific and effective risk identification and management system to comprehensively monitor, prevent and control risks related to compliance and business ethics that may occur in different operational segments, so as to ensure the sustainable and healthy development of the Group.

The Audit Department of the Group is responsible for conducting internal audits among the Group and its subsidiaries, including audits related to business ethics and anti-corruption. The Group's audit plan covers all of its operating entities and major business segments at least annually, and requires the inclusion of business ethics in audit focus areas. For issues identified in audits, the Audit Department of the Group will report to the executive directors as stipulated in the *CMS Internal Audit Policy*, determine the rectification measures, and dynamically track on the progress of corrective measures and rectification of the audited units. In case any issue involves corruption, fraud or other violations of business ethics, the Group will investigate and handle it according to the *CMS Anti-Fraud Code of Practice*.

Each year, the Group's annual audit plan, audit findings, risk alerts, improvement measures, and work progress will be reported to the Board of Directors. The Audit Committee under the Company's Board of Directors is responsible for assessing the work plans and results of internal and external audits, in order to ensure sufficient assistance to the Board in supervising and reviewing the effectiveness of the Group's risk management and internal control system and to timely identify significant risks that may affect the Group's operation. During the Reporting Period, the Board of Directors of the Company has assessed and reviewed the results of internal and external audits related to business ethics and anti-corruption, improvement measures and the work progress.

The Group continuously improves its risk control system, regulations, and work procedures to fully identify and control risks regarding antitrust, anti-unfair competition, anti-corruption/bribery, and business ethics. The Group has established the Management Committee and the Compliance Committee composed of the executive directors and mid-level and senior management to coordinate and supervise the Group's internal control, compliance and business ethics risk management and relevant issues, and systematically reviews compliance and business ethics risk management by regularly holding meetings of the Management Committee/the Compliance Committee each year. During the Reporting Period, the Group's Management Committee has reviewed the compliance regulations, and the plans and results of compliance special inspections and unannounced inspections, etc. Meanwhile, the Compliance Department of the Group regularly shared industry insights concerning compliance management and reported the potential risks in compliance management and the progress of internal control directly to the executive directors and senior management, to further strengthen the prevention and control of internal system risks.

Anti-corruption Management

Anti-corruption management is a core component of the Group's compliance management system. The Group has established an inter-departmental anti-corruption supervision system, supported by systematic management regulations and employee training mechanisms, to comprehensively improve its ability to prevent and control corruption risks within the Group.

During the Reporting Period, the Group did not report any concluded legal cases related to corrupt practices. In terms of prevention of bribery, extortion, fraud, and money laundering, the Group also did not violate any relevant laws and regulations that have a significant impact on the Group's business operations.

Regulations and Policies

The Group has established the *CMS Anti-Fraud Management Policy, CMS Internal Audit Policy, CMS Compliance Management Policy*, and other standards and regulations, which explicitly require all employees to refrain from engaging in any improper practices, such as bribery, corruption, fraud, extortion, money laundering, paying or accepting any form of facilitation fees within the Group or during interactions with stakeholders, including affiliated companies, media, governments, distributors, suppliers, customers, and medical personnel. Moreover, the Group explicitly prohibits employees from intentionally engaging in fraudulent or illegal activities to gain undue personal benefits at the expense of the Group's economic interests, or to seek undue economic benefits for the Group that may also result in undue personal benefits.

The Group evaluates and analyzes the latest laws, regulations and regulatory trends at least once a year, and assesses, reviews, and updates the internal regulations and policies related to anti-corruption and compliance management based on the review of historical work and risk control results. The relevant policies and regulations can only be issued and applied after the interdepartmental modification and review and the approval and sign-off by the executive directors. During the Reporting Period, the Group comprehensively reviewed and supplemented internal policy documents by benchmarking them against relevant laws, regulations as well as executive regulations that were newly issued in the year, and revised various standard operating procedures for compliance, to continuously reinforce the Company's control over compliance and business ethics.

Education and Training

The Group has established a training mechanism on business ethics and anti-corruption, which covers all employees (including the Board members, the management, and all employees), such as full-time and part-time employees, interns, and contractors. The Group places significant emphasis on business ethics and anti-corruption trainings for the Board members, and continuously enhances their awareness of compliance and capabilities to perform their duties. Additionally, the Group also supports directors to participate in various training programs organized by professional institutions. During the Reporting Period, the Group provided training on anti-corruption and business ethics to all members of the Board, which covered regulatory requirements for the industry, industry updates, the Group's compliance system and management strategy, directors' responsibilities, etc.

The Group also actively provides training and publicity related to anti-corruption and business ethics to all employees and has established a comprehensive training system. During the monthly meetings of the Management Committee/Compliance Committee, the Compliance Department of the Group provides training on anti-corruption and business ethics to the executive directors and mid-level and senior management team, and conveys the latest compliance requirements of the industry and the regulatory authorities. Since 2019, the Group has organized training and study on policies related to anti-corruption and business ethics for all employees for six consecutive years. The Group includes anti-corruption content into various regular employee training sessions, including those for new employees. It also includes compliance-related quizzes in training for promotion and sales staff, linking quiz results to team appraisals to enhance employee emphasis. Meanwhile, the Group distributes monthly compliance newsletters to all employees, provides policy interpretation and training, and produces online videos to explain policy revisions or updates. In addition, leveraging artificial intelligence technologies, the Group has embedded a compliance database in its internal digital platform and launched online compliance training courses, which cover relevant documentation and videos and have an intelligent Q&A function for all employees to access and learn compliance knowledge.

During the Reporting Period, the Group organized various trainings on anti-corruption and business ethics approximately 41 times, covering compliance policy interpretation, work regulations, and compliance Q&As and guidance, to embed compliance principles. The Group also provided self-discipline training to all employees and required them to pass quizzes, to ensure training effectiveness and foster an organisational culture of integrity and efficiency.

100% Employees (incl. interns)
Coverage of Business Ethics and Anti-corruption Training

Monitoring and Assessment

The Group has established a business ethics and anti-corruption monitoring system that covers all aspects of business operations. The Company's Board of Directors is responsible for overseeing the effectiveness of the compliance risk control procedures, as well as directing, supervising and approving the relevant work on anti-corruption and business ethics of the Group.

The Group has a well-established inter-departmental coordination system to comprehensively monitor and prevent anti-corruption risks, ensuring the effective implementation of all policies. During the Reporting Period, the Group further refined its internal boundaries of authorities and responsibilities, the authorization system, and performance controls. It also continuously reviewed management policies, regulations, and processes, while systematically optimized internal risk monitoring and assessment mechanisms.

The Process Control Department

The Process Control Department is responsible for establishing and enhancing the Group's process management system, and formulating the management framework and regulations for internal control processes;

The Compliance Department

The Compliance Department is responsible for maintaining and improving the Group's control systems, regulations, standards and working framework related to anti-unfair competition, anti-bribery, anti-corruption, and business ethics, monitoring the daily implementation and conducting closed-loop management, and executing effective review and oversight of compliance risks;

The Legal Department

The Legal Department is responsible for controlling the legal risks of each stage of the Group's operations;

The Finance and Accounting Department

The Finance and Accounting Department has developed financial management measures within the compliance framework to oversee the entire process from expense budgeting, reimbursement to expenditure, and in the meantime, leveraged the digital management system to strengthen the review and process control, enhancing the transparency of expenses and ensuring compliance of income and expenditure across all internal operation segments;

The Audit Department

As a keyline of defence for the Company's risk management, the Audit Department has established a risk management-oriented audit system, covering finance, internal control, operation management, information system, and fraud investigation across the Group;

The Audit Department conducts internal audits for all operating entities of the Group at least once a year, to identify and manage the compliance risks in operations. During the Reporting Period, the Audit Department conducted business ethics and anti-corruption audits for the Group and its subsidiaries, to identify and assess the risks in all business processes including operation, procurement, promotion, marketing, investment, etc., and continuously tracked the implementation of improvement measures.

13 Internal Audits Related to Business Ethics and Anti-corruption

Additionally, during the Reporting Period, the Group underwent regular annual compliance special audits conducted by international partners. Based on the internal and external audit results, the Group has continuously refined its internal audit plans and procedures, and further enhanced the Group's compliance management system to ensure the operational process is strictly adhere to the code of business ethics.

During the Reporting Period, no significant risks related to business ethics and anti-corruption were identified in the internal or external audits aforementioned.

If an employee is suspected of improper conduct in business activities, such as corruption, bribery, etc., following investigation and confirmation, the Group will issue a warning to the employee and impose appropriate disciplinary action according to the severity of the conduct. The punishment may impact the employee's promotion, and in severe cases, the employment relationship may be terminated. If the conduct constitutes a crime, the employee will be referred to the judicial authorities for criminal liability in accordance with the law. The Group has required all employees to study and sign the *CMS Self-discipline Commitment* for five consecutive years to reinforce their awareness of improper commercial conduct.

Abstract of the *CMS Self-discipline Commitment*

Employee's commitment:

- Strictly abiding by the provisions related to incorruptibility and self-discipline
- Properly exercising authority and not using it to gain undue benefits for oneself or any specific related person
- Not embezzling or occupying the resources of the Group, or leveraging own authority to influence or interfere with the Group's business
- Resolutely resisting commercial bribery, not accepting any bribes from any affiliated entities or suppliers
- Not offering bribes or soliciting bribes from any business-related personnel

Responsible Marketing

The Group always adheres to high-standard business ethics to practise responsible marketing, and conducts promotion, marketing, and interactions with healthcare professionals and medical institutions in a legal and compliant, objective, scientific and professional manner. The Group has formed a set of comprehensive and consistent control mechanism for responsible marketing, which realizes the whole-process control covering "pre-event, in-event, and post-event" stages of marketing and promotion activities through regulation and policy formulation, education and training, monitoring and assessment, communication, and complaints/appeals.

During the Reporting Period, there were no litigation cases against the Group regarding providing overstated/misleading information of promotion or cheating consumers.

Regulations and Policies

On the basis of strictly abiding by the laws related to compliant promotion in each place of business operation, the Group has established comprehensive internal management systems and policies to regulate and guide the entire process of marketing and promotion activities. The Group has formulated documents such as the *CMS Compliance Management Policy*, the *CMS Responsible Marketing Policy*, etc., which are applicable to all employees (including the Board members, the management, and all employees) of the Group and its subsidiaries, such as the full-time and part-time employees, interns, as well as contractors, to explicitly prohibit any marketing and promotion with exaggerated, deceptive, false and misleading content or using commercial bribery or other illegal means.

To guarantee that the marketing and promotion activities are conducted for the purpose of demonstrating the product efficacy objectively, precisely and truthfully, all forms of marketing and promotion activities, contents, and materials of the Group are subject to stringent internal review and approval before use, so as to ensure the product information for promotion is consistent with the information required by laws and regulations and approved by national regulatory authorities. The Group files qualified academic promotion materials with unified serial numbers, and uploads the filed materials to a database for use in marketing and promotion activities. The Group also requires that all advertisements and promotions of prescription drugs are subject to application for advertisement approval from relevant government departments, which can only be published in the professional publications jointly designated by the Ministry of Health and the National Medical Products Administration (NMPA) after approval is granted.

Education and Training

To ensure that the employees fully understand the compliance requirements in academic promotion, marketing, and advertising, the Group has established a comprehensive education and training system for responsible marketing, and has continually provided all employees with training on responsible marketing and compliance policies. The Group has set up compliance teams comprising regional managers and dedicated compliance specialists in each sales region to improve the efficiency of responsible marketing management and control.

17 Times
Responsible Marketing Related Trainings

100%
Promotion Business Employees Coverage of Responsible Marketing Related Trainings

During the Reporting Period, the Group's education and training activities related to responsible marketing included but were not limited to:

- Organizing monthly induction training and quiz for new employees in marketing and promotion business, with the participation rate and pass rate of the quiz linked to the annual performance of the regional compliance team;
- Holding monthly communication meetings with the promotion team, presenting and elaborating the latest control requirements and implementation status of responsible marketing;
- Providing knowledge training of all products to all employees in marketing and promotion business, to ensure that employees can convey compliant and accurate product information in the marketing process;
- Publishing and interpreting the latest industry compliance policies on the internal digital communication platform on a monthly basis, to facilitate the management and employees to learn about the updates of responsible marketing;
- Timely providing on-line training to all employees in case of updates on internal responsible marketing regulations or policies, and requiring all employees in marketing and promotion business to participate in the training and pass the relevant quiz;
- Setting the "I want to ask a compliance question" column to provide a convenient and timely channel for employees to ask questions about responsible marketing; the Compliance Department will reply within one week upon receipt of the relevant enquiries;
- Uploading on-line training courses and videos related to responsible marketing to the internal employee training platform, and opening the intelligent Q&A platform, to provide employees with a convenient channel to gain responsible marketing knowledge and acquire real-time answers to relevant questions.

Monitoring and Assessment

The Group has established a comprehensive monitoring and assessment mechanism for responsible marketing, whereby the Operation Management Department of the Group's Operation Management Centre directly carries out systematic planning, control and early warning of operation objectives, product strategies and business progress of each operation responsibility centre of the Group. Meanwhile, the Compliance Department of the Group takes the lead in overseeing the implementation of responsible marketing, rigorously reviews activity plans, and performs unannounced inspections with random sampling in the course of marketing and promotion activities. In addition, the Group has established stringent requirements for the application, payment, and reimbursement of expenses for promotion activities. The Compliance Department, the Finance and Accounting Department and the Legal Department collaborate together in the verification of contracts, on-site photographs, invoices, and other vouchers related to the activities, so as to examine the compliance of the marketing and promotion activities from the source. After the completion of the marketing and promotion activities, the Compliance Department of the Group formulates the monthly analysis, examination and assessment report based on the monthly routine monitoring, special inspection and the compliance performance assessment, and reports to the executive directors.

Each year, the Audit Department of the Group reinforces the monitoring of responsible marketing by auditing the compliance, authenticity and integrity of marketing and promotion expenses of all operation responsibility centres and subsidiaries in marketing and promotion business. Besides, the Group regularly engages third-party institutions to conduct extra special audits and issue audit reports on an annual basis, to ensure that the Group continues to operate with high-standard compliance requirements.

During the Reporting Period, no significant risks related to responsible marketing practices were identified within the Group according to the related unannounced inspections and audits.

In addition, the Group conducts monthly assessments on compliance and responsible marketing of employees in marketing and promotion business, and the assessment results are incorporated into the overall performance assessment of these employees and are linked to their performance bonuses and promotions. In case an employee is proven to have non-compliant behaviour, it may affect the employee's bonus and result in a warning sanction which may affect his/her promotion, or in serious cases, the employee may be dismissed. To reflect the Group's intention that compliance and responsible marketing related assessments are educational rather than punitive, amounts deducted due to compliance issues will be transferred to the bonus pool to award compliance outperformers, and therefore to motivate all employees to align with positive behaviours. Besides, if the employees have any concerns about the assessment results, they could make appeals through the employee grievance mechanism of the Group, or submit the assessment results to the Compliance Committee for review.

Whistleblowing Management

The Group prioritises oversight and investigation of any conduct that potentially breaches business ethics and compliance operation standards. It has established a sound whistleblowing system, and specified whistleblowing channels, handling process, whistleblower protection provisions, etc., in *CMS Anti-Fraud Management Policy* to ensure that all whistleblowing cases are duly handled. The Group encourages all employees, partners, customers, suppliers, and other stakeholders to monitor and report any suspected illegal and improper business practices of our employees.

Whistleblowing Channels

- Telephone: 0755-82416868 ext. Compliance Department
- Email: compliance@cms.net.cn
- Official website: www.cms.net.cn
- Internal communication platform: "Employee Voice" Platform
- WeChat Official Account: CMS00867
- Address: Compliance Department of CMS, 6F-8F, Block B, Majialong Chuangxin Building, 198 Daxin Road, Nanshan District, Shenzhen, Guangdong Province, 518052

Whistleblowing Process

The Group accepts whistleblowing submissions from a variety of channels, both in real name and anonymously, and has established a systematic process for whistleblowing handling, which can be submitted to the Audit Committee under the Board of Directors for review as requested by the whistleblower.

Acceptance ▶ Carry out detailed acceptance registration, and keep proper records of the whistleblowing materials and evidence.

Handling ▶ After whistleblowing is accepted, the content of the whistleblowing and information will be verified and evaluated. If the whistleblowing content satisfies the criteria for investigation, investigations will be arranged according to the position of the person being reported, and the investigation results will be recorded. Based on the principle of avoidance, the person being reported shall not participate in the antifraud investigation against him/her as an investigator. If the person being reported is a member of senior management, the Board of Directors will directly designate a department/person or set up an investigation team to conduct the investigation. After verification, the investigation records will be submitted to the management or the Board of Directors of the Group for review. The whistleblowing case will be handled strictly in accordance with the evaluation results, and will be announced within the Group.

Result Notification	Within 3 working days after the completion of the case, the handling department will proactively provide feedback to the whistleblower orally or in writing, or in other proper forms. The whistleblower has the right to enquire about the handling progress of the whistleblowing and the handling personnel shall reply in a timely manner.
Archive Management	Anti-fraud personnel shall keep all the documents related to the acceptance, registration, investigation and reporting of the whistleblowing in a secure manner. After the end of the whistleblowing examination or investigation, the relevant whistleblowing materials shall be filed by the investigator in charge, and archived as confidential documents.
Remedial Measures	After the process is completed, remedial measures are taken in a timely manner to reassess the control of the affected business unit, with corresponding improvement measures implemented.

Whistleblower Protection

The Group is determined to protect the legitimate rights and interests of the whistleblowers and will take all reasonable measures to provide them with comprehensive protection. Anonymous whistleblowings are accepted, and the whistleblower' s personal information and reporting materials will be kept confidential. The whistleblower' s identity will not be disclosed without the whistleblower' s consent.

In the case that any handling personnel intentionally disclose the whistleblower' s information or the whistleblowing content, or take a negative and negligent attitude towards the reported matter, or fail to respond to the whistleblower' s reasonable request for protection when the whistleblower is concerned about retaliation or unfair treatment, the whistleblower may directly report that to the Board of Directors. The Group will take disciplinary action against the relevant personnel in accordance with the seriousness of the violation. In addition, the Group strictly prohibits any form of harassment, harm and retaliation against the whistleblower, and such actions will be dealt with severely once confirmed and verified.

Privacy Protection and Information Security

The Group is keenly aware of the value of information security to the development of this era and regards information security and privacy protection as an important foundation for stable operation. The Group strictly complies with the *Personal Information Protection Law of the People's Republic of China, the Civil Code of the People's Republic of China* and other related laws and regulations as well as contracts. The Group has formulated the *CMS Rules on Data Access Management*, the *CMS Regulations on Data Security Management*, the *CMS Regulations on Personal Information Protection*, and other rules and regulations to standardize the management of internal and third-party data at the system and regulation level. The Group also requires all employees to maintain strict confidentiality of the private information of customers and encourages employees to prevent, stop, and report all the related violations.

The Board of Directors of the Company is responsible for monitoring the management and implementation of privacy protection and information security of the Group, including the latest work progress, audit results, risk identification and improvement. During the Reporting Period, the ESG Committee under the Board of Directors of the Company has reviewed the work of the Group related to privacy protection and information security. The Group has appointed the head of the IT Department as the person in charge of cybersecurity at the Group level and the IT Department of the Group is responsible for building, maintaining, and implementing the information security management system, and steadily improving regulations on information security management and data access management, to ensure the daily implementation of information security work.

The Group has also continually improved its systematic control over privacy protection and information security and boosted external certification step by step. During the Reporting Period, the Group conducted an evaluation on classified protection of cybersecurity for its official website and obtained the Cybersecurity Classified Protection Level 3 certification of China in December 2024. The Group will continuously improve its privacy protection and information security management system by gradually referring to the ISO 27001 standard for information security management systems.

The Group has taken a series of preventive measures to protect the information security and privacy data of employees, customers, and other stakeholders. Internally, the Group has adopted internal document separation, document encryption, and other methods, and established a review, approval and authorisation regulation and an operating mechanism for access to customer information, which specified that the employees are required to inquire and maintain personal and customer data with authorization, and unauthorized employees are not permitted to access, export or copy any customer information. Meanwhile, the Group regularly inspects the information system access, including but not limited to the authorization mechanism, process, user access, access scope conformation for in-service employees, and access clearance for departing employees. During the Reporting Period, the Group conducted annual information system access inspection for internal office systems and other platforms to ensure the rationality of access setting and security of the relevant data. Additionally, the Group signed confidentiality agreements with employees to convey and emphasize the importance of confidentiality duties and the legal consequences of violations, to further enhance employees' awareness of confidentiality. Externally, for suppliers who may have access to private information of consumers, the Group strictly restrains suppliers' behaviour related to privacy protection through signing contracts and agreements, to protect customers' rights related to privacy and personal information. During the Reporting Period, the Group commenced audits on information security for third-party logistics service suppliers and pharmacovigilance business system suppliers, to comprehensively assess their information security management process standardisation, data access management, cybersecurity, information-based management, hardware configuration, etc., so as to ensure that the suppliers meet the Group' s high requirements on information security and privacy protection.

The Group regularly conducts internal and external information security inspections and information security audits, actively conducts self-inspections on information security risk points. The Group has set firewall cybersecurity systems and has completed the deployment of several information security risk alert systems, which provide real-time detection and effective alerts for network anomalies, data backups, and equipment anomalies, etc. During the Reporting Period, the Group has completed the self-inspection on information security risks and the special internal IT audit. In addition, since 2021, the Group has introduced a third-party professional institution to conduct information security audits annually, to help the Group identify the information security and privacy protection risks through information security vulnerability scanning and information asset security verification. To ensure audit quality and effectiveness, the Group conducted a comprehensive assessment of the qualifications of the institution, including technical team, external qualification, and market rankings, etc. Moreover, during the Reporting Period, the Group received 3 information security audits from upstream partners. Based on the results of internal and external audits and reviews, the Group timely formulated the corresponding preventive measures, and implemented targeted upgrading for the information security protection system to sufficiently prevent and resist the relevant risks.

In response to information security emergencies, the Group has continuously improved the privacy protection and information security emergency response mechanism, and has established the *CMS Emergency Plan for Information Security Incidents* and other management regulations to standardise the handling process when a data security incident occurs. The Group has also established and improved its accountability regulation and its coordination and management mechanism. In addition, the Group is required to conduct targeted emergency drills at least once a year to continuously enhance its ability to control internal risks, and to ensure that rapid response can be made and the impact on business continuity can be minimised when a failure occurs. During the Reporting Period, the Group conducted two data system disaster recovery drills, which simulated a sudden failure occurred in the business system and other emergencies and activated the disaster recovery system to realise business system recovery.

The Group values the building of the information security culture and has publicised and promoted the awareness of information security in daily operations. Since 2019, the Group has provided all employees with yearly training regarding privacy protection and information security, together with information security knowledge quizzes, to help employees deepen their understanding and enhance their ability to prevent and respond to information security incidents. In addition, information security training is also a key part of the induction training for new employees. During the Reporting Period, the Group has provided all employees with training regarding the awareness of information security, data compliance, and privacy confidentiality. Other than regular training, the Group also sends monthly reports on information security to all employees to share the latest information security practices and status of the Group, and publicises and popularises knowledge about the ISO 27001 standard and laws and regulations on personal information protection and confidentiality.

100% Employees (incl. interns)
Coverage of Privacy Protection and Information Security Training

The Group also actively organizes specialized training for information security related technicians. During the Reporting Period, the Group organized trainings on system development and other professional skills for the employees of the IT Department.

Intellectual Property Protection

The Group regards intellectual property rights as its important assets and has promised to respect trademarks, patents, copyrights, trade secrets, and other intellectual property rights. The Group has formulated the *CMS Intellectual Property Management Policy* to regulate the daily maintenance, risk identification, dispute settlement and other work related to intellectual property rights, and clearly stipulated that all employees of the Group should take effective measures or ask the Legal Department for assistance to actively identify, assess, and avoid potential intellectual property risks. In addition, the Group also expressly forbids employees to disclose corporate trade or technical confidential information in the *CMS Anti-Fraud Code of Practice*, to continuously raise their awareness of intellectual property protection through regulation implementation.

The Group's intellectual property management permeates through key operation processes such as product investment, development, registration, promotion, and sales, etc. The Group has established and continuously improved its internal database for intellectual property documents, covering trademarks, patents, copyrights, etc., which provides a basis for the management and maintenance of intellectual properties. With the matched mechanism for legal risk control, the Group realizes systematic management of intellectual properties.

The Group resolutely safeguards its intellectual property rights and includes them in the internal control system. If any suspected infringement on intellectual property is detected, the Legal Department of the Group will protect the Group's legitimate rights and interests through administrative and judicial approaches as appropriate, and will record the process of defence. In addition, the Group incorporates intellectual property management into the scope of internal control audits, regularly assesses and identifies the risk points in the acquisition, maintenance and renewal of intellectual properties on a yearly basis, and optimizes the management measures accordingly.

To improve employees' awareness and ability of intellectual property rights protection, the Group has continuously carried out training on intellectual property rights. During the Reporting Period, the Group provided all employees with training on the protection of trade or technical confidential information. Both the training coverage and appraisal pass rate of employees reached 100%. Meanwhile, for employees holding posts related to intellectual property rights protection, the Group engaged external experts to provide customized training courses related to intellectual property rights in pharmaceutical industry, whose topics cover patent protection for drugs, going-out strategy for patents, protection of technical confidential information, etc., to improve their professional skills related to intellectual property rights in pharmaceutical industry.

While protecting its own intellectual property rights, the Group respects and safeguards the interests of all owners of intellectual property rights related to the Group's business, and strictly complies with relevant laws and regulations, to avoid infringing on the intellectual property rights of others. The Group has opened multiple channels of whistleblowing to the public and if any infringement is found, whistleblowing can be submitted via email, telephone, and official website, etc.

During the Reporting Period, the Group had no significant intellectual property infringement litigation.

Providing High-quality Products and Services

Product Liability

CMS quality policy

All employees, Comprehensively, Whole process, Continuous improvement

The Group adheres to the mission of "offering competitive products and services to meet unmet medical needs" , and attaches great importance to product responsibility and ensure the provision of high-standard products and services with a comprehensive quality management system. The Group strictly abides by applicable national and local laws and regulations regarding product and service quality, product insert sheets and labels, product complaints, pharmacovigilance, product recall, etc.

The Group has established a quality management system that covers the entire process from clinical research and development, registration and evaluation, manufacturing management, marketing application, and post-market surveillance. The Group also leverages the digital drug traceability and pharmacovigilance system throughout the product life cycle to comprehensively control the risks related to product quality and safety. In addition, the Group continuously improves its quality assurance system through regular self-inspection and external monitoring, including product lifecycle quality risk identification and control, safety review, complaint management, product recall, change administration, deviation management and correction, prevention management, and supplier management, etc.

During the Reporting Period, the Group did not violate any applicable laws or provisions that would significantly impact the Group in product quality and safety, pharmacovigilance, product recall, insert sheets and labels management, etc.

Moreover, the Group provides regular trainings on product quality and safety management for employees involved in drug R&D, registration, production, sales and promotion, and the contents include but are not limited to interpretation of relevant laws and regulations, improvement of professional knowledge and skills, as well as learning of quality management system related documents, etc., to enhance employees' awareness of quality risk.

~85% Employees (incl. interns) Coverage of Product Quality and Safety Related Trainings

R&D Quality Management

The Group has established a quality control system for research and development, covering clinical trial, quality assurance and pharmacovigilance. On the basis of strict compliance with relevant national laws and regulations, the Group has continuously improved its internal product research and development quality management system and standard workflow as guided by industry standards such as the Good Clinical Practice ("GCP"). Meanwhile, the Group has formulated the *CMS Management Standards for Compliance in Clinical Research*, which regulates the work related to clinical research in the Group, including clinical operation, quality assurance, medical strategy, and pharmacovigilance.

The Group has established a Medical Department to carry out strict quality control over the entire process of product research and development, which covers product evaluation, trial design, clinical operation, statistical analysis of trial data, and archive management for clinical reports. Taking into account the type and complexity of clinical trials, the Group develops audit plans for the corresponding projects through prospective risk assessments and performs inspections at different stages of clinical trials, so as to dynamically identify potential risks and implement timely rectification, and to ensure that various clinical trials fully comply with the requirements of national regulations and industry norms. Moreover, the Group has engaged experts in quality, medicine, and medication safety fields as consultants to review and check the construction of its internal quality system and actively conducted targeted improvements to enhance the effectiveness of quality control over product research and development.

The Group values the protection of rights and interests of clinical trial subjects. All human clinical trials of the Group are conducted after obtaining approvals from the drug administration authorities and are passed ethical reviews as required by laws, following the ethical principles in the *Declaration of Helsinki*. Before participating in a clinical trial, all subjects are required to sign the *Informed Consent Form of Subjects*, which clearly stipulates that they shall have the right to be informed and the freedom to choose, and that they can refuse or withdraw from the clinical trial at any time, thereby protecting their rights and interests.

To further improve the management efficiency of clinical projects and ability in internal clinical inspections, the Group has actively organized employees holding the relevant posts to attend external trainings related to various clinical research projects, regular internal trainings on clinical research process, specialized trainings, etc. During the Reporting Period, the Group has organized the relevant employees to complete the GCP training and attend the trainings held by external specialized associations about the projects management of clinical research. The relevant employees have completed the appraisal.

In addition, the Group also comprehensively reviews its ability in internal clinical inspections and potential risks through the combination of departments' self-inspections and the Group' s internal audits. The Medical Department of the Group carries out regular self-inspection on all ongoing clinical trials on a yearly basis. Meanwhile, the Group also conducts internal audits on clinical research projects, covering research documents, process, and safety risks, etc., and continuously enhances its ability to prevent and control quality risks in research and development process based on the audit results. In addition, the Group also accepts external inspections from cooperative partners on the Group' s research and development quality management system and the implementation of product clinical trials.

During the Reporting Period, the Group has completed 8 internal audits and 11 external inspections on the quality of clinical trial. No significant quality risks in research and development and no serious deficiencies were noted in the relevant internal audits and external inspections.

Product and Service Quality Management

The drug products promoted and sold by the Group are mainly produced by original manufacturers (suppliers) located in China, Germany, Denmark, the United Kingdom and France, in which the manufacturers are in strict compliance with the production quality management regulations of the countries where the drugs are produced and have high quality standards. A small portion of the products are self-produced (during the Reporting Period, the sales contribution from self-produced products only accounted for around 0.8% of the Group's turnover in the case that all medicines were directly sold by the Group). All drugs promoted and sold by the Group have been registered and approved by relevant drug administration authorities (e.g., China NMPA).

The Group's manufacturing subsidiary has complied with the *Good Manufacture Practice of Pharmaceutical Products* ("GMP"), and has obtained the certificate for their quality management systems, which comply with the GB/T 19001-2016/ISO 9001:2015 standard. Meanwhile, the Group's subsidiaries involved in business operations have all complied with the *Good Supply Practice of Pharmaceutical Products* ("GSP"). The Group strictly complied with relevant regulations regarding drug promotion and sales and manufacturing.

To continuously optimize the construction of the Group's quality management system, the Quality Management Department conducts yearly overall review on the management system documents based on the relevant latest laws and regulations. When necessary, specialized departments will organize the relevant departments to revise the system documents. To further ensure the effective communication and feedback on quality-related information at the Group level, the Group formulated the *CMS Management Provisions on the Direct Reporting of Quality Information* to refine the duties and authorities of business departments and subsidiaries in the Group's quality management system and clarify the standard procedures for quality information reporting, so as to minimize quality-related risks.

In accordance with the *Regulations on Internal Audit of Quality Management System* and the *Operating Procedures for Internal Audit of Quality Management System*, the Group designates the Quality Management Department of subsidiaries involved in drug promotion and sales business as well as manufacturing to organize comprehensive internal audits of each department on a yearly basis, to prevent, identify, control, and mitigate risks. In the case of significant changes to the quality system, special audits are organized and deficiencies are timely rectified. During the Reporting Period, the Group has completed 10 special audits and 15 annual audits on quality management among the promotion and sales-related departments, as well as 5 self-inspections towards manufacturing-related departments on the production quality management system, to ensure that the quality assurance and risk control procedures of the Group are effectively implemented. Moreover, the Group has formulated corresponding corrective and preventive measures to address the relevant issues, and the correction has been successfully completed as planned.

Meanwhile, the Group actively responds to supervisory inspections from external regulatory authorities. During the Reporting Period, the Group has accepted and successfully passed 10 supervisory inspections from drug administration authorities, concerning the quality management of drug promotion and sales as well as manufacturing. Neither major risks nor severe defects concerning product quality have been found inside the Group.

Product Quality and Safety Management

Quality and safety management of self-produced products

For the self-produced products, the Group's manufacturing subsidiary has established a quality control system covering material supply, product manufacturing, outgoing quality inspection, product launch and recall, and other core operational aspects.

In terms of raw material supply, the Group has established a comprehensive internal management system covering supplier assessment, selection, continuous monitoring, updates, etc. The Group has established a list of qualified suppliers for raw materials, and categorizes the qualified suppliers according to the importance of the materials supplied. Meanwhile, the Group pays close attention to the key material suppliers who have significant impacts on drug quality and medication safety, and conducts on-site inspections and quality audits among these key suppliers on a yearly basis. The Group also evaluates the material quality of the suppliers in the previous year, and updates the list of qualified suppliers based on the results. The Group prioritizes the materials provided by qualified suppliers with high comprehensive scores, to control the quality of self-produced products from the source. In addition, for incoming materials, the Group conducts strict incoming inspection by checking the appearance of products and verifying product-related information, etc. The Group also conducts sampling inspection according to *Sampling Management Procedures,* and releases the materials for production after they are accepted as qualified, with a traceable material information database to further standardize the material control process.

During the product manufacturing process, the Group regularly checks the status of production equipment, strictly records the production parameters and the operation process, and assigns dedicated personnel to monitor the entire manufacturing process. For finished products, the Group inspects each batch of products to ensure the products are qualified and well-packed before entering the market. For specific products, samples are taken in strict accordance with national standards to test stability before delivery, to ensure that product quality aligns with national pharmaceutical standards. Moreover, the Group actively provides employees involved in manufacturing business with diversified training programs. During the Reporting Period, the Group's manufacturing subsidiary provided the relevant trainings to employees according to the annual training plans, which cover the GMP, the quality policy and goal, correction and prevention, and other aspects, to enhance employees' ability in duty performance.

The Group regards production quality as one of the factors in evaluating the operation targets of production-related departments and conducts quality target assessment at least once a year. Led by the Quality Management Department, a Quality Management Team composed of heads of each production-related department, has been organized to inspect the achievement of quality objectives of each entity. Meanwhile, the Group has established the *Quality Policy, Target, and Plan Management Regulations*, which explicitly includes the product qualification rate, the evaluation score for production equipment maintenance, and the quality training completion rate into the annual performance assessment of employees, so as to strengthen the internal awareness of product quality.

Additionally, the Group has formulated the *Product Quality Review and Analysis Management Procedure*, which requires to summarize and analyze all data related to production and quality inspection within a specific time frame and to review the product quality management practices annually, including but not limited to quality training, deviation analysis, product return and recall, complaints and adverse drug reaction reports, etc. Through annual reviews of product quality, the Group constantly reviews the internal product quality control system to rectify and prevent potential issues and risks accordingly. During the Reporting Period, the Group has completed the quality review and analysis for last year's self-produced products and confirmed that the key technological parameters of various products were within the qualified scope and the product quality satisfied the standards.

Quality and Safety Management of Finished Products

The Group emphasises quality management of finished products, and conducts stringent inspections on finished products in strict accordance with national product standards or product quality standards approved by the NMPA. For imported drug products, the Group strictly follows the requirements of national laws and regulations and undergoes stringent inspections by the Institute for Food and Drug Control, including the first batch of imported drugs, biological products, products after standard change or manufacturing process alteration, and when deemed necessary by the Group, the Import Inspection Report shall be issued as well. Upon the arrival of the imported and domestic drug products, the Quality Management Department of the corresponding subsidiaries in drug operation business of the Group will conduct batch-by-batch inspections as per GSP requirements, and verify the product inspection reports. In case of any product quality issues, the Group will process in accordance with the Unqualified Product Management Procedure and send the written reports and relevant evidence to the suppliers in a timely manner. The unqualified products will be transferred to the "unqualified zone" and returned to the suppliers, or applied for disposal or destruction if necessary.

To safeguard the safety and stability of marketed drugs' quality, the Group regularly conducts post-market evaluations on the safety, efficacy and quality controllability of marketed drugs, and continuously carries out risk assessment and control of drugs. Furthermore, the Group has established a product quality review mechanism whereby the Quality Management Department of relevant responsible subsidiaries of the Group conducts an annual review of the quality safety and supply stability of historical product acceptance, forming an *Annual Product Inbound Quality Review Form*, which shall be reviewed and approved by the head of the Quality Management Department and then filed for management.

Warehousing and Storage of Products

The Group attaches great importance to the warehousing and storage safety of products, and has formulated *Regulations on Drug Storage* and *Regulations on Warehouse Handling Area Working Safety Management* to ensure that staff on duty understand their responsibilities and work content, and are clear about the warehousing process and handling requirements. The Group has also formulated *Regulations on Warehouse Hygiene, Regulations on Inspection, Maintenance and Servicing of Equipment and Facilities* and *Regulations on Drug Maintenance* to give comprehensive guidance on fire safety management, hygiene conditions, equipment maintenance and drug maintenance of warehouses.

In terms of warehouse management, the Group assigns maintenance personnel in the warehouse to have real-time monitoring of the condition of equipment and drugs stored in the warehouse in accordance with GSP and management system as well as operating procedures, regularly inspect and maintain facilities and equipment, and quarterly summarize and analyze the drug storage and warehousing status.

The Group is also highly aware of the storage and transportation safety of drugs under special control to ensure legal operation and safe management. The Group has formulated regulations on safety management of Diazepam Nasal Spray, which is a psychotropic drug of category II and was approved for marketing in 2023, and has set up separate warehouses for special drugs, with monitoring equipment installed and alarm devices connected to the public security system, in order to enhance the quality and safety management of drugs. For products that require refrigeration, the Group has set up independent refrigeration warehouses managed by designated personnel, equipped with essential hardware facilities, a round-the-clock automatic temperature and humidity monitoring systems, etc., as well as emergency generators and emergency management plans to safeguard the quality and safety of drugs.

Product Traceability Management

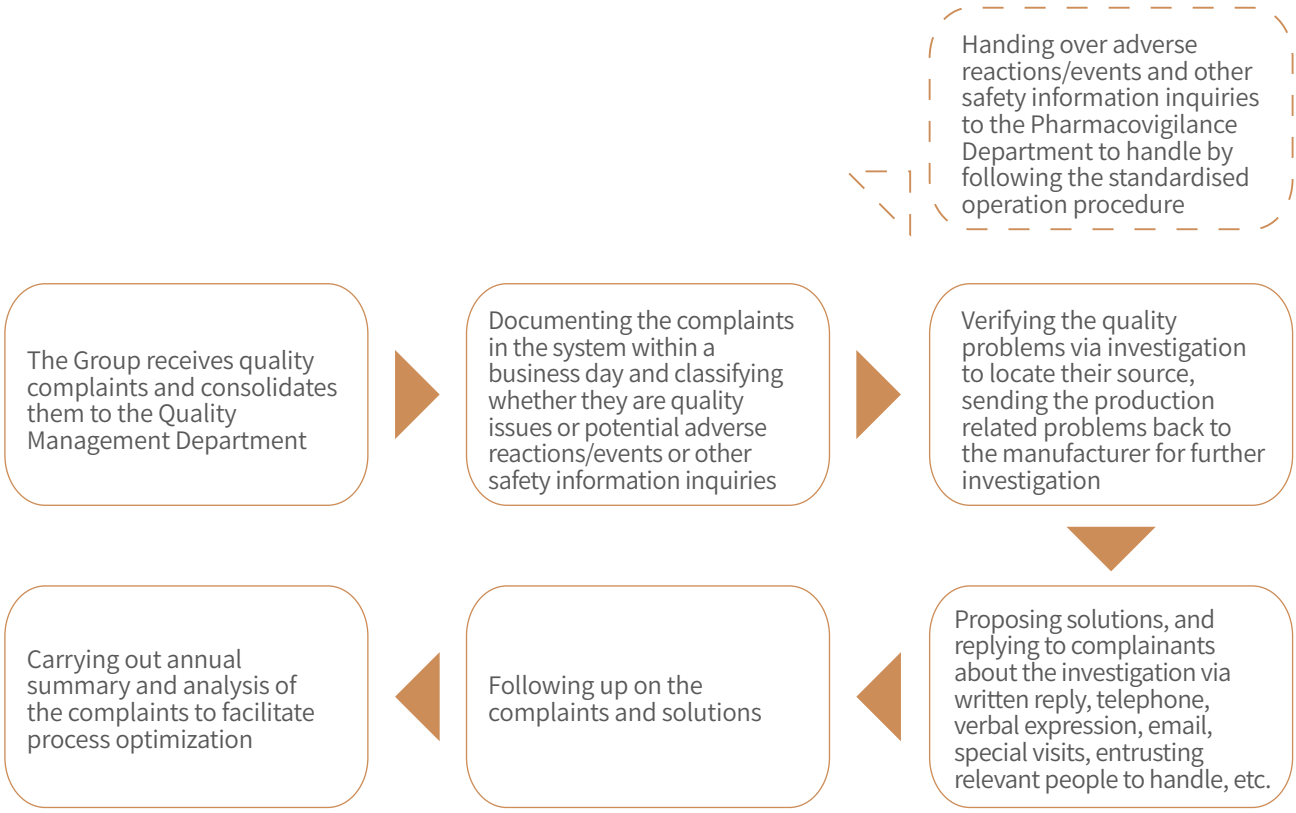
The Group has formulated *Drug Traceability Management Policy* and established a complete product information database within the digital system in compliance with GSP requirements utilizing the electronic traceability code. The electronic traceability code of a drug packaging box provides a unique traceable mark for the minimum saleable packaging unit, which realizes information-based traceability of the minimum saleable packaging unit of drugs, ensuring that the drugs can be "traced back to their origin and destination" and providing more effective and comprehensive quality control support for the procurement, storage, sale and transportation of the drugs. In addition, the Group has been enrolled in the "Mashangfangxin Platform" to share drug traceability information with its downstream customers.

Drug Insert Sheet and Label Management

The Group strictly abides by the laws and regulations such as *Provisions for Drug Insert Sheets and Labels* and has established relevant internal management policies and procedures such as *Procedure for Administration of Drafting/Alteration of Drug Insert Sheets and Labels* and *Procedure for Revision, Review, and Approval of Design Draft of Drug Insert Sheets and Labels*, so as to clearly define control requirements on drafting, altering, revising, reviewing and approving product insert sheets and labels. In the event of updates of laws and regulations related to drug insert sheets and labels, approval of drug marketing applications, re-registration and other changes related to drug insert sheets and labels, the Registration Management Department of the Group will take the lead in initiating the drafting or revision of drug insert sheets and labels, and submit applications for alteration to regulatory authorities after internal review and confirmation according to the procedures. Once the alteration application is approved by regulatory authorities, the Registration Management Department of the Group will revise and modify the product insert sheets and labels in accordance with the official approval documents. The revised product insert sheets and labels will be put into use after the review and approval from the head of the Registration Management Department and relevant partners.

Product Complaints Management

The Group has established a comprehensive customer complaint handling system, and has formed the *Regulations on Quality Complaints* and *Operating Procedures for Quality Complaints*, which specify the processes of receiving and handling customer complaints, communication and feedback, providing comprehensive guidance for efficient handling of after-sales complaints. The Group offers diverse customer complaining and reporting channels, including telephone, email, and official website, etc. Upon receipt of complaints on product quality, all departments and employees of the Group shall collect materials as many as possible, and forward the complaints to the Quality Management Department of the corresponding subsidiaries in time via internal communication methods. After receiving complaints, the Quality Management Department shall timely record relevant information into the system, and conduct investigation and evaluation, follow-up handling, timely feedback, subsequent tracking, archiving and documentation and other processing procedures.



Customer Complaint Handling System

100%

Response and Handling Rate for Product and Service Quality-Related Complaints

Pharmacovigilance and Product Recall

The Group places great emphasis on the medication safety of the public, with an aim to minimize associated risks through a stringent and effective pharmacovigilance (PV) management system. The Group continuously improves its PV system and product recall mechanism, and has established a comprehensive pre-marketing and post-marketing pharmacovigilance system and a complete product recall management system, operating procedures and handling plans in accordance with laws and regulations, industry guidelines and other requirements, and fully deploys and implements quality and safety assessment, risk identification and control throughout the product entire lifecycle from research and development to post-marketing medication.

Pharmacovigilance

The Group strictly adheres to *Good Pharmacovigilance Practice, Measures for Reporting and Monitoring of Adverse Drug Reactions* and other relevant national laws and regulations, and continuously improves its management system of pre-marketing and post-marketing pharmacovigilance, which includes the *Emergency Plan for Drug Safety Incidents, Operating Procedures for Cluster Adverse Drug Reaction Events*, and other regulations. The pharmacovigilance management system of the Group covers pharmacovigilance quality management, organization staffing and resource allocation, monitoring and reporting of adverse reaction information, risk identification and assessment control, record and data management, etc., to adequately monitor, identify, assess and control safety risks of products.

For products at the clinical development stage, the Group continuously monitors and identifies the safety risks throughout the entire research and development process of drugs and regularly prepares the *R&D Safety Update Report* every year to optimize the clinical drug safety risk prevention and management plan accordingly. In addition, for commercialized products, the Group prepares the P*eriodic Safety Update Report* and *Pharmacovigilance Plan* for each drug to analyze and prevent safety risks. The relevant subsidiaries of the Group have established Drug Safety Committees to oversee the pharmacovigilance of drugs on sale and the effectiveness of the safety risk control system, and to continuously identify, evaluate and control the drug safety risk in daily operation, and hold annual regular meetings of Drug Safety Committees.

During the Reporting Period, the Group carried out 4 internal audits on departments in relation to pharmacovigilance. Additionally, the Group has actively responded to the supervision and audit of the Group' s pharmacovigilance system from product suppliers. During the Reporting Period, the Group has received and successfully passed 5 external audits, and no significant risks or serious deficiencies related to pharmacovigilance were identified.

The Group has established compliant and smooth channels for the collection of information on product adverse events, including telephone, email, official website, and internal communication platform, etc, so that internal and external stakeholders can provide timely feedback to the Group and contact the relevant personnel in charge when problems arise during the use of drugs. In the meantime, the Group proactively accesses and collects information on suspected adverse drug reactions from the public's spontaneous reports, clinical applications, post-marketing clinical studies, academic literature, etc. to achieve effective monitoring of product safety information. Upon receipt of suspected adverse reactions/events and other safety information of the products, the pharmacovigilance-related departments of the Group will follow the *Operating Procedures for Drug Safety Report Handling* to collect information, conduct investigation, analysis, handling, evaluation and summarization on individual adverse reactions/events, timely and truthfully record the information via the digital pharmacovigilance system, and then report to the regulatory authorities within the time limit.

100%

Pass Rate of Reported Suspected Product Adverse Reactions/Events

The Group has developed the *Operating Procedures for Product Safety Event Handling Plan* to regulate and guide the emergency plan for drug safety incidents, with the monitoring, evaluation and identification of potential risks to adopt effective measures to handle and control the risks, in order to prevent the spread of hazards.

During the Reporting Period, the Group conducted emergency drills for drug safety incidents to simulate the whole handling and response process of cluster adverse drug events and/or major safety events, covering information acquisition, reporting, preliminary evaluation, risk assessment, establishment of emergency team, formulation of risk control measures, submission of investigation report, event summarization, etc.

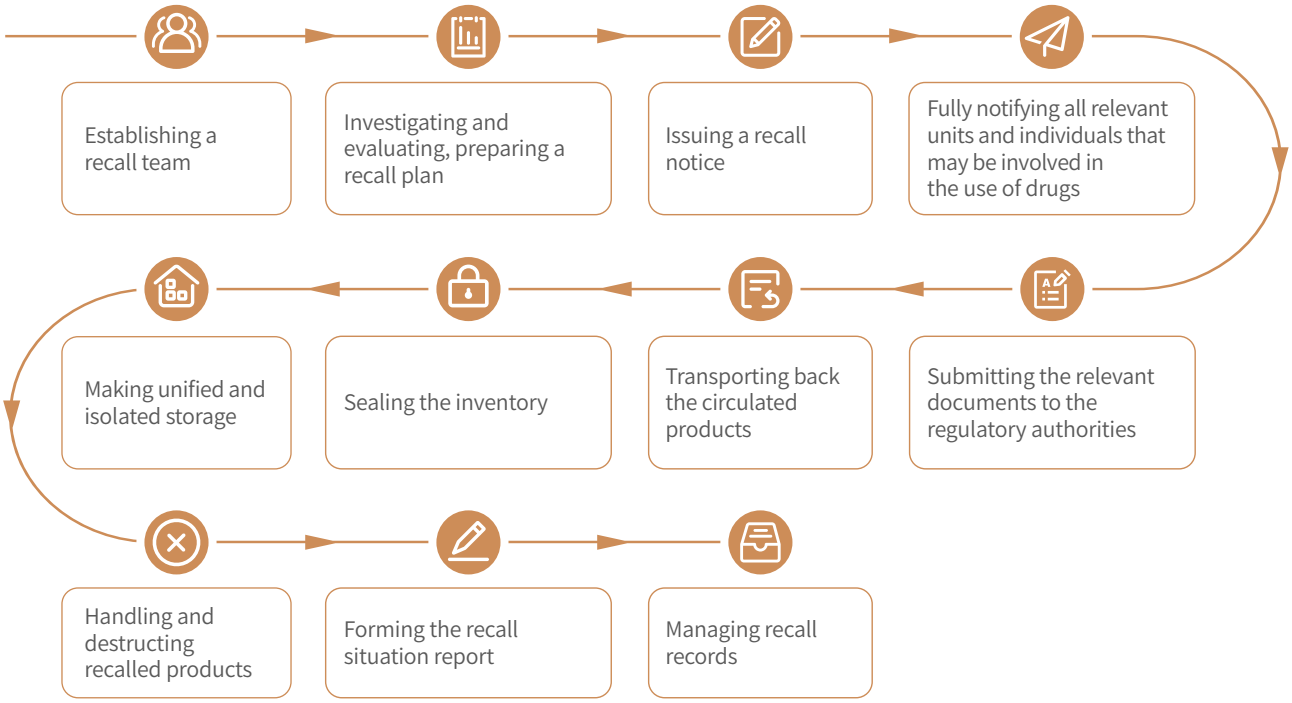
The Group actively promotes pharmacovigilance-related trainings, and has launched relevant courses such as *Training on Basic Knowledge of Pharmacovigilance* on CMS Academy. During the Reporting Period, the Group has conducted 6 pharmacovigilance-related trainings, covering 100% of the employees related to pharmacovigilance and sales and promotion of drugs, and the training content includes but is not limited to the interpretation of pharmacovigilance-related laws and regulations, the enhancement of position-related professional knowledge and the popularization of operation regulations for pharmacovigilance database, etc. In the meantime, the Group integrates pharmacovigilance-related knowledge into the new employee training to ensure that employees are able to collect and report information about adverse reactions when they are aware of such information.

Collection	Adverse reactions/events and other safety information are collected by a designated full-time employee of the Pharmacovigilance Department
Transmission	All employees shall report the relevant information to the Pharmacovigilance Department as per the principle of "immediate reporting in case of suspicion"; Reports obtained from other sources are handled in accordance with relevant processes and timelines
Investigation and Evaluation	The Pharmacovigilance Department is responsible for calling back, and assisting in follow-up investigation; If combined with quality complaints, submitting to the Quality Management Department for further handling; Activating an emergency plan in the event of a major safety incident; Assessing and evaluating relevant reports in a hierarchical manner in compliance with applicable laws and regulations
Reporting and Feedback	Submitting reports to domestic and overseas regulatory authorities; Submitting the reports to domestic and overseas partners/drug marketing authorization holders as required by the safety data exchange protocol; Taking immediate and effective measures based on the procedure in case of a major safety event/major change in safety information; Regularly assessing and controlling the risks of the Group's products

Drug Adverse Reaction/Event Handling Process

Product Recall

The Group pays high attention to the lifecycle management of product and service quality, and has formed relatively complete and mature recall mechanisms and operating procedures, with the establishment of a series of internal management policies including *Regulations on Drug Recall* and *Operating Procedures for Drug Recall*. In case of any quality problem or safety hazards of the products, the Group will immediately initiate the recall process. During the Reporting Period, the Group conducted a mock drug recall drill, and completed the full-process recall drill through efficient cross-departmental collaboration in accordance with relevant regulations on drug recall, including investigation, assessment and reporting of an incident, drafting of a recall plan, issuing of a recall notice, archiving of recall records, etc. With the help of this mock drug recall drill, the Group further clarified the division of responsibilities among each business department in the event of drug recalls, and safeguarded the effectiveness of the existing operating procedures, to ensure effective recall of defective products in the shortest time in case of emergencies, and to protect customers' rights and interests.



Drug Recall Process

Cooperation and Mutual Benefit

The Group attaches great importance to the supply chain management, strictly abides by relevant laws and regulations of the country and region in which it operates, continuously improves the supply chain management system that is systematic, efficient and suitable for its business model, and constantly strengthens the identification and management of risks in each segment of the supply chain. At the same time, based on the requirements for compliant operation of its domestic and overseas supply chain partners, the Group actively takes various measures to encourage and guide its partners to fulfil their social responsibilities and adopt low-carbon, environmentally friendly operations, in order to jointly establish an efficient, clean, stable and green supply chain, to ensure product quality and safety and to achieve a win-win situation.

Supply Chain Management

The Group strictly complies with relevant laws, regulations and management procedures and has established the *Regulations on Supplier Management, Regulations on First-time Supplier Qualification Review, Provisions for Material Supplier Management* and other internal regulations and policies to guide and standardize the supplier selection, procurement, monitoring, and other processes, and regularly reviews and optimizes these systems on an annual basis.

The Group has established a supplier lifecycle management system. The Group conducts risk monitoring, identification, and management throughout the entire lifecycle of all suppliers, from new admission, through stable cooperation, to eventual exit, by means of admission review, hierarchical management, regular evaluation and assessment, etc. The Group also actively maintains long-term cooperative relationships with suppliers.

During the Reporting Period, 100% of the Group's finished product and material suppliers are managed in full compliance with the aforementioned standards. There was no significant product supply delay from the Group's suppliers. Additionally, the Group's Audit Department conducted 3 targeted audits on the internal control procedures pertaining to finished goods procurement, material purchase, and import/export operations. Neither significant supply chain management risks nor serious deficiencies were noted from the relevant audit work.

Product Supplier Management

Shenzhen Kangzhe, a subsidiary of the Group mainly responsible for importing and distributing pharmaceutical products, is certified as an advanced "Authorized Economic Operator (AEO)" by the customs, which represents a high level of integrated supply chain management excellent internal governance and cross-border trade safety control under internationally recognized standards.

Admission Management

The Group has formulated a series of internal policies, such as the *Admission and Evaluation System of Suppliers*, and adheres to a stringent admission and examination mechanism for its suppliers, which includes but not limited to company qualification and scale, competitiveness, production status, corporate reputation, product quality management, logistics and transportation capacity, customer service, environmental protection and social responsibility, etc., to ensure that qualified products are purchased from suppliers with legitimate qualifications and social responsibility. In order to achieve this goal, the Group further standardizes supplier admission requirements and examination procedures by continuously optimizing supplier due diligence and evaluation processes.

Hierarchical Management and Risk Assessment

The Supply Chain Management Department of the Group has established a supplier hierarchical management system. For new suppliers and stable suppliers, the Group conducts weighted evaluation, significance rating and classification according to quantitative indicators such as the annual purchase amount of each product, percentage of purchase amount relative to suppliers' turnover as well as suppliers' performance levels. The hierarchical management system classifies suppliers into important suppliers (including partner suppliers and key commercial suppliers), and general suppliers (including prior suppliers and commercial suppliers).

The Group conducts supplier review annually, covering aspects such as the standardization of supplier qualification documents, quality management level, production stability and reliability, internal management, and compliance operation, etc., and determines whether it is necessary to adjust the supplier hierarchy. For important suppliers and general suppliers, risk assessment and control are carried out annually or once every 18 months respectively, from the aspects of qualification, operational risk, product pricing, operational procedures and performance, and service quality, etc. When the assessment results indicate higher risks, the Group will communicate and convene regular meetings with suppliers to review the supply situation in stages, and actively explore solutions to develop a response plan, and timely identify and control supply risks.

Risk Mitigation

The Supply Chain Management Department of the Group and relevant departments jointly implement strict inspection on qualification report and receipt for imported and domestic finished products to ensure that the products meet the quality standards approved by the national regulatory authorities. Once any quality problem is found, the Group will immediately provide feedback to the suppliers, gain an in-depth understanding of the causes, urge the suppliers for rectification and provide necessary supports. If a supplier fails a sampling inspection conducted by the National Medical Products Administration (NMPA) or has any major quality issues, is subject to a recall order, or has a poor quality reputation, etc., the Group' s Quality Management Department will organize on-site visits, make an all-round risk assessment, and focus on the supplier' s quality management system, to investigate the causes of the quality problem and the effectiveness of the supplier' s corrective measures. For unqualified suppliers, the Group will terminate the cooperation with them in accordance with the supplier exit mechanism to ensure the product quality.

To ensure the smooth progress of procurement and the stability of the supply chain, the Group has established digital tools from the production to the logistics, enabling real-time order tracking and the formulation of relevant mitigation plans to address supply risks more comprehensively. For specific products, the Group employs validated dual-sourcing strategies aligned with business features and trends. Specifically, when product supply capacity gaps are identified in existing suppliers upon assessments, pre-qualified contingency suppliers are activated to prevent or make up for production shortfalls.

In parallel with our ongoing efforts to enhance the Group' s supply chain security and stability, the resumption and equipment optimization of the associate company PharmaGend' s manufacturing plant in Tuas, Singapore was well underway. The plant has received the U.S. FDA Good Manufacturing Practice of Medical Products (GMP) certification and successfully passed an on-site inspection by the Singapore Health Sciences Authority (HSA), ensuring the safety of the Group' s overseas manufacturing supply chain.

Material Supplier Management

The Group continuously optimizes the management of material suppliers by implementing comprehensive whole-process management from admission to exit, promptly identifying and controlling potential risks at each stage, thereby ensuring material quality.

Admission Management

At the stage of admission of materials required for production, the Group follows the internal regulations to conduct strict admission review on potential suppliers, including the suppliers' scales, qualifications, operational status, production capacities, product categories, quality management, reputation history, conditions of transportation, etc. During the preliminary supplier screening stage, the Group also collects the *Manufacturer Questionnaire* for more efficient communications and decision-making.

The Group ensures the standardization of supplier admission through transparent and fair bidding to avoid potential commercial bribery. Before concluding a cooperation agreement with a supplier, the Quality Management Department of the Group will lead the qualification review and conduct an on-site quality audit, which mainly focuses on materials that have a significant impact on the drug quality and safety. In the meantime, the Group conducts stringent testing on the samples provided by the supplier according to the material procurement management requirements, and conducts a small batch trial production when necessary. After the supplier passes the reviews above and is assessed and approved by the Quality Management Department, it will be included in the Group' s list of qualified material suppliers.

Hierarchical Management and Risk Assessment

The Quality Management Department of the Group conducts annual quality assessment on key material suppliers regularly. Among all qualified suppliers, the Group further implements hierarchical management for suppliers according to their impact and importance of materials on product quality and safety, and performs risk control procedures such as on-site quality audits in a targeted manner. For Grade A Material Suppliers who supply materials that have a significant impact on drug quality and safety, the Group will conduct on-site quality audit at least once every two years; for Grade B Material Suppliers who supply materials that do not have a direct impact on the drug quality, or whose impact can be remedied by subsequent process steps, the Group will conduct on-site quality audit at least once every three years; for Grade C Material Suppliers who supply other auxiliary materials related to product quality, the Group will conduct on-site quality audit according to actual situation. During the Reporting Period, the Group completed assessments on 100% of its material suppliers.

The Quality Management Department updates the list of qualified suppliers annually based on the results of audits on suppliers and the quality of supplies in the previous year, and prioritizes suppliers with higher ratings under the same conditions. If the materials provided by qualified suppliers do not meet the requirements, the Group will first re-inspect the samples to eliminate errors caused by inspection problems.

Risk Mitigation

If the material sample fails the re-inspection, the Group will issue a non-conformity report and inform the supplier in time for returning of the unqualified goods. Suppliers who fail to meet the Group' s requirements twice in a year will be disqualified. If goods are found with any severe defect or significant quality risks, the Group will suspend procurement from this supplier to prevent and reduce product quality risks.

Meanwhile, to minimize or avoid supply chain risks resulting from material shortages, the Group has reserved backup suppliers for critical materials to address potential emergencies and ensure supply stability.

Sustainable Development of Supply Chain

The Group actively promotes sustainable development of supply chain and takes the environmental and social risks of its partners into account as a crucial factor in its cooperation decisions. The Group makes all efforts to identify, monitor and control the environmental and social responsibility risks in different segments of the supply chain, including supplier selection, procurement, production, distribution, logistics, import and export, product distribution, etc., working with its upstream and downstream partners to jointly build a green and sustainable supply chain system.

Code of Conduct for Suppliers

The Group has established the *CMS Code of Conduct for Suppliers*, which sets clear behavioural standards for suppliers, requiring them to adhere to the fundamental principles of the Group's operations and development. This code encompasses various aspects of the suppliers, including business ethics, product and service quality, labour rights, occupational health and safety, and environmental protection. Meanwhile, the Group provides a reporting channel for violations through its official website and the *CMS Code of Conduct for Suppliers* to facilitate oversight of the Group's and suppliers' compliance with regulations by relevant parties, ensuring compliance and jointly practicing the sustainable development concept.

Business ethics	• Adhering to fair competition and prohibiting illegal commercial activities such as fraudulent practices, corruption, bribery, and any form of improper benefit transfer; • Avoiding direct or indirect conflicts of interest with the Group; • Making reasonable use of and strictly protecting the data and information provided by the Group; • Prohibiting infringement of intellectual property rights and protecting intellectual property from inappropriate use; • Suppliers engaged in outsourced services for animal experiments should be committed to protecting animal welfare.
Product and service quality assurance	• Complying with pharmacovigilance laws, regulations, and agreement requirements to ensure the collection of safety data and reporting of adverse drug reactions in services and activities related to pharmaceutical products; • Meeting recognized quality requirements and standards as well as those stipulated in contracts/agreements, ensuring that products and services provided always meet the needs of the Group and its clients, and can be safely and effectively used for their intended purposes; • Addressing promptly major issues that could adversely affect the quality of products and services; • Conducting regular reviews or accepting compliance-based audits by the Group.

Labor rights	• Strictly prohibiting child labour, forced labour, and any form of human trafficking, slavery, or indentured servitude; • Upholding the principle of equal opportunity, ensuring that employment, leave and working hours, salary and incentives, training and promotion of employees are not affected by factors such as race, ethnicity, region, gender, age, disability, etc.; • Complying with applicable labour laws and industry standards regarding working hours, providing compliant remuneration; • Respect the political rights of employees, including freedom of association, collective bargaining, and free election, etc.
Occupational health and safety management	• Providing a safe and healthy working environment; • Providing necessary safety facilities and establishing an effective safety management system to ensure the safety of employees and visitors; • Timely identifying and evaluating potential safety risks, developing comprehensive emergency response plans, and conducting regular drills; • Conducting regular occupational health assessments for employees, implementing employee occupational health monitoring programs, and paying attention to employees' mental health; • Organizing regular occupational health and safety training to enhance employee safety awareness and strengthen the construction of occupational health and safety management culture.
Environmental protection	• Encouraging the implementation of waste reduction measures, strengthening the management of various pollutants, and properly disposing of non-hazardous and hazardous waste; • Proactively adopting energy conservation and emission reduction measures to improve energy efficiency and reduce GHG emissions; • Conserving biodiversity.

Abstract of *CMS Code of Conduct for Suppliers*

Supply Chain ESG Risk Management

For potential risks in each part of the supply chain, including social and environmental risks such as corruption, bribery, unfair competition, illegal operation, inconformity to standard of products or raw materials, environmental pollution during transportation, etc., the Group has formulated corresponding prevention and control measures, including but not limited to the followings:

Supplier selection	• Adhering to the principle of openness, impartiality and fairness, preventing and controlling possible corruption risks in the bidding process with participation of multiple departments • Including human rights, environmental and social factors into the annual supplier assessment and review; encouraging and tending to choose suppliers advocating the green environmental protection concept or with relevant qualifications, including but not limited to: ISO 14000, ISO 45001, SA8000, AEO, Technology Asset Protection Association (TAPA), etc. • Prioritizing the supplier that is geographically closer and more easily accessible if the candidates are on a par, in order to reduce the potential environmental pollution in transportation
Procurement and production	• Clearly stating quality credibility, supply integrity, anti-corruption and other compliance requirements in agreements signed with suppliers, and requiring suppliers to comply with national and industry standards related to product operations and production • Establishing the *Material Supplier Assessment and Management Procedure*, which clearly defines the scope of supplier audits, including dimensions such as legal operation, product quality, environmental governance, etc. • Collecting and reviewing whether suppliers have the environmental management system certificate • Requiring suppliers to comply with environmental standards for packaging materials. The inner packaging in contact with drugs is required to be at least the food-grade packaging to realize green packaging
Logistics	• Conducting all-round assessment in terms of qualification and capacities, to ensure product quality during the distribution process and to minimize the potential impacts of product transportation on the surrounding environment • Including environmental and social factors in selection criteria for logistics service providers and distributors, including enterprise qualification, warehousing and distribution capacities, staffing, operational management, channel coverage, responsiveness, reputation in the industry and dedication to environmental protection • Prioritizing distributors with TAPA certification, GSP compliant, larger scale in the sales region, comprehensive distribution channels coverage and dedication to social responsibility and environmental protection • Making a series of internal management regulations available to logistics service providers and distributors, to ensure that partners are aware of and comply with the Group's requirements and criteria for product quality and safety, anti-corruption, intellectual property protection, data privacy protection, compliant employment, environment protection, etc. • Adding relevant terms related to anti-corruption, anti-bribery and compliance operation to the cooperation contracts signed with logistics service providers and distributors, requiring logistics service providers and distributors to confirm their compliance with the Group's relevant provisions • Conducting audits related to the *Good Distribution Practice* (GDP) for logistics service providers and regularly assessing and improving their operational quality • Monitoring logistics service providers' environmental management practices and carbon emissions during the logistics processes • Providing training to international logistics service providers on related topics such as product transport quality and environmental protection

To continuously monitor the progress of supply chain partners in terms of environmental, social and governance (ESG) initiatives and identify related supply chain risks, the Group has conducted assessments and reviews of suppliers' ESG policies, management measures, and risk controls through questionnaire surveys , covering dimensions such as business ethics, product and service quality assurance, human rights protection, occupational health and safety, and environmental protection.

Supplier Integrity Management

Clean and efficient management of supply chain is one of the key factors to ensure sustainable business development. To further promote suppliers' awareness of anti-corruption and compliance operation, the Group promoted the signing of *Proposal for Suppliers* initiated to domestic and overseas suppliers, calling on partner organizations to adhere to regulations regarding compliance, business ethics, human rights and labour standards, environmental protection, and respecting community culture, etc., thereby driving the sustainable development of the supply chain. On this basis, the Group requires all internal responsible units to communicate with suppliers and other supply chain stakeholders about the Group' s anti-fraud requirements and information when conducting business with them, and explicitly stipulated "prohibition of commercial bribery" in the cooperation agreements with suppliers. Meanwhile, the Group continuously collects suppliers' internal policies and regulations on anti-corruption to ensure that their anti-corruption management regulations are complete, and the Group also proactively communicates the latest anti-corruption requirements and trends of the industry with suppliers. During the Reporting Period, the Group has provided relevant trainings to all domestic and overseas suppliers, including the anti-fraud requirements of CMS, the complaint and reporting channels and handling procedures.

The Group opens multiple complaint and reporting channels to upstream and downstream partners, including email, telephone, official website and face-to-face communication, and ensures that they are well informed of the Group' s complaint and reporting channels as well as handling procedures. In the course of cooperation with the Group, partners may lodge complaints and feedback in a timely manner if they find that any employee is involved in irregular behaviours such as bribery and corruption, unfair competition, disclosure of commercial or technical secrets, and abuse of authority, etc. When compliance issues or risks such as corruption arise, the Group' s Supply Chain Management Department will collaborate with the Compliance Department or other relevant departments to conduct risk identification and assessment under the compliance framework, and initiate risk inspection procedures.

Supplier Communication and Trainings

The Group values communication and exchange with its partners and establishes regular communication mechanism with suppliers by phone, e-mails, exchange visits, thematic meetings and training courses to realize stable and efficient two-way communication so as to establish a foundation for mutual trust, and to achieve common progress through mutual supervision and experience sharing.

The Group holds regular monthly meetings with core suppliers to maintain timely exchanges, summarizes and provides feedback on their performance, and communicates the direction for further enhancement and optimization. During the Reporting Period, the Group has organized themaed meetings, such as review meetings, communication meetings and briefing sessions to interact and communicate with suppliers, and ensured that the suppliers comply with the Group' s requirements on business operations and sustainable development. In addition, the Supply Chain Management Department of the Group conducts regular satisfaction surveys on the cooperative relationship with key suppliers to promote the sustainable development of supply chain management.

The Group also actively promotes common progress with its partners, proactively carrying out training for suppliers regarding supplier management and quality assurance standards. As of the latest practicable date, based on the *CMS Code of Conduct for Suppliers*, the Group has conducted trainings for all suppliers covering ESG governance requirements, product and service quality assurance, achieving a 100% supplier training coverage rate. In addition, the Registration Management Department of the Group proactively initiates trainings such as product quality standards for suppliers in case of any amendments or changes to the registration standards and legal and regulatory requirements in China, including the interpretation of relevant systems and policies, etc., to help suppliers understand the latest registration processes and regulations in the Chinese market in a timely manner. With regard to the regulatory adjustments required for each product, the Group has formed a clear timetable for implementation in accordance with the regulatory guidelines and worked with suppliers to formulate a corresponding supply switching plan to ensure a successful transition.

Undertaking Community Responsibilities

As a responsible corporate citizen, CMS always cares about the development of the surrounding communities, continuously focuses on and responds to community needs and carries out series of public welfare activities such as donation, poverty alleviation and care for vulnerable groups, to give back to the society with practical actions. During the Reporting Period, the Shenzhen subsidiary of the Group was selected in the "2024 Top 100 Enterprises with the Highest Social Contributions of the Shenzhen Top 500" and "2023 Shenzhen Charitable Donation Annual List".

1.060
Million RMB

Total Donations for Public Welfare in Communities

In order to continuously fulfil social responsibilities and provide management standards for various public welfare activities, the Group has established *External Donation Management Policy* to play a role in promoting community development:

- Defining the principles, types and recipients of public donations and corresponding approval procedures and rules;
- Requiring that donations and public welfare activities are conducted based on legal, compliant, voluntary and non-profit purposes;
- Fulfilling public welfare and donation activities that have been approved internally and promised to the public or recipients with integrity, and practicing social responsibilities with a trustworthy attitude;
- Giving continuous attention to recipients of donations or their communities, monitoring the influence of donations, and preparing an annual quantitative summary to ensure that the donations serve the intended purposes;
- Clearly dividing the responsibilities of all relevant departments and systematically managing the Group's external donation behaviours: the Administrative Department of the Group is responsible for coordinating the filing and continuous tracking of external donations; the Finance and Accounting Centre is responsible for analyzing the impact of donation expenditures on the Group's financial position and results of operation; the Audit Department is responsible for supervising the handling departments and their relevant personnel for the implementation of external donations; the Legal Department and the Compliance Department are responsible for reviewing the compliance of external donations and potential risks therein.

Care for People and Assistance with Disaster Relief

- In January 2025, the Group donated RMB 2 million in cash and relief supplies valued at nearly RMB 500,000 to the earthquake-stricken region in Shigatse, Tibet, for post-disaster resettlement and reconstruction, aiding the disaster-stricken area in tiding over the difficulties.

Poverty Relief and Rural Revitalization

- The Shenzhen subsidiary of the Group actively promoted the "Guangdong Poverty Alleviation Day" activity by donating RMB 500,000 to Shenzhen Nanshan District Charity Association as the targeted 3-year assistance to Jiaoqi Village, Sanmen Town, Longsheng Ethnic Autonomous County, Guilin City, Guangxi Zhuang Autonomous Region, Muchang Village, Chetian Miao Nationality Township, Ziyuan County and Yanzhu Village, Liangshui Miao Nationality Township. The donation will be fully used in poverty alleviation, infrastructure construction, industry expansion, etc., of the forementioned target villages to help improve local development environment and contribute to the rural revitalization.

  As of the end of the Reporting Period, the donation of RMB 500,000 for the three years has been paid up and fully used in upgrading and construction of the local industries, talents and infrastructure in the targeted villages.

- The Tibet subsidiary of the Group donated RMB 50,000 to Bairang Village, Sexiong Township, Seni District, Nagqu City, Tibet Autonomous Region, in response to the national call for rural revitalization, contributing to local development.

- The Shenzhen subsidiary of the Group contributed to the national strategy for rural revitalization through "Consumption to Aid Agriculture" by purchasing gift boxes of local specialty agricultural products from Linquan County in Anhui Province, and the total procurement amount reached RMB 480,000.

- Since 2016, the Hunan subsidiary of the Group has promoted the re-employment of surrounding farmers, employing an average of 3,000 farmers per year.

Care for Vulnerable Groups

- The Shenzhen subsidiary of the Group donated RMB 30,000 as the initial funding for the Majialong Community Special Fund via the Shenzhen Nanshan District Charity Association. The initiative is designed to offer practical help to "City Superman" and other vulnerable or marginalized groups in the community.

- On Children's Day, the Group donated RMB 45,000 to two rehabilitation centres for exceptional children via Shenzhen Nanshan District Charity Association. The donation will be used to purchase and update the various teaching tools and toys at the centres, so as to improve teaching quality and help these children receive better rehabilitation training.

Donating initial funding to the Majialong Community Special Fund

Donating to two rehabilitation centres for exceptional children in Shenzhen

- The Group donated a batch of caring materials worth RMB 3,435 to the Shenzhen Social Welfare Service Guidance Centre, helping the centre improve health and safety conditions and enhance the quality of life.

- The Group donated RMB 100,000 via the Shenzhen Nanshan District Charity Association to participate in the construction of the "Canteen for Elderly in Lianping County" livelihood project in Heyuan City, Guangdong Province. This donation aims to help improve local elderly meal services, thereby effectively enhancing the quality of life and happiness index of the elderly.

- The Tibet subsidiary of the Group donated materials worth RMB 104,500 to the workers of the Lhasa North and South Mountain Greening Project, with the aim of enhancing their living standards.

Donating caring materials to the Shenzhen Social Welfare Service Guidance Centre

Participating in the construction of the "Canteen for Elderly in Lianping County" livelihood project

Support for Education

- Since 2003, the Hunan subsidiary of the Group and local educational institutions in Li County have carried out long-term education donation activities. As of the end of the Reporting Period, the accumulated donations to local education bureau and schools were about RMB 1,485,000. Specifically, during the Reporting Period, a total of RMB 110,000 was donated to the education fund, which was used as incentive and funding for prominent teachers and students in need.

- The Group donated RMB 35,000 to the Guangdong Education Foundation to support the construction of the public library at Luojing Primary School in Dahu Town, Lianping County, Heyuan City, Guangdong Province. This donation aims to solve the problem of books shortages in rural schools and promote the development of local education.

Supporting the construction of the public library at Luojing Primary School in Dahu Town, Lianping County

- In order to cultivate children's reading habits, the Tibet subsidiary of the Group donated books worth RMB 2,153 to China SOS Children's Villages to support the overall development of children.

Ecosystem Protecting

- The Tibet subsidiary of the Group donated RMB 100,000 to the Nenang Ecological and Cultural Conservation Center, Lhasa Tibet to assist in the conservation of snow leopard habitats and the construction of the conservation area.

PEOPLE-ORIENTED PRACTICE, GROWING WITH EMPLOYEE

With explicit awareness of employees' importance to corporate development, the Group applies the "people-oriented" philosophy, adheres to legal and compliant employment, protects employees' rights and interests, offers comprehensive career development channels and capability improvement opportunities, and actively constructs a cultural atmosphere of diversity and inclusion, to create a warm, friendly and safe working environment and build a high-quality team of talents with strong "centripetal force".

KEY TARGETS AND PROGRESS

	Targets for Year 2030:	Progress in Year 2024:
Talent absorption and management	• The total employees training expenditure increases by 40% compared with Year 2022	• Improved internal training systems, integrated external professional training resources, and launched customized training programs for employees at various levels, from different business lines and with various demands for professional skills. The per capita training time of the Group's employees is 27.6 hours, and the total employees training expenditure reached RMB 8.8 million, representing a year-on-year increase of 83.3% as compared with Year 2022.
Attaching great importance to employee diversity	• No less than 50% females among employees • No less than 30% females among mid-level and senior management • Maintain gender diversity among the Board members	• Promoted the popularization of employee diversity, encouraged employees to speak up or report in real name or anonymously when they suffer from discrimination and unfair treatment, and improved employee appeal channel and complaint management mechanism to foster an organizational atmosphere of diversity and integration. The proportions of females in employees, in mid-level and senior management and in Board members are 55.3%, 37.3%, and 33.3% respectively.
Ensuring the occupational health and safety of employees	• Provide psychological health counselling programs for all employees • Provide annual occupational health check benefits for all employees	• The employee coverage rate of EAP (Employee Assistance Program) has maintained at 100%. • The employee coverage rate of occupational health check benefits has maintained at 100%.

The Group is actively building a quality team of talents to continuously empower the healthy development of the Company. The Group strictly abides by relevant laws and regulations in each business operating location, to ensure that the legal rights and interests of employees are protected. The Human Resources Centre is responsible for coordinating and guiding human resource management of each subsidiary, comprehensively supporting the Group's talent demands. Besides, the Group constantly refines its talent absorption and retention strategies as well as supporting management measures, and promotes diversified and professional development of employees. Meanwhile, through the continuous improvement of the internal management system, the Group safeguards the occupational health and safety of employees, and provides employees with a safe and reassuring working environment to support the smooth operation of various business activities.

The Group continuously ensures that its internal policies, regulations, and practices related to human resources comply with relevant laws and regulations through internal and external audits. The Group's Audit Department performs internal audits on the Group's human resource management to assess the execution and implementation of human resource planning, recruitment, staff training, remuneration and benefits policies,etc. At the same time, the Group receives an annual audit of internal control over human resources by external professional auditing organizations, during which all subsidiaries of the Group are covered in the form of sample surveys on human resource management, covering aspects of employee recruitment, contract signing, probation/transfer, employee attendance, holiday implementation, and remuneration and benefits distribution.

Through various forms, the Group also advocates all related parties along its supply chain to jointly follow the labour standards, and protect employees' rights and interests, ensuring compliant employment and sustainability of the whole supply chain. When entering into cooperation or supply agreements with suppliers, the Group tries to add relevant provisions on human rights. Meanwhile, the Group clearly specifies in *CMS Code of Conduct for Suppliers* that the partners should follow the labour standards of the places of their operation, so as to avoid child labour, forced and compulsory labour among upstream and downstream partners, and promote suppliers to strengthen the protection of employees' rights and interests as well as occupational health and safety management.

During the Reporting Period, the Group did not violate any applicable law and regulation that had a significant impact on the Group in terms of employment, occupational health and safety, and employees' rights and interests. There were no strikes, lockouts or labour disputes that had an impact on our operations. Meanwhile, according to the results of internal and external audits, the Group was not exposed to any significant risks associated with human resource management and human rights.

Talent Absorption and Management

Legal and Compliant Employment

The Group persists in legal and compliant employment and has established internal regulations such as *CMS Recruitment Management Measures* and *Human Resource Policy*, etc., to provide guidance for the implementation of human resource management. The Group highlights that employment relationships must be based on the principles of legality, fairness, honesty, mutual consent, and willingness, and follows the procedures for signing, amending, revoking or terminating the labour contracts with all employees.

The Group strictly prohibits child labour and forced labour, requiring the Human Resources Centre to ensure that candidates' identities are true and valid and meet legal employment requirements during the recruitment process, by means of inquiry, verification of identity certificates and requirement on candidate' s confirmation signature. The Group also encourages employees to report illegal employment cases to superiors in charge for timely investigation and treatment. If any violation such as child labour or forced labour is found, the employment will be identified as invalid, the labour contract will be immediately rescinded, and the salary and other remuneration prescribed by law will be paid. Meanwhile, the Group has correspondingly established an accountability mechanism, in which relevant responsible persons will be punished according to the severity of the circumstances to prevent a recurrence of such events.

During the Reporting Period, the Group employed no child labour or forced labour.

On the basis of ensuring legal and compliant employment, the Group proactively promotes the protection of its employees' human rights, and has formulated the *CMS Human Rights and Employee Diversity Policy* that is applicable to all operating entities and employees, specifying that the Group follows about ten United Nations/international declarations and conventions such as the *Universal Declaration of Human Rights*, the *Convention on the Rights of Persons with Disabilities*, and the *International Covenant on Economic, Social and Cultural Rights* to safeguard the legal rights and interests of employees. The Group requires the Human Resources Centre to review the implementation of human rights protection by launching internal communications and investigations periodically.

CMS Human Rights Statement:

- Providing a healthy and safe working environment;
- Prohibiting forced labour and child labour;
- Providing compliant work remuneration;
- Respecting the political rights of employees (including freedom of association, collective bargaining, and free election);
- Equal opportunities and diversity;
- Paying attention to the physical and mental health of employees.

During the Reporting Period, the Group provided training and publicity of *CMS Human Rights and Employee Diversity Policy* to all employees, including anti-discrimination, anti-harassment, prohibition of forced labour and child labour, respect for employees' freedom of association, diversity, and inclusion, in order to maintain a harmonious and inclusive working environment. The coverage rate of employee training and publicity is 100%.

Protection of Employees' Rights and Interests

Recruitment

The Group is well aware of the importance of a talent pool to corporate development, and has established internal management procedures such as *CMS Recruitment Management Measures and Incentive Policies for Recommending Talents*. To ensure an efficient and organized recruitment process, the Group constantly refines the supporting recruitment systems with the digital tools upgrade of the entire recruitment process.

The Group matches talent absorption and recruitment plans with business operation needs. The Human Resources Centre and subordinate departments assess the Group's talent demands semi-annually, develop talent deployment strategies and corresponding recruitment plans in advance based on the existing staffing arrangement and talent demand feedback from each department, and expand the talent team through campus recruitment, social recruitment, internal transfers, or competitive recruitment.

The Group regards campus recruitment as a key source of its talent pool, and has established a scientific and systematic talent introduction and reserve mechanism. The Group vigorously carries out programs for management trainees and interns. Relying on the school-enterprise cooperation projects, the Group deepens the interaction and cooperation with higher education institutions, and commits to build a sustainable reserve pool of professional talents. During the Reporting Period, the Group held about 41 online/offline campus recruitment seminars and 72 campus job fairs across the country and issued offers to 731 excellent graduates.

In addition, the Group takes active steps to absorb and retain excellent talents with professional experience in each field through social recruitment. In addition to traditional social recruitment channels, such as professional human resource websites and headhunting services, the Group opens official recruitment accounts on multiple social networking sites and platforms to actively exhibit corporate culture and values and communicate the latest recruitment information, which helps attract potential talents more effectively and assist job seekers to obtain recruitment information conveniently. Meanwhile, the Group has developed mechanisms and incentive policies for recommending excellent talents which motivate all employees and the public to actively recommend talents.

For internal employees, the Group also encourages internal transfers and competitive recruitment to expand sources of talent for certain core positions and provides employees with new career development opportunities. During the Reporting Period, the Group built a talent model for key business positions, implemented candidate review, and set up a reserve talent pool through cooperation with professional third-party institutions, to continuously optimize the internal talent succession and reserve team.

Working Hours

The Group strictly prohibits all forms of forced labour and implements standard statutory working hours in strict accordance with laws and regulations. On the basis of satisfying standard working hours requirements, the Group puts flexible work arrangements into practice to facilitate employees' work-life balance, and enables employees to reasonably schedule work and leisure time according to responsibilities and department demands. In the context of overtime culture not being advocated, employees who need to work overtime due to work arrangements should submit overtime requests to department heads for evaluation and approval. Upon completion of overtime work, the employees will be provided with compensatory leave or overtime pay according to regulations.

In addition, the Group ensures that all employees are entitled to statutory holidays and paid leave according to law (including but not limited to paid annual leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, and funeral leave), and their posts will be 100% kept during the statutory leave to fully respect and protect employees' rights and interests.

Performance Evaluation

According to macro strategic deployment, the Group establishes the basis for performance evaluation by dividing its strategic goals to each relevant department. On the basis of annual performance evaluation, the Group classifies the key tasks and reviews the task rating standards for all subsidiaries and departments, and adopts the refined key performance indicators as the determination basis for employees' remuneration adjustments, promotion and bonus distribution, which fulfil employee performance evaluation and appraisal practices in a more fair, effective and systematic manner. In addition, the Group includes quarterly performance appraisal for employees under the marketing and promotion system, to evaluate and monitor employees' performance dynamically.

For employees to be accepted as full-time employees or promoted to a higher grade or position, the Group customizes forms of performance evaluation and appraisal in view of their positions, including but not limited to debriefing defences, 360-degree evaluations and one-to-one individual interviews. For 360-degree evaluations, which include self-evaluations of employees and external evaluations, intra- and inter-departmental colleagues, superiors, and subordinates are invited to evaluate the appraised employees in aspects such as performance and working competence, with evaluation dimensions covering working attitude, performance, and working competence; for debriefing defences, employees' work results and performance are evaluated through systematic performance reviews, job requirements alignment, and integration of work reports, communication and Q&A, on-site scoring, etc. For mid-level and senior management, besides 360-degree evaluations and debriefing defences, employees need to have one-to-one interviews with senior management or executive directors for performance review. The Group also encourages its staff to have routine communication with their superiors regarding their work, so that employees can receive timely feedback.

Results of performance appraisal will be sent to employees via the Group' s online digital tool in a timely manner. In case of any disagreement regarding the performance appraisal, employees can lodge complaints within 5 working days upon receipt of the appraisal results, and the Human Resources Centre will organize independent interviews to obtain in-depth understanding of the employees' doubt, and comprehensively review the performance appraisal results and respond timely.

Remuneration and Benefits

The Group develops a remuneration system inclined to strivers, in which employees' remuneration depends on their own performance and corporate performance, in order to encourage employees to give full play to their personal abilities at work. The Group engages external human resource consultation company annually to conduct market remuneration research and comprehensively reviews internal remuneration levels through the analysis of post-salary competitiveness to ensure that employees receive fair and competitive benefits and remuneration in the industry. Furthermore, the Group adopts flexible remuneration policies, and allows remuneration negotiation depending on local living costs and needs. Meanwhile, it conducts qualification refinement and person-post-matching evaluation to maintain a fair and effective remuneration evaluation system and adjustment rules of the Group.

To fully unleash employees' potential, the Group has established an integrated multi-level incentive system, covering short-term, medium-term, and long-term incentives, respectively. During the Reporting Period, the Group publicly announced share incentive schemes comprising share awards for the launch of new products and share awards for sales of new products, under which relevant share awards were granted and vested to the core management team and key employees in product, sales and functional systems who are eligible for the incentive scheme based on the distribution principle of performance target relevance and individual contribution.

Short-term	Performance bonuses, incentive remuneration adjustments for outstanding employees, etc.
Medium-term	Milestone project bonus incentive scheme
Long-term	Share incentive scheme, key employee benefit scheme

CMS Employee Incentive System

In terms of employee benefits, the Group provides employees with five statutory social insurance schemes (basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance) and the housing provident fund. Besides, the Group continuously optimizes its employee relationship management by actively planning employee activities and providing caring benefits to enhance organizational cohesion.

During the Reporting Period, comprehensive employee benefits were provided to our staff, including but not limited to:

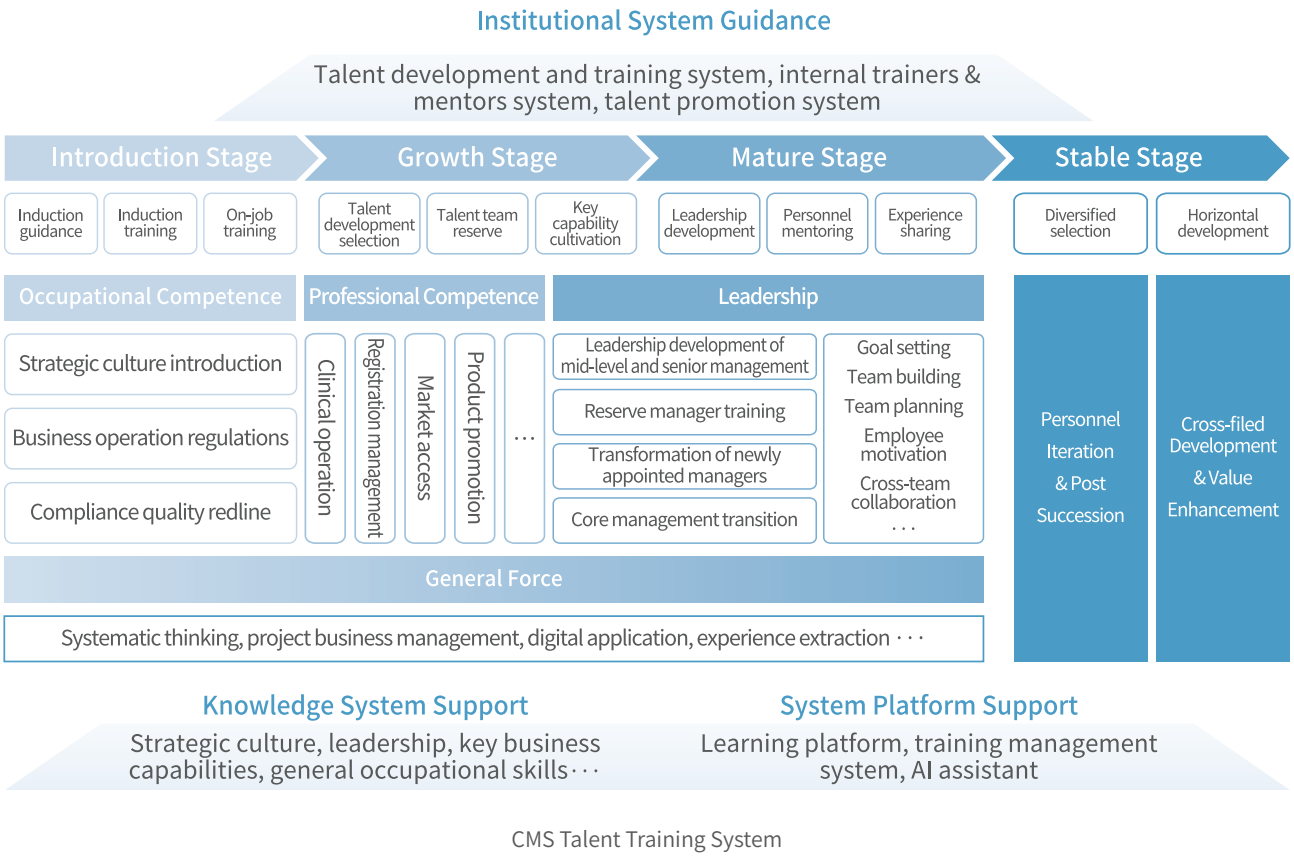
Category of Major Benefits	Description of Major Benefits
Work-life Balance	• Setting up an employee gym, a yoga room and a table tennis room for free use, to support employees to exercise • Setting up an employee book bar, and subscribing to newspapers and books for free reading • Establishing a culture and sports association with badminton and swimming branches, and cooperating with large-scale stadiums to regularly organize activities to enrich employee entertainment • Appropriating special funds for team-building activities, supporting the departments to organize team-building activities, and enhancing friendships among employees
Employee Care	• Providing fresh graduates with dormitories or housing subsidies for a certain period to help new employees better adapt to the work environment and challenges • Providing accident insurance to all employees (including interns) • Providing quality health checks to help employees understand their health conditions • Providing EAP (Employee Assistance Program), providing psychological counselling and stress relief channels for employees • Setting up mother-and-infant rooms to provide convenience for female employees with breastfeeding needs • Providing a variety of afternoon refreshments and overtime dinners • Providing festival gifts or holding festival activities

Training

Training is a crucial way to achieve mutual growth of employees and the Company. The Group organizes customized and systematic training activities to ensure that staff are fully educated on knowledge and skills, and to enhance the overall quality of employees. The Group has set up a series of training management policies including *CMS Training Management Policy* and the *Internal Trainer Management Policy*, and constantly refines various policies based on business development demands, to guide organized implementation of training.

Training System

The Group has set up a diversified talent training system, driven by the institutional system and supported by the knowledge system and system platform. Tailored to the different growth stages of employee career development, offers curriculum courses focused on occupational skills, professional expertise, leadership capabilities, and general competencies. Additionally, the Group implements "offline + online" multi-dimensional training methods according to the individualized needs of employee development, and continuously optimizes the "internal with external" trainer resources. The Group possesses a training base in Pingshan, Shenzhen, which provides all employees with a good environment and atmosphere for centralized training. Meanwhile, the Group proactively promotes the construction of a digital training management system. During the Reporting period, the Group has established an online learning platform CMS Academy to all employees, to further enhance the accessibility and convenience of training. The Group has also improved the follow-up and monitoring on the implementation of all kinds of training programs, and collected and analyzed employees' feedback timely, so as to maintain its training quality. Moreover, the Group continually improves and leverages internal trainers and course resources, proactively expands cooperation with professional training institutions, and establishes pools with abundant resources of trainers, courses and training institutions, to further underpin the foundation of the Group's sustainable talent training.



CMS Talent Training System

On the basis of the Group's talent training system, the Group has developed the "Navigation" training system and the "Morning Star" training system respectively for relevant employees under the marketing and promotion system as well as the product system to support the demand for professional talent training. The "Navigation" training sessions cover corporate strategy, corporate culture, professional skills and knowledge, job qualification assessments, management skills and leadership development, policies and regulations, etc., which assist employees in improving their comprehensive competence. The "Morning Star" training system covers management trainees under the product system, providing comprehensive training in terms of corporate culture, job skills, product knowledge, compliance requirements, etc., to ensure rapid enhancement of the cognition on post and corporate culture of management trainees and to accelerate their integration with the team.

Training Programs

In order to ensure that the development direction of employees better meets the Group's demand for business operation, each year the Group's Human Resources Centre collects training needs from responsibility centres, subsidiaries and departments through surveys, and classifies, analyzes and develops corresponding training plans which are included in the Group's annual training plans upon review by heads of the departments, head of the Group's Human Resources Centre and executive directors, respectively. The Group's training programs include but are not limited to professional competence, talent development, business maintenance and general occupational skills, which empower employees in all respects. Meanwhile, the Group assists the Board members in continuing education to boost the operational effectiveness of the Board by proactively promoting the Board member trainings.

The Board Member Trainings

To keep the Board members up to date, the Group carries out trainings including but not limited to updated information, regulations, good practice interpretations concerning industry development, regulatory requirements, finance, ESG, corporate governance, and business ethics.

Professional Competence Trainings

The Group encourages employees in various business lines to continuously enhance their professional competence. Each department, in accordance with the annual training plan, organizes staff to participate in the professional knowledge or skill trainings covering finance, human resources, legal affairs, medical affairs, registration management, quality management, marketing promotion, etc., to ensure the continuous development of professional competence and improvement of business.

Talent Development Trainings

The Group attaches great importance to trainings and talent development of the management team. The Group collaborates with professional training and educational institutions to conduct comprehensive management skills training camps for the key talents of the Group, covering business management, team management, and execution approaches, to enhance the leadership, organization power and execution capability of the key talents. During the Reporting Period, over 850 key personnel of the Group attended management or leadership trainings.

In addition, the Group has built a pool of reserve talents under the marketing and promotion system, and offers regular management trainings to all reserve talents annually to empower both reserve and training of talents in the management line.

Business Maintenance Trainings

Business maintenance trainings are developed based upon annual business development goals of each business department, in order to fully align training content with daily operation requirements and to support orderly operation of business systems. For key business departments and posts, the Group carries out diversified trainings to help employees improve their professional qualifications and working skills.

Category of Posts	Main Content of Trainings
R&D related posts	• Carrying out trainings on clinical research project verification, clinical research quality system management, pharmacovigilance, etc.
Sales related posts	• Carrying out trainings on compliant marketing policies/system interpretation, product knowledge, etc.
Quality related posts	• Carrying out trainings on laws and regulations, professional knowledge and other content relating to the quality management system, including product purchase, warehousing, quality management, special drug management, etc.
Production related posts	• Carrying out trainings on safety production, operation of production equipment, etc., and providing professional qualification trainings for special posts to ensure employees in relevant posts are certified

General Occupational Trainings

The Group pays close attention to the development of employees' general occupational skills, and establishes "Energy Star – General Force Training" program for all employees. During the Reporting Period, the Group, based on the hot trends and self-developed AI application, provided all employees with special trainings on "AI-assisted Efficient Office Work" , covering the quality application of AI in different work scenarios such as writing, presentation and data analysis, assisting employees to improve work efficiency and quality.

In addition, to help new employees learn about corporate business, corporate standards and general work and adapt to the working environment, the Group organizes general occupational trainings for all new employees on a yearly basis, covering company introduction, human resource rules and regulations, information security, basic knowledge on pharmacovigilance, CMS code of logo use and introduction to the Group' s products, and sets up examinations to deepen their understanding. During the Reporting Period, the Group conducted 6 sessions of general occupational trainings for new employees.

While taking active steps to promote various employee trainings, the Group encourages and supports staff' s intention of improving professional skills, and provides funds and resources to support employees to obtain professional qualifications related to their posts. All employees of the Group have the rights to be assigned to study abroad. For certificate examinations regarding post-related professional competence or other demands for continuing education, subsidiaries and departments can apply for inclusion in annual training plans, and then receive training reimbursement from the Group after approval. During the Reporting Period, the Group dispatched relevant employees to participate in external trainings including Good Clinical Practice (GCP) for Trials on Pharmaceutical Products, Certificate of Accounting Professional, professional physician, career planning, etc., and to obtain certificates.

Promotion

The Group adheres to the promotion mechanism that is oriented by competence and integrity and follows the talent promotion principle of "internal selection, step-by-step promotion, classified training, spiral rise, and anomalous promotion in special period" . In accordance with the guidelines and requirements of the promotion evaluation mechanism and the performance management system, the Group matches different positions with clear development paths. Meanwhile, the Group establishes a promotion application system, by which employees can apply for promotion on their own initiative. The Group evaluates and approves the promotion of employees based on their performance evaluation and appraisal results.

Promotion certification will be publicized in the form of personnel appointment and removal announcement. Any employee objecting to the certification process or results may lodge complaints to the Human Resources Centre, and the latter will make further verification and feedback within 5 working days to ensure promotion channels and opportunities are fair, impartial, open, and effective.

Dismissal

The Group strictly follows a series of internal management policies such as the *Human Resource Policy* and *Personnel Management Policy* to handle employee dismissal. The Group' s Human Resources Centre is responsible for providing comprehensive assistance to departing employees to ensure that the transference of their social insurance, file management, residence registration as well as other relevant formalities are properly handled and thus safeguard employees' rights and interests.

Talent Retention

The Group attaches great importance to talent retention, and endeavours to decrease the employee turnover rate by improving the remuneration, benefits and incentive mechanism of employees, supporting employee development and training, and enhancing communication with employees, so as to ensure the stability of the Group' s talent team and employee structure.

In the past five years, there have been no layoffs, or major mergers/acquisitions affecting a substantial portion of the workforce.

Measures to retain the talents of the Group are as follows:

- Establishing a risk management and control mechanism for employee turnover, holding a standardized resignation interview with all resigning employees, having an insight into their reasons for leaving, collecting valuable feedback information, and then formulating internal improvement measures;
- Providing employees with competitive remuneration and benefits, systematic trainings and development plans, and a safe and reassuring working environment;
- Establishing a fair, impartial and transparent talent competition mechanism and providing broad development space and reasonable incentives for employees with excellent ability and morality;
- Providing induction training and mentor for new employees to help them better adapt to their work and integrate into the Group;
- Listening to employees' opinions, analysing their needs and helping them solve problems and difficulties at work.

Communication with Employees

The Group values employees' thoughts, respects their legal rights and interests, and constantly improves the mutual communication mechanism between employees and the management to ensure the smooth flow of communication channels and create an open and fair communication environment.

The Group encourages employees to communicate with the management through the internal communication platform, email, and online or face-to-face conversations in a timely and effective manner. The Group also actively communicates with employees in the form of interviews after probation/resignation and regular questionnaire surveys. In addition, some of the main Chinese subsidiaries of the Group have established labour unions, which will represent and safeguard the legal rights and interests of all employees, actively participate in the democratic management of the main subsidiaries, and promote a harmonious relationship between the main subsidiaries and their employees. The Group supports all employees in joining the labour union and participating in related activities. The labour union has the right to bargain and negotiate with the Group on behalf of employees, and to legally sign collective contracts through collective bargaining. During the Reporting Period, the Group continuously consulted all employees on their opinions and job satisfaction through conducting interviews, surveys and establishing real name/anonymous dialogue channels. Meanwhile, the Group has conducted an employee engagement questionnaire survey, and the result of the survey is a score of 4.49 out of 5. Based on the results of the employee satisfaction and engagement surveys, the Group comprehensively considered the rationality of feedback and the feasibility of internal practices to formulate improvement plans, to establish a harmonious and healthy working environment.

The Group established a digital complaint channel for employees: "Employee Voice" , which supports employees to lodge complaints in real name or anonymously to encourage them to speak up bravely. The "Employee Voice" has been embedded in the Group' s communication platform to encourage relevant employees to lodge complaints conveniently and in time when they suffer from actions that may violate the Group' s policies, including but not limited to workplace bullying, abuse of authority, discrimination, harassment, or unfair treatment, so that the Group can investigate and handle related events in a timely manner. During the Reporting Period, the Group continued to improve and implement complaint channel management and operation measures to ensure both standardization and effectiveness of the complaint-handling process.

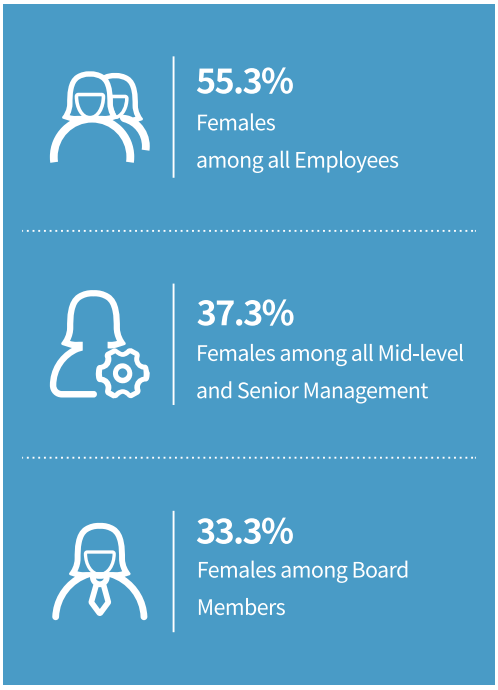
Lodging Complaints	Supporting employees to lodge complaints in real name or anonymously.
Handling Complaints and Providing Feedback	Complaints are classified by the Group's Human Resources Centre. Complaints are handed over to relevant responsible departments for handling. The handling department shall feedback handling progress to complainants within 5 working days upon receipt of the complaints; Complaints involving internal fraud and external bribery are handled in accordance with *CMS Anti-Fraud Management System*; Handlers having an interest in the complaints, who may affect fair handling, shall not participate in the handling of such complaints.
Investigation and Evaluation	The complainant shall evaluate the handling of the complaint after receiving the feedback, and the complaint will be closed if the complainant agrees with the handling results; If the complainant still has questions or requires further feedback, he/she can lodge a complaint again.
Recording and Filing	Handlers shall record the complaints properly, and must not disclose any personal information of the complainants or relevant information of the complaints; The Group's Human Resources Centre collates the complaint records into reports every quarter for filing. Such reports are submitted to executive directors for review after the Group's internal audit.

CMS Employee Complaint Handling Process

The Group takes measures to fully protect the legal rights and demands of the complainants and deals seriously with those who report/complain with the purpose of fabricating facts or framing others. The Group claims zero tolerance for illegal and non-compliant events, and if the relevant reports/complaints are confirmed, the Group will take necessary disciplinary measures to reduce the recurrence of such events. If it is suspected of crimes, it will be transferred to judicial authorities for handling.

Attaching Great Importance to Employee Diversity

The Group adheres to the employment policy of fairness, impartialness, diversity, and integration, and has developed regulations such as *CMS Board Diversity Policy* and *CMS Human Rights and Employee Diversity Policy,* creating a workplace atmosphere of inclusion and belonging.



The Group adheres to equal opportunity and follows the principle of anti-discrimination to ensure that employees' employment, holidays, working hours, remuneration, incentives, training, and promotion are not affected by their race, nationality, ethnicity, region, gender, religion, age, sexual orientation, political faction, marital status, fertility status, disability, and other factors.

The Board of Directors of the Group oversees the establishment, achievement and implementation of diversity policies and strategic targets for the Board and the employees. The Board of the Group and its subordinate Nomination Committee will check and review the *CMS Board Diversity Policy* annually, continuously monitor the implementation of the policy and make revisions as necessary. The Group collects and analyzes the quantitative data, target attainment progress and work performance status of its corporate diversity quarterly in each year, and submits them to the Board and the ESG Committee for review to ensure that the diversity-related work is progressed in an orderly manner.

When selecting and recommending candidates for the Board, the Group, based on a series of diversity categories, including but not limited to gender, cultural and educational background, professional experience, skills, knowledge, etc., gives full consideration of the needs of the Board diversity. As of the end of the Reporting Period, the Board consists of 6 members, including 2 female directors. Every member of the Board has rich working experience in the industries of pharmaceuticals, financial accounting, investment, and law and has mastered professional skills related to the operation of the Group, and thus can make scientific and effective decision on the Group's corporate governance, forward-looking strategic layout and quality business development.

In the aspect of promoting employee diversity, the Group strives to recruit local employees in its operating locations and avoids placing more conditions of admission on females than males during recruitment, to promote the diversity of employees. Meanwhile, the Group has set diversity targets, requiring that the proportion of females among all employees is no less than 50%, and that of females among mid-level and senior management is no less than 30%. Females are protected for fair treatment in recruitment, promotion, and other aspects through these quantitative targets.

The Group maintains a "zero-tolerance" attitude towards prejudice and discrimination, and has established an employee complaint mechanism to encourage employees to speak up bravely when they suffer from unfair treatment. During regular interviews with employees, the Group inquires and understands employees' opinions and satisfaction feedback on inclusive corporate environment building of the Group, and makes targeted optimization and adjustments accordingly.

The Group also encourages its stakeholders such as partners on supply chain and customers to promote the diversified development of employees together, and actively adds relevant binding provisions in the cooperation agreements signed with suppliers.

Ensuring the Occupational Health and Safety of Employees

The Group believes that the occupational health and safety of employees are essential to sustainable corporate development, and has formulated a series of safety management regulations, including *Provisions on Production Safety, Employee Health Management Procedure*, and *Emergency Plan*, etc., and has publicly released the *CMS Environmental Protection, Occupational Health and Safety Management Policy* covering all full-time, part-time and intern employees during the Reporting Period, ensuring that relevant regulations are effectively implemented through dynamic supervision.

The Group has established the occupational health and safety management/supervision team including ESG Committee, Administrative Department, Production Department, Audit Department, Human Resources Centre. The ESG Committee is responsible to check and review the strategies and management objectives relating to occupational health and safety, and to supervise the progress and achievement of relevant work. The Group actively promotes the subsidiaries to establish safety management system and to obtain relevant certification. During the Reporting Period, the Group's manufacturing subsidiary has obtained the GB/T 45001-2020/ ISO 45001:2018 certification of the occupational health and safety management system.

During the Reporting Period, there were no work-related fatalities in the Group.

Production Safety

Safety Record	Safety Publicity and Implementation
• Establishing occupational safety and health documents for employees; • Completing safety assessment of storage and use of hazardous chemicals timely and reporting it to the safety supervision authority.	• Setting up production safety bulletin boards at the plant area and relevant places, and putting up safety warning signs and safety tips to emphasize the operation safety and promote production safety awareness of all employees; • Strictly managing and supervising the placement, use and disposal of hazardous chemicals.
Safety Equipment	**Safety Inspection**
• Reasonably setting first-aid kits, and supplying employees in posts involving health and safety risk with appropriate personal protective devices such as earplugs, protective gloves, protective masks, and protection suits; • Purchasing and storing first-aid medicine and arranging emergency vehicles; • Reaching a cooperation agreement with neighbouring rescue agencies and hospitals to guarantee all-round rescue in case of emergency.	• Setting up leading groups for production safety inspection in relevant subsidiaries, regularly convening production safety meetings and implementing production safety inspection, organizing and implementing the "Production Safety Month" campaign, timely investigating potential accidents and potential violations and urging timely rectification; • Conducting the assessment of safety production performances and implementing safety production rewards and punishment mechanism, and making production safety inspections before and after holidays and monthly safety inspections of the workplace to prevent accidents; • Carrying out regular assessments of major hazard risk in factories and offices.
Safety Drills	**Safety Training**
• Organizing regular fire and production related safety drills every year. During the Reporting Period, the Group conducted fire drills, including emergency response procedures, safety passage familiarization and use of firefighting equipment, etc. The Group's manufacturing subsidiary organized and conducted emergency response plan drills for production safety accidents.	Setting up a comprehensive production safety training system: • A training model, with the combination of teaching and assessment by experts from the Ministry of Emergency Management and internal experts, is formed. During the Reporting Period, the subsidiaries of the production business system of the Group carried out multiple safety trainings, including production safety training for work resumption, environmental protection and emergency plan training, and hazardous chemicals management training; • Moreover, employees in special posts are required to attend internal and external professional trainings and assessments on a regular basis, and to work with appropriate licenses. During the Reporting Period, the Group's manufacturing subsidiary conducted a series of production safety trainings, including labour protection appliances and safety protection facilities training, production safety training, and special operations knowledge training.

Occupational Health

Daily Maintenance

Protecting employees' health and safety from daily trifles:
- Conducting maintenance and potential risk identification of corporate vehicles as scheduled;
- Ensuring a healthy working environment, timely changing drinking water filters, and disposing household garbage of each floor by category; regularly cleaning and disinfecting the central air conditioning and carpets, regularly exterminating insects and rats; and regularly inspecting and optimizing access control equipment to safeguard the safety of the Group's employees and property;
- Equipping the office area with sufficient first-aid kits and other facilities, including automatic external defibrillators (AEDs) and other first-aid equipment.

Health Training

Organizing regular health training:
- During the Reporting Period, the Shenzhen subsidiary of the Group conducted training on cardiopulmonary resuscitation (CPR) for cardiac arrest and use of AED, to enhance the safety awareness and first-aid ability of employees;
- During the Reporting Period, the Group's manufacturing subsidiary conducted occupational disease prevention knowledge training.

Health Check

- Providing all employees with annual health check;
- During the Reporting Period, several subsidiaries of the Group organized occupational health check for employees exposed to occupational diseases.

Mental Health

Professional Counselling

- Establishing the EAP (Employee Assistance Program), and hiring professional psychological counselling organizations to provide free psychological counselling to all employees and their families;
- Sharing psychological knowledge and communication skills applicable to work and life. During the Reporting Period, 20 articles related to EAP were published to all employees in the communication platform of the Group, with total views exceeding 39,600 times.

Work Stress Relief

- Providing employees with entertainment venues and various types of leisure activities to encourage employees to keep fit and relieve stress from work;
- Arranging interviews and learning and development partners for new employees, and obtaining an understanding of their work adaptation and emotional needs.

ENVIRONMENTAL PROTECTION, GREEN AND LOW-CARBON DEVELOPMENT

CMS clearly understands that ecological and environmental protection constitutes an important part of the corporate social responsibility, and has been adhering to the philosophy of green development and low-carbon management, to reduce the impact of operations on the surrounding environment. The Group actively responds to climate challenges and conducts systematic and comprehensive identification of the risks and opportunities brought about by climate change. Guided by the green innovation principle, the Group endeavours to create a sustainable business pattern and contribute to sustainable development by reducing resource and energy consumption while improving production and operation efficiency.

KEY TARGETS AND PROGRESS

Taking actions to protect the environment

Future targets:	Progress in Year 2024:
Greenhouse gas (GHG)	
• Scope 1+2 GHG emission intensity to be reduced by at least 5% by the end of 2030, as compared to 2022, with Scope 3 GHG emission data gradually disclosed.	• The Group has progressively developed group-level Scope 3 GHG emissions statistics. During the Reporting Period, the total Scope 3 GHG emissions under the categories of "Upstream transportation and distribution""Business travel"and"Employee commuting" ,and were 7,406.7 ton CO_2e.
• Scope 1+2 GHG emission intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.	• In 2024, Scope 1+2 GHG emission intensity has reduced by 31.9% as compared to 2022,and has reduced by 62.4% compared with 2020.
Solid waste	
• The hazardous waste intensity to be reduced by at least 7% by the end of 2026, as compared to 2020.	• In 2024, the hazardous waste intensity has reduced by 84.5%, as compared to 2020.
• The non-hazardous waste intensity to be reduced by at least 4% by the end of 2026, as compared to 2020.	• In 2024, the non-hazardous waste intensity has reduced by 81.0%, as compared to 2020.
Use of resources	
• The electricity consumption intensity to be reduced by at least 3% by the end of 2026, as compared to 2020.	• In 2024, the electricity consumption intensity has reduced by 15.0%, as compared to 2020.
• The water consumption intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.	• In 2024, the water consumption intensity has reduced by 47.1%, as compared to 2020.

Conserving biodiversity

• All business operations, products and services have no significant impact on biodiversity.

Taking Actions to Protect the Environment

The Group deeply understands the significant importance of environmental protection in its sustainable development, and implements environmental protection practices at the business level to build a green and clean operation and production environment by GHG emission reduction, waste control and resources management. The Group's business with direct impacts on the environment mainly includes pharmaceutical sales and marketing business, pharmaceutical production business and agriculture and livestock business[1]. During the Reporting Period, the sale of self-produced products only accounted for around 0.8% of the Group's turnover in the case that all medicines were directly sold by the Group. Due to the Group's business characteristics, the total emission of GHG and environmental pollutants was limited, and the impact on the ecological environment was insignificant.

The Group strictly complies with relevant laws and regulations on environmental protection at locations of operation, and continuously pays attention to relevant regulatory trends, ensuring the compliance and foresight of environmental management. During the Reporting Period, the Group developed *CMS Environment, Occupational Health and Safety (EHS) Management Policy*, which applies to all subsidiaries, to guide the response to physical climate risks and enhance environmental protection measures. The Group's manufacturing subsidiary has got the GB/T 24001-2016/ISO 14001:2015 environmental management system certification.

The Group has established a comprehensive environmental governance structure to systematically control and optimize corporate environmental practices. The Board of Directors of the Company is the supreme governance body, and the ESG Committee under the Board is responsible for overseeing the management guidelines, policies and structures of environmental protection, managing ESG-related risks and opportunities, and conducting risk identification and management with the Audit Department and the ESG Working Group. The ESG Working Group is mainly responsible for implementing environmental management, formulating specific environmental management plans, collecting, summarising and analysing various types of data in pollution emission and energy use from all responsible parties on a quarterly basis, to report to the ESG Committee and to assist the Board in continuously monitoring the Group's energy-conservation and emission-reduction management and the achievement of environmental targets. During the Reporting Period, the Board of Directors of the Company and the ESG Committee have reviewed the Group's environmental management strategy, the implementation of environmental management, and the setting and progress of environmental targets.

The Group had achieved all the short-term environmental management targets set with respect to GHG emissions, waste, electricity consumption and water resource usage (with 2023 as the target year and 2020 as the base year). To further improve waste management and optimize energy efficiency, the Group has also set short-term environmental management targets with 2020 as the base year and 2026 as the target year, respectively, to keep tracking the key environmental indicators in respect of GHG emissions, waste, electricity consumption and water resource usage, and to promote the Group's energy conservation and consumption reduction process.

[1] The pharmaceutical production business is mainly carried out by Kangzhe (Hunan) Medical Co, Ltd. ("Kangzhe Hunan"). The agriculture and livestock business is mainly carried out by Hunan Kangzhe Agricultural and Livestock Development Co., Ltd. ("Hunan Agriculture and Livestock"). The products provided by Hunan Agriculture and Livestock are for internal consumption only.

In addition, through a combination of internal self-inspection and external supervision, the Group comprehensively evaluates and monitors the effectiveness of its environmental management system and the compliance of its practices. The Audit Department conducts an internal audit regarding environment and energy consumption annually following the annual audit plan, covering all the operation entities, to form a special audit report for the Board's review. During the Reporting Period, the Group conducted a comprehensive on-site audit regarding the environment and energy consumption, covering the pharmaceutical production business, agriculture and livestock business, as well as major office areas. The management status (such as environmental governance, energy use, storage and disposal of hazardous waste, and employee safety) and problems of each audited entity were identified, assessed, and explained in detail. Based on the audit results, the Audit Department made advises to relevant responsible parties for rectification, assisted them in formulating a comprehensive improvement plan, and issued the *Special Audit Report on ESG Environment and Energy Consumption*.

In addition to the internal audit, the Group's subsidiaries are also subject to unscheduled external environmental inspections and audits every year. Among them, the Group's manufacturing subsidiary engages a third party to carry out monthly/quarterly environmental impact monitoring and to issue reports; the Group's Agriculture and Livestock subsidiary is subject to unscheduled law enforcement inspections by the local environmental protection authority. The local agricultural product quality and safety authority and the green food office conduct annual inspections regarding agricultural product quality and production environment. During the Reporting Period, no major environmental issue was found in all inspections.

Climate Change Response

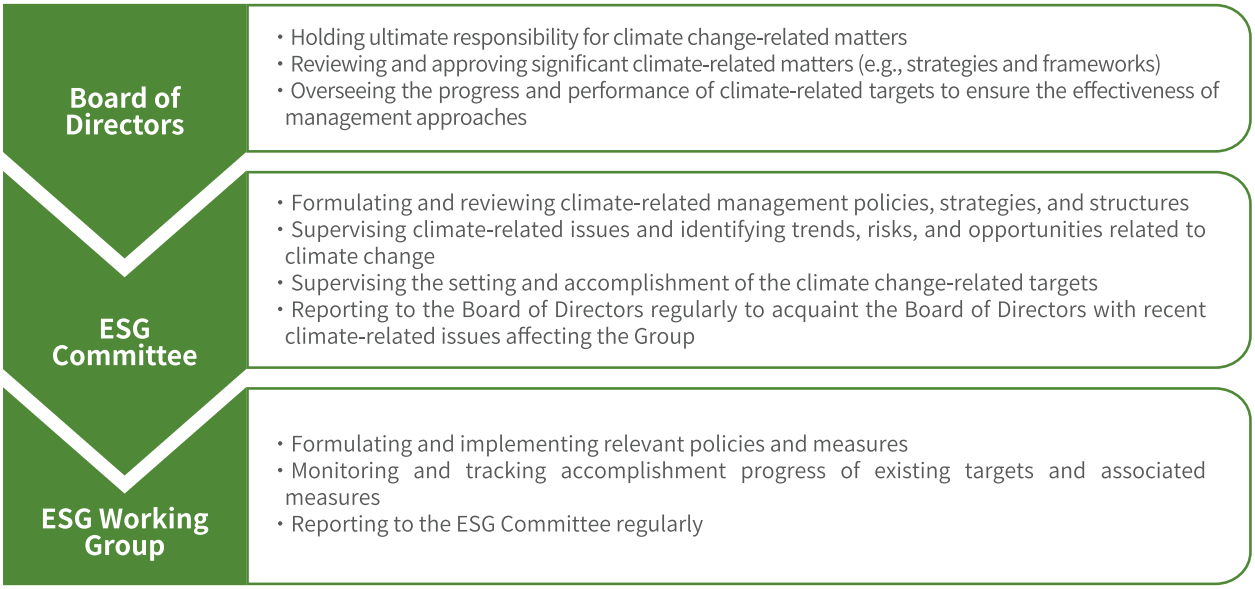
Climate change has become a complex global challenge. As a responsible enterprise, the Group has incorporated climate change issues into its long-term strategy, identified climate-related risks and opportunities, assessed the financial impact of various risks and opportunities, and formulated corresponding countermeasures. Starting from 2021, the Group managed and disclosed climate change-related information for four sections of governance, strategy, risk management, and metrics and targets by reference to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Governance	The Board of Directors assumes comprehensive oversight and strategic guidance responsibilities for climate change-related work.
Strategy	The actual and potential impacts of addressing climate change-related risks and opportunities on the Group's operations, strategies, and financial planning.
Risk Management	Identifying and assessing climate-related business risks arising from climate change and implementing mitigation measures to reduce climate risks.
Metrics and Targets	Metrics and targets for assessing and managing climate-related risks and opportunities, with regular disclosure of progress.

Governance

The Group has established a top-down climate change governance structure to better address the challenges posed by climate change. The Board of Directors of the Company serves as the highest decision-making body for the Group' s climate change activities. It has established an ESG Committee and an ESG Working Group, which oversee all climate change-related matters within the Group. The Board of Directors and ESG Committee of the Company review and supervise climate-related issues and work progress via quarterly meetings. In addition, the Board of Directors of the Company pays active attention to climate change trends, and actively seeks expertise from professional opinions of external experts to ensure an effective integration of climate change management and the Group' s development strategy, business layout and governance system.

During the Reporting Period, the members of the Company' s Board of Directors have stayed updated with the latest climate change policy requirements and trends to ensure that they have the appropriate knowledge and skills to support the formulation of strategies and decision-making on climate-related risks and opportunities. The Board of Directors has reviewed the work plans for climate information disclosure, identification and management of climate-related risks and opportunities, and related target-setting and implementation.



CMS's Climate-related Governance Framework

Strategy

The Group proactively identifies and assesses climate-related risks and opportunities and adopts a series of risk management measures to improve the overall operational resilience of the Group. Concurrently, the Group has established short-, medium-, and long-term climate management strategies to further prioritize climate change-related matters, enabling agile responses to challenges posed by climate change.

Short term	2024-2026 Conducting climate-related risk assessments and financial impact analysis, and adjusting response measures based on the findings.
Medium term	2027-2030 Performing comprehensive reviews and evaluations of climate change strategies to ensure alignment with the latest industry standards, regulatory trends, customer demands, and the Company's overarching corporate strategy.
Long term	2031 and beyond Driving the transition of the corporate value chain toward green and low-carbon practices.

Risk and opportunity identification and assessment

The Group identifies climate-related risks and opportunities it may face in short-, medium- and long-term business development based on the TCFD framework, peer benchmarking, and external expert insights, establishing the CMS Climate-Related Risk and Opportunity Register. Concurrently, the Group engaged a professional third-party institution to apply appropriate climate scenarios and parameters, and to prioritize its climate-related risks through qualitative and quantitative analyses based on its business characteristics and development trends.

Scenario analysis

Scenario models and parameters

The Group carried out a systematic review of its business and assets around the world, and selected the Network for Greening the Financial System (NGFs) scenario[2] as the basis for the scenario analysis.

Scenario setting	Scenario name	Temperature rise	Scenario description
NGFs	Orderly	The temperature rise will be limited to 1.5°C by 2100.	Limit global warming to 1.5°C through stringent climate policies and innovations, reaching global net zero CO_2 emissions around 2050.
	Hot house world	The temperature rise will be limited to 3°C by 2100.	Assume only currently implemented policies are preserved, and the Nationally Determined Contributions (NDCs) will not be implemented.

Scenario and Model Introduction

Assessment approaches

The Group assessed in detail the risks and opportunities faced by its business operations with qualitative and quantitative approaches, under the warming scenarios of 1.5°C and 3°C of NGFs. Specifically, the Group used the REMIND model[3] (Regional Model of Investment and Development) to assess the exposure of the Group's assets to the occurrence of various physical risks under different scenarios to determine the risk levels of the assets when they are exposed to different material physical risks, and to quantify the percentage of asset value vulnerable to physical risks.

[2] The NGFs climate scenarios integrate the Representative Concentration Pathway (RCP) and Shared Socioeconomic Pathway (SSP) scenarios set by the Intergovernmental Panel on Climate Change (IPCC). Due to the scientific rationality, wide availability and data availability of the scenarios, the NGFs climate scenarios are widely used in climate risk assessment. For the risk assessment, the Group conducted analyses under the"Orderly"and"Hot House World" scenarios of NGFs.

[3] REMIND (Regional Model of Investment and Development) is a numerical model developed by the Potsdam Institute for Climate Impact Research (PIK) to analyze the future impacts of interactions between energy, land use, the economy and the climate system. It represents the future evolution of the world economy, with a special focus on the development of the energy sector and the impact on our climate. REMIND uses a general equilibrium model with good predictability, which can simulate the interaction between various systems in a closed economy by predicting the changes occurring in the modelled time span. REMIND also takes into account the characteristics of regional trade in terms of goods, energy fuels and carbon emission quota.

The Group used a climate risk assessment questionnaire to assess the physical and transition risks it may face. Specific steps are as follows:

Step 1	Prepare and distribute the climate risk assessment questionnaire for the executive directors of the Company and the management personnel at and above the manager level of the Group. Experts from a professional third-party consulting firm are also invited to conduct the assessment based on their understanding of the Group's business and their professional knowledge of climate risks;
Step 2	Analyze and rank the exposure of the Group to physical and transition climate risks based on questionnaire results, and determine the final risk analysis result and ranking through a combination of questionnaire-based qualitative analysis and model-based quantitative analysis;
Step 3	The ESG Committee reviews and approves the analysis and ranking results, and reports the assessment result to the Board of Directors at the regular meetings;
Step 4	Develop corresponding climate change mitigation and response measures, as well as strategies and targets based on the assessment result, which are supervized and tracked by the Board of Directors and the ESG Committee, in terms of the relevant actions and the accomplishment of targets.

Assessment of physical risks

As the physical assets held by the Group (including office buildings, factories, and warehouses, etc.) are exposed to the natural environment, the majority of the assets may be exposed to physical risks resulting from climate change. Based on the analysis results under various climate change scenarios, the Group has taken into account the climate change factors and the geographical locations of its owned assets, and has identified the physical risks it may face and the potential impacts of the risks.

The identified possible physical risks are listed as follows:

Key drivers	Trend	Impact term	Potential risks	Potential financial impact[4]	
				Operating income	Costs
Risk type: Extreme heat					
• Global temperature rise may increase the frequency and intensity of hot days and intense heats	Uptrend	Short, medium, and long term	**Impact on business model** • Extreme heat can directly damage the body's thermoregulation system through factors such as temperature and humidity, leading to serious illnesses or even death, thereby reducing labour productivity and availability, or changing the efficiency of production processes, ultimately impacting the group's business operations; • During heat waves, more water and electricity are consumed for cooling, and the cooling system is less efficient; • Extreme heat increases the demand for water and energy, or increases the pressure on water pipes, eventually leading to pipe bending and water supply problems; • Drugs stored and transported under ambient temperature conditions necessitate the deployment of refrigerated vehicles during extreme heat, thereby increasing logistics costs; • Extreme high temperature leads to an increase in heat-related subsidies and expenses on environmental improvement and procurement of protective equipment. **Impact on value chain** • Extreme heat may result in power grid failures, leading to production delays or shutdowns.	-	+
Risk type: Extreme cold					
• Global warming may induce intensified climatic instability drivers, potentially altering the frequency and intensity parameters of cold air mass incursions and extreme low-temperature meteorological events	Downtrend	Long term	**Impact on business model** • In a cold environment, the human body dissipates heat greatly, which will lead to partial or whole-body temperature decrease, work capacity decline and even frostbite in case of improper protection, eventually reducing labour productivity and availability and operational efficiency, and impacting the business of the Group; • The operational efficiency of assets and equipment may decrease in extreme cold. **Impact on value chain** • Extreme cold could cause pipe freeze-induced ruptures and mechanical equipment malfunctions, thereby disrupting scheduled manufacturing operations.	-	

[4] The assessments of potential financial impacts are solely forward-looking projections subject to uncertainty quantification and methodological constraints of current climate risk assessment; (+) represents an increase in financial indicators, and (-) represents a decrease in financial indicators.

Key drivers	Trend	Impact term	Potential risks	Potential financial impact[4]	
				Operating income	Costs
Risk type: Extreme precipitation					
• In a warming climate, the atmosphere can hold more water vapour before reaching saturation, thus increasing the likelihood of extreme precipitation • The combined effect of typhoons, terrain and atmospheric circulation leads to extreme precipitation	Uptrend	Short, medium, and long term	**Impact on business model** • Water intake is turbid with high sediment content such as sand, affecting water supply for operation; • Roads are blocked and facilities in low-lying areas and open spaces are flooded or damaged. **Impact on value chain** • Extreme precipitation often leads to flash floods, dam collapses of reservoirs, river overflows, collapses of buildings, inundation of farmlands, and disruption of transport and telecommunications, resulting in a delay or stagnation of production and logistics.	-	+
Risk type: Wind gusts					
• Strong cold and warm temperature advection causes extreme wind	Low risk exposure	Long term	**Impact on business model** • Equipment in the production plants is damaged and production is disrupted, and office buildings and infrastructure are damaged, affecting the business operation of the Group. **Impact on value chain** • Traffic and supply chain related to the Group's marketing business are disrupted and customers are lost.	-	+
Risk type: Heavy snowfall					
• Climate warming leads to a significant increase in occurrence of heavy snowfall	Low risk exposure	Long term	**Impact on business model** • Extreme snowfall will easily lead to tree branch crush and building collapse, threatening people's health and safety; • Heavy snowfall may cause damage to office buildings and production facilities, resulting in economic losses. **Impact on value chain** • Snow cover caused by extreme snowfalls may lead to road closures, thus impacting the efficiency of production and transportation.	-	+

Key drivers	Trend	Impact term	Potential risks	Potential financial impact[4]	
				Operating income	Costs
Risk type: Tropical cyclones					
• Areas where the possessed assets are located may be exposed to more frequent and severe tropical cyclones	Uptrend	Short, medium, and long term	**Impact on business model** • Assets located in areas vulnerable to tropical cyclones are more likely to be damaged; • Extra maintenance expenses are incurred from the damage to plants, products, equipment and vehicles caused by strong wind and intense precipitation during typhoons, and the operational efficiency is decreased. **Impact on value chain** • Tropical cyclones result in business disruption, lower output and sales.	-	+
Risk type: Coastal flooding					
• Assets in coastal areas may be affected by continuous sea level rises	Uptrend	Long term	**Impact on business model** • The operation of assets affected by coastal flooding has to be suspended; • Extra needs are proposed to build flood prevention and flood control facilities; • Damage of machines and facilities may increase maintenance costs and reduce the operational capacity of the relevant assets. **Impact on value chain** • Goods may be damaged by floods.	-	+
Risk type: Fluvial flooding					
• Excessive rainfall or melting snow may cause river levels to rise	Uptrend	Medium, and long term	**Impact on business model** • More assets are affected by increasing fluvial flooding; • Extra expenses arise from the repair of damaged machines resulting from floods, and the operational capacity of assets declines; • The operation of assets damaged by floods has to be suspended; • The water contamination by floods can cause freshwater shortage and productivity decline; • The operation load for wastewater treatment will increase, and the volume of external discharges will increase; • Fluvial flooding may cause landslides and thus threaten production safety. **Impact on value chain** • Floods may compromise transportation network integrity, resulting in disruptions to raw material supply and product distribution channels, thereby affecting supply chain stability.	-	+

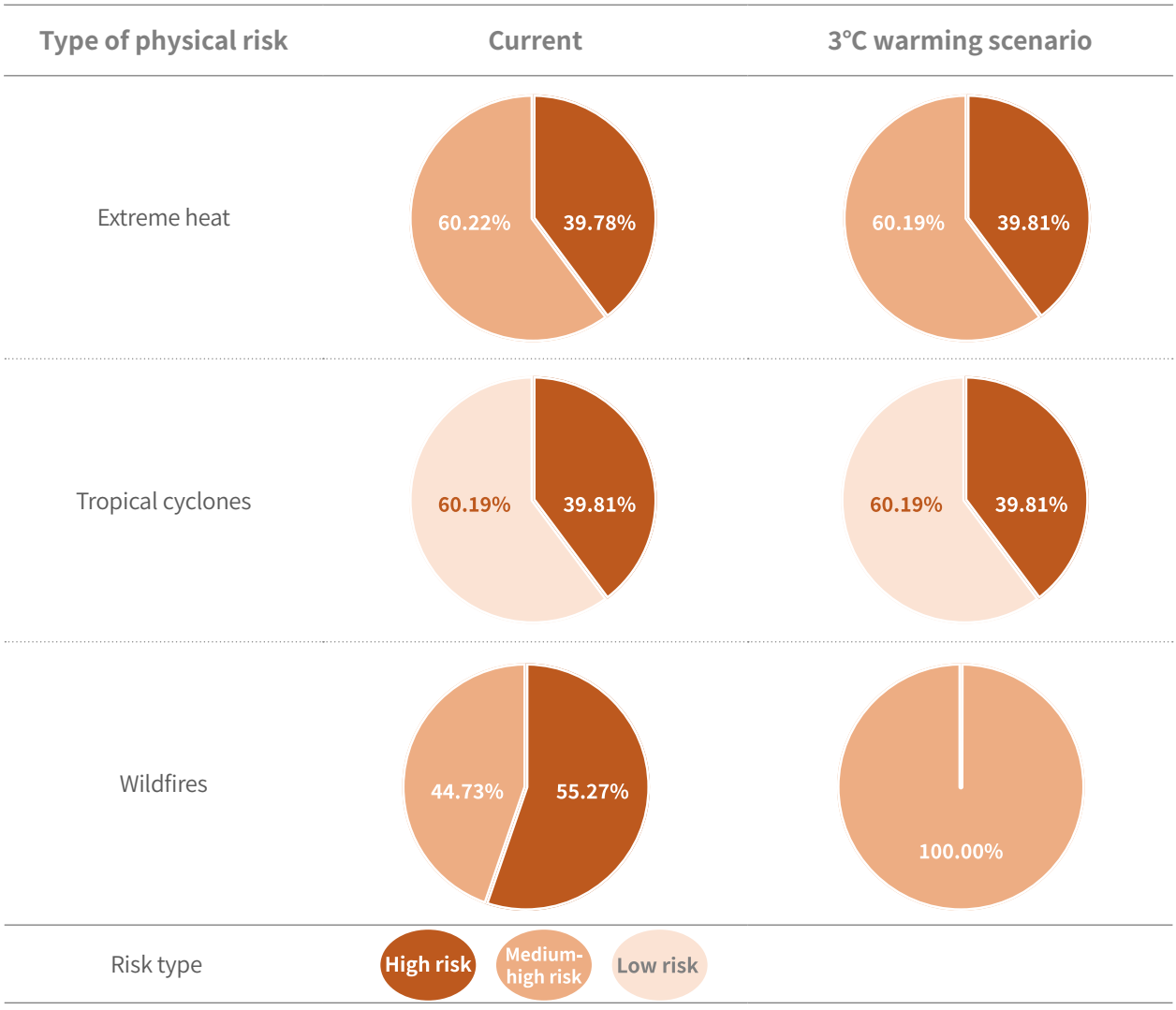
Key drivers	Trend	Impact term	Potential risks	Potential financial impact[4]	
				Operating income	Costs
Risk type: River low flow					
• Global warming may result in changes to precipitation patterns, causing reduced river flow • Human activities, such as over-pumping of groundwater, farmland irrigation and urban water use, may cause the decline of groundwater levels and thus affect river flow	Low risk exposure	Long term	**Impact on business model** • Low river flows may lead to water shortages, and thus affect production processes and cause financial losses. **Impact on value chain** • Low river flows may result in lower groundwater levels, saltwater intrusion and soil salinisation, thus affecting the normal growth of raw materials and leading to productivity decline.	-	
Risk type: Wildfires					
• Global warming may cause extremely high temperatures, extremely dry conditions such as drought, and wind gusts, which may induce more wildfires	Flat risk exposure	Medium, and long term	**Impact on business model** • More assets are affected by wildfires; • Wildfires damage machines; • Wildfires cause the operation of assets to be suspended. **Impact on value chain** • Traffic network disruption may adversely affect the supply chain of the Group.	-	+

After identifying physical risks, the Group conducted a hotspot analysis regarding the climate risk impact on its physical assets, including office buildings, warehouses and factories. The Group analyzed individual assets with the NGFs REMIND model to assess the levels of physical risks the Group may face under the three scenarios. Meanwhile, for qualitative analysis, the Group ranked the levels of climate-related physical risks it faces via climate risk assessment questionnaires to the management level of the Group.

With a combination of the aforementioned qualitative and quantitative analyses, the Group ranked the degrees of risk exposure and impact, and divided the possibility of occurrence of the corresponding physical risk faced by the Group into four levels, including low, medium, medium-high and high risk based on the location of the Group's assets, and calculated the percentage of climate-vulnerable assets exposed to physical risks, which are disclosed as follows:

Type of physical risk	Current	1.5°C warming scenario	3°C warming scenario
Extreme heat	Medium-high risk	Medium-high risk	High risk
Extreme cold	Medium risk	Medium risk	Medium risk
Extreme Precipitation	Medium risk	Medium risk	Medium risk
Wind gusts	Low risk	Low risk	Low risk
Heavy snowfall	Low risk	Low risk	Low risk
Tropical cyclones	Medium-high risk	Medium-high risk	Medium-high risk
Coastal flooding	Low risk	Low risk	Low risk
Fluvial flooding	Low risk	Medium risk	Medium risk
River low flow	Low risk	Low risk	Low risk
Wildfires	Medium-high risk	Medium-high risk	Medium-high risk
Risk type	High risk / Medium-high risk / Medium risk / Low risk		

CMS's physical assets are predominantly located in Hong Kong SAR, Southern and Central China. Climate risk profiling identifies "Extreme Heat", "Tropical Cyclones" and "Wildfires" exposures as material physical risks with "high" and "very high" exposure levels across operational sites. The Group analyzed the impact on the Group of the risks of the three physical assets with higher exposure levels under the current scenario, the 1.5° C and the 3° C scenarios, taking into account the value of the physical assets. From the perspective of climate risk assessment comprehensiveness and representativeness, the 3° C warming scenario provides a robust framework to quantify physical risk exposure of assets under elevated temperature thresholds, effectively highlighting the extremity and urgency of physical risks. Consequently, our analysis prioritises demonstrating the impact of various risks on the Group under both current and 3° C scenarios, with integrated valuation of physical assets.



Proportion of assets exposed to different physical risks under different scenarios

Assessment of transition risks

During the Reporting Period, to understand the resilience of the Group's business and strategy to changes in the future operating environment, the Group identified and assessed the transition risks it may face in the future, with reference to the results of climate change scenario analyses and taking into full account the Group's business, industry characteristics, technological development and the policies in the operating locations. The transition risks faced by CMS are mainly divided into five types, including policy and legal risk, technical risk, market risk, reputation risk and supply chain risk, respectively[5].

Implication	Trend	Impact term	Potential risks	Potential financial impact[6]	
				Operating income	Costs
Risk type: Policy and legal risk					
• Increasing pressures from GHG emission reduction policies; • The price of GHG emission rights increases; • Litigation over climate or environmental issues may occur.	Uptrend	Medium, and long term	**Impact on business model** • Countries/regions around the world are promoting GHG emission reduction by formulating and implementing global emission reduction targets and policies, and companies are facing pressure from the GHG emission reduction policy; • In order to achieve the 2°C target of the *Paris Agreement*, governments domestically and abroad are gradually improving carbon pricing policies, mainly through carbon trading mechanisms and carbon tax systems, and companies are facing the pressure of higher pricing of GHG emission rights; • With the gradual increase in surveillance, companies may face a greater frequency and number of litigations over climate and environmental issues. **Impact on value chain** • Systematic assessments on the supply chain shall be implemented to ensure regulatory compliance.	-	+
Risk type: Technical risk					
• Low-carbon technology transition is emphasised for R&D and investment	Uptrend	Long term	**Impact on business model** • With the national promotion of green production methods, companies need to adopt more sustainable energy and materials and introduce more environmental-friendly production processes to meet market trends and enhance the competitiveness. **Impact on value chain** • Companies will prioritize collaboration with suppliers adopting green and low-carbon technologies, which may induce structural reconfiguration of supply chain networks.		+

[5] Under the 3 °C warming scenario, extreme weather events will occur more frequently, and CMS will mainly face physical risks rather than transition risks, therefore transition risks are not separately listed.

[6] The assessments of potential financial impacts are solely forward-looking projections subject to uncertainty quantification and methodological constraints of current climate risk assessment; (+) represents an increase in financial indicators, and (-) represents a decrease in financial indicators.

Implication	Trend	Impact term	Potential risks	Potential financial impact[6]	
				Operating income	Costs
Risk type: Market risk					
• Customer concerns and needs change constantly; • The disease incidence and transmission rates change constantly; • Lower-emission products and services replace the existing ones.	Uptrend	Medium, and long term	**Impact on business model** • Climate change affects the ecological balance, and will not only accelerate the reproduction and growth life cycle of some pathogens, but also facilitate the rapid adaptation of pathogens to the environment and speed up their mutation. Companies need to continuously carry out basic scientific research on climate change and related drugs, and improve the R&D efficiency of innovative drugs. **Impact on value chain** • Customers are increasingly concerned about the carbon footprint of the value chain, and require to reduce carbon emissions throughout the value chain, and have included low carbon products or ESG performance as one of the evaluation points for achieving cooperation; • In some countries/regions, increased demand from healthcare providers for products and services with relatively low GHG emission footprints will lead to alternatives of pharmaceutical products with higher GHG emission footprints.		+
Risk type: Reputational risk					
• Stakeholders may increase their concern or provide negative feedback.	Uptrend	Short, medium, and long term	**Impact on business model** • Negative evaluations may undermine investor confidence, thus affecting corporate financing. **Impact on value chain** • Regulatory authorities, investors, customers, consumers, and other stakeholders increasingly focus on the impact of global warming and consequent impacts of climate change. They raise expectations for corporate actions to address these challenges with more stringent requirements for public disclosure on climate risks and low-carbon products.	-	+

Implication	Trend	Impact term	Potential risks	Potential financial impact[6]	
				Operating income	Costs
Risk type: Supply chain risk					
• Supply and procurement costs are likely to increase.	Uptrend	Short, medium, and long term	**Impact on business model** • The Group's Scope 2 GHG emissions mainly come from the secondary energy consumed by its business, mainly the purchased electricity from the national power grid of the locations of the assets. Sudden power or water supply outages or limits, or rises in water or electricity prices may occur due to climate change or the national dual-carbon policies. **Impact on value chain** • Climate change may affect the normal growth of raw materials, which makes it difficult for companies to acquire some raw materials; raw material prices rise because of the decrease in supply.		+

Based on the identified transition risks, the Group assessed the transition risks it will face in the future through qualitative analysis and a climate risk assessment questionnaire to its management-level personnel:

Under the 1.5°C warming scenario, the Group will face climate-related transition risks from policy, regulatory, technological and market aspects. Different transition risks present different levels of risk depending on the extent of their impact on the Group and the time period.

Transition risk	Year 2030	Year 2050
Increased scrutiny of finished drug suppliers	Medium risk	Medium-high risk
Environmental laws or regulations are tightening with market access restrictions	Medium-high risk	Medium-high risk
The industry of the Group may be included in China's National Carbon Market	Medium risk	Medium-high risk
Fines and lawsuits may increase compliance costs or harm reputations	Medium-high risk	Medium-high risk
Capital investments in R&D and the application of low-carbon technologies may increase	Medium risk	Medium-high risk
Substandard products may affect customer trust and the reputation of the Group	Medium risk	Medium-high risk
Costs may change due to the use of low-carbon transport modes	Medium risk	Medium-high risk
R&D investment of relevant drugs may increase due to the rapid iteration of diseases	Medium-high risk	Medium-high risk
Compliance costs may increase due to market demands for the carbon footprint of products	Medium risk	Medium-high risk
Non-compliant disclosures can affect brand reputation and financing capacity	Medium-high risk	Medium-high risk
Climate risk incidents have precipitated heightened negative feedback from stakeholders	Medium-high risk	Medium-high risk
Costs for procurement may increase due to fewer raw material suppliers	Medium-high risk	High risk
Rising resource prices can affect corporate costs	High risk	High risk

Risk type: High risk | Medium-high risk | Medium risk | Low risk

Under the 3°C warming scenario, it is assumed that there will be no additional measures in terms of policy, regulation or technical measures other than those already in place in 2023. The policies and regulations will not gradually become more stringent, and the market demand will not change dramatically. The world, including China, still relies mainly on fossil fuels but has made insufficient investments in low-carbon emission technologies. As the *Paris Agreement* fails to achieve substantial results and extreme weather events will occur more frequently in the future, CMS is mainly facing physical risks, while the transition risks are relatively less prominent and are not analyzed separately.

Assessment of climate-related opportunities

The Group understands proactive actions to respond to climate change will have a positive impact on its sustainable development, such as improving resource utilization efficiency, participating in carbon markets, and launching innovative products. In the low-carbon transition process, the Group's efforts to mitigate and adapt to climate change may create a variety of opportunities, including resource opportunity, energy opportunity, product opportunity and market opportunity. Major climate-related opportunities identified by the Group are listed as follows:

Implication	Trend	Impact term	Potential opportunities	Potential financial impact[7]	
				Operating income	Costs
Opportunity type:Resource opportunity					
• With the development and iteration of technology and the optimization of operation processes, the efficiency of various resources (e.g., talent, equipment, and technical resources) in the operation process of enterprises can be improved constantly.	Uptrend	Short, medium and long term	• With the implementation of resource management system and the promotion of digital transformation during operation, companies can achieve effective management of resource utilization in drug production and office work; • Companies can launch innovative products more flexibly and rapidly through more efficient R&D processes and production equipment.	+	-
Opportunity type:Energy opportunity					
• The transformation of energy sources and supply methods bring opportunities to enterprises in energy consumption.	Uptrend	Medium and long term	• Under the "dual carbon" Goal, the policy and technological environment to promote the new energy industry and the establishment of the carbon market will bring about changes in the energy use structure and carbon market trading opportunities.	+	-

[7] The assessments of potential financial impacts are solely forward-looking projections subject to uncertainty quantification and methodological constraints of current climate risk assessment; (+) represents an increase in financial indicators, and (-) represents a decrease in financial indicators.

Implication	Trend	Impact term	Potential opportunities	Potential financial impact[7]	
				Operating income	Costs
Opportunity type:Product opportunity					
• Consumers have the willingness and preferences to pay for added value of products.	Uptrend	Medium, and long term	• The consumer preferences change, with greater emphasis on value transmission of the purchase behaviour. Controlling carbon emissions may give brands an added meaning of low carbon and environmental protection to meet consumer demand.	+	
Opportunity type: Market opportunity					
• Climate change has brought about changes in the market layout, including changes in the volumes of existing product and service markets and the emergence of new markets.	Uptrend	Long term	• The infection rates and incidence of diseases change, which leads to changes in demand for different pharmaceutical products and services; • Climate change may lead to the emergence of new infectious diseases and pathogens.	+	

Based on the identified climate-related opportunities, the Group conducted a qualitative analysis which was applicable to transition risk assessment as well, assessed the climate-related opportunities it will face in the medium- and long-term scenario[8] via a climate-related opportunity assessment questionnaire to the management-level personnel of the Group:

[8] The climate-related opportunities the Group faces are relatively less prominent under the 3° C scenario and are not analysed separately.

Climate opportunity	Year 2030	Year 2050
With the implementation of resource management system during operation, companies can achieve effective management of resource utilization in drug production and office work, which will result in decreased operating costs	Medium opportunity	Great opportunity
Companies can launch innovative products more flexibly and rapidly through more efficient R&D processes and production equipment, thus increasing business revenue	Great opportunity	Great opportunity
The application of new energy can cause reduction in unit energy cost, thus reducing operating costs	Poor opportunity	Medium opportunity
The participation in the carbon emission trading market may reduce costs in carbon emissions, or profits can be generated from selling excess carbon emission rights	Poor opportunity	Medium opportunity
Companies can gradually transform into a low-carbon enterprise by participating actively in carbon trading market and reducing energy consumption and carbon emissions, to achieve higher corporate competitiveness, better financing capability and higher capital availability	Medium opportunity	Medium opportunity
Companies take the initiative to formulate carbon emission reduction targets and proactively transform into a low-carbon enterprise, which helps improve their environment-friendly image and reputation, and leads to increased consumer demands for products and services as well as the business revenue increase	Medium opportunity	Medium opportunity
Companies can provide low-carbon-emission products and services to meet consumers' demands, thus realizing business revenue increase	Medium opportunity	Great opportunity
The infection rates and incidence of diseases change, which leads to changes in demand for different pharmaceutical products and services, and the consumer demand for companies' existing products may increase, thus increasing business revenue	Great opportunity	Great opportunity
Climate change may lead to the emergence of new infectious diseases and pathogens, and through the continuous R&D and sales of innovative drugs, companies can improve market competitiveness and increase business revenue	Great opportunity	Great opportunity

Opportunity type: Great | Medium | Poor

Financial impact analysis

During the Reporting Period, considering internal assessment results and external expert insights, the Group has developed an association table for climate-related risks and financial indicators, made a preliminary assessment and analysis regarding the degree of financial impact (i.e., the impact of risks on current financial performance/expected financial conditions) and impact term (i.e., the expected term in which the risks may materialize). The table has already presented the significant adverse financial impacts of risks on the Group in different climate scenarios. The assessments of potential financial impacts are solely forward-looking projections subject to uncertainty quantification and methodological constraints of current climate risk assessment.

Climate scenario	Significant risk type[9]		Financial impact term[10]	Current financial impact (Unit: RMB'000)			Anticipated financial impact[11] (Unit: RMB'000/year)		
				<1,000	1,000-5,000	>5,000	<1,000	1,000-5,000	>5,000
3°C warming scenario	Physical risks	Extreme heat	Medium and long term	✓	☐	☐	☐	✓	☐
		Tropical cyclones	Short , medium , and long term	✓	☐	☐	☐	✓	☐
		Wildfires	Medium and long term	✓	☐	☐	☐	☐	✓
1.5°C warming scenario	Transition risks	Policy and legal	Medium and long term	✓	☐	☐	✓	☐	☐
		Reputation	Medium and long term	✓	☐	☐	✓	☐	☐

Assessment of the Financial Impact of Climate Change (Estimation)

Risk Management

To better address climate change, the Group fully integrates climate-related risks control into the ESG risk management efforts. The Group has also formulated well-organized management system on addressing climate change risks to timely prevent, control and dissolve risks, and enhance climate resilience. The Group's specific management process for climate risks is as follows:

Risk identification and assessment:

Prepare a climate risk register, and make a scenario analysis and assessment of each risk, refer to "Climate Change Response - Strategy" section for details.

Risk ranking:

With a combination of qualitative and quantitative analyses, analyze and rank the exposure of the Group to physical and transition climate risks.

Risk management:

Develop corresponding climate change mitigation and response measures based on the risk assessment result, and report those to the ESG Committee and the Board of Directors for review.

The Board of Directors determines and announces priorities of relevant management strategies based on the assessment result.

Monitoring and reporting:

The ESG Committee urges the implementation level to execute specific work plans, and reports to the Board of Directors on the implementation of relevant response measures.

[9] Significant risk types refer to physical risks of which degrees of risk exposure are medium-high and high, and transition risks of which degrees of risk impact are medium-high and high in both 2030 and 2050.
[10] Financial impact term refers to the term in which the risk may have financial impact on the Group (short term: 2024-2026; medium term: 2027-2030; long term: 2031 and beyond).
[11] Anticipated financial impact refers to the estimated annual financial loss that the Group may bear as a specific risk materialises. Due to uncertainties and limitations in existing quantitative assessment methods for climate-related financial impacts, the anticipated financial impact terms involved in this report only include short and medium term. Long-term financial impacts are not taken into consideration at this stage.

The Group has formulated relevant management regulations on addressing climate change, such as the *Emergency Response Plan for Environmental Incident* and the *Regulations on Environmental Protection*, aiming to adapt to climate change and mitigate disaster risks. Meanwhile, every three years, the Group' s manufacturing subsidiary engages an external professional third partes to review the *Emergency Response Plan for Environmental Incident* and make revisions according to relevant management requirements and results of the review, and delegates relevant departments to execute the plan accordingly.

The climate risk management plan formulated by the Group is as follows:

Risk type	Response measures	
	Short- and-medium term	Medium- and-long term
Risk category: Physical risks		
• Extreme heat	• Increase overhaul frequency of refrigeration equipment in factories and warehouses to ensure the stability of cold chain systems and drug safety; • For electricity demand peaks arising from extreme heat, make production plans and work arrangements for staggered electricity consumption in advance; • Shorten outdoor working hours of employees, and stockpiling heatstroke and antipyretic drugs in summer; • Develop emergency response plans for the transportation of refrigerated and frozen drugs. In case of extraordinary weather conditions during transit, take immediate response measures.	• Increase the investment in energy conservation and emission reduction (e.g., increasing the proportion of renewable energy used).
• Extreme cold	• For drugs that are susceptible to freezing and require thermal insulation and freeze-proofing, use cold-proof packaging when transporting to cold regions in winter.	• Perform insulation, anti-freezing, and anti-condensation treatment on factory equipment and pipelines to maintain normal operation of the equipment.
• Extreme precipitation	• Upon receiving a forecast for intense precipitation, strengthen inspections of office and warehouse doors, windows, and drainage systems, and close all doors and windows securely, and dredge drainage ways to eliminate potential safety hazards; • In case of extreme precipitation, transfer goods from warehouse areas that may be affected in a timely and safe manner; • Perform regular overhaul and dredging to drainage systems annually to respond to potential extreme precipitation events.	• In future construction or expansion projects, give priority to higher-grade waterproof and wind-resistant materials and structural designs to improve building resilience to extreme weather events; • Fully access waterproofing layers of buildings and supplementing with reinforcements and replacements if necessary, and opting for more durable materials to minimise damage resulting from prolonged exposure to rainwater.

Risk type	Response measures	
	Short- and-medium term	Medium- and-long term
Risk category: Physical risks		
• Wind gusts	• Upon receipt of gust warnings, suspend outdoor elevated work, dust-generating construction, and large-scale outdoor activities.	• Improve the quality of construction materials, and change to high-quality equipment to reduce or avoid the impact of wind gusts.
• Extreme snowfall	• Stockpile ice-melting salts, shovels, and other de-icing emergency supplies to ensure production and operational continuity; • Regularly organize relevant departments and workshops to conduct emergency drills, enhancing employees' emergency response capabilities.	• Strengthen energy supply and operational monitoring of facilities and equipment, promptly coordinating additional supply of external electricity and natural gas, and ensuring protection of critical facilities against freezing and cold.
• Tropical cyclones	• Upon receipt of typhoon warnings, organize staff in advance for shelter and risk avoidance while suspending outdoor work; • Bring forward execution of cooperation agreements with third-party warehouses. In case of typhoons or other extreme weather events, launch third-party storage solutions promptly to minimize losses on warehouse relocation; • Before typhoon season begins, temporarily reinforce warehouse doors, windows, and roofs to reduce damaging effects of typhoons on warehouses.	• In the future, when planning new warehouses, a new warehouse structure with typhoon-resistant and waterproof designs will be adopted to enhance resilience to extreme weather events.
• Coastal flooding	• Establish emergency material reserve bases in high-risk coastal areas to ensure an adequate supply of sandbags, waterproof tarpaulins, and water pumps, enabling instant deployment and drainage in the event of flooding.	• Make an all-round risk assessment of the Group's assets to identify areas and assets vulnerable to flooding and develop emergency response plans in advance; • When constructing or expanding factories, warehouses, or other facilities in the future, comprehensively assess historical flood data, and prioritize low-risk areas.
• Fluvial flooding	• Install temporary flood barriers (such as flood shields) and ensuring that flood control equipment is readily available.	• Upgrade the drainage systems by utilizing high-capacity drainage pipelines and rainwater collection systems to raise drainage efficiency; • Perform geological assessments and monitoring of landslide-prone areas.
• River low flow	• Reserve essential industrial water in advance to ensure short-term production continuity.	• Improve water use efficiency of equipment and processes.

Risk type	Response measures	
	Short- and-medium term	Medium- and-long term
Risk category: Physical risks		
• Wildfires	• Fully implement fire patrol and inspection regulations to promptly identify and address potential fires; • Organize regular fire safety training sessions and fire drills annually to enhance employees' fire safety awareness and improve their emergency response capabilities.	• Prior to construction or expansion of factories, warehouses, or other facilities, make an all-round geographical risk assessment, and consider historical fire data, vegetation types, and wind speed, among others to ensure selected sites are located away from fire-prone areas or high fire-risk areas.
Risk category: Transition risks		
• Policy and legal	• Regularly assess environment- and climate-related legal risks to ensure that corporate operations comply with national policies.	• Understand and actively participate in the carbon market. If subsequently included in carbon quota control, effectively manage and optimize the Group's cost structure and risk exposure through strategic buying or selling of carbon quotas.
• Technology	• Identify existing high energy consumption and high-emission processes, and replacing raw materials with eco-friendly alternatives without changing equipment.	• Accelerate R&D of new technologies, introducing greener production processes and techniques, and taking full account of both cost efficiency and adaptability when adopting new technologies.
• Market	• Complement category of products and services, and offering environment-friendly products and services wherever possible; • Pay attention to carbon emissions in the supply chain (e.g., product transportation) and communicate actively with logistics providers to explore the feasibility of greener and more environment-friendly logistics solutions, to reduce the carbon footprint of products.	• Continuously track changes in diseases worldwide, including pandemics, and adjust the layout of new drugs, and production of drugs and supply plan based on results of analysis.
• Reputation	• Proactively communicate with external parties through the official website, annual ESG reports and various ratings to build a responsible corporate image.	• Constantly realign the internal climate-related governance framework and mechanism, and set carbon emission and energy management targets and tracking the targets regularly.
• Supply chain	• Adopt a multi-supplier strategy in procuring critical raw materials/drugs to prevent supply chain disruptions.	• Explore and utilize alternative energy sources, such as renewable energy including solar, wind, and geothermal energy, while seeking and applying energy storage and other technologies to store low-cost electricity and control energy costs flexibly.

Metrics and Targets

The Group's ESG Working Group is responsible for formulating the climate change-related targets, which are reviewed and approved by the ESG Committee and Board of Directors and are regularly tracked and reviewed. To supervise and review its performance on climate change management, the Group discloses climate-related quantitative indicators in its annual reports.

The GHG emissions from the Group's operations mainly include direct emissions (Scope 1) from energy consumption such as natural gas, petrol and diesel and indirect emissions (Scope 2) from use of purchased electricity. In response to the United Nations SDGs and China's "dual carbon" goal, the Group has set up short-, medium- and long-term targets on GHG emission control. During the Reporting Period, the Group has achieved positive progress towards its targets for GHG emissions.

Stages	Targets	Key paths
Short term: Year 2026	The Scope 1+2 GHG emission intensity to be reduced by at least 6% by the end of 2026 compared to 2020	• Raise energy management efficiency • Upgrade and renovate equipment and facilities • Explore applications of renewable energy • Reduce carbon emissions across the value chain
Medium term: Year 2030	The Scope 1+2 GHG emission intensity to be reduced by at least 5% by the end of 2030, as compared to 2022	• Maximize the energy management efficiency to an optimal level • Increase the proportion of clean/ renewable energy • Constantly reducing carbon emissions across the value chain
Long term: Year 2060	Actively and orderly make dedicated contributions to China's commitment to achieving carbon neutrality by 2060	• Promote renewable energy under national policies • Explore carbon offset methodologies such as buying carbon credits

Progress towards the target for GHG emissions in the current year is as follows:

Metrics	Unit	Data in 2020	Data in 2024	Target	Progress on target
Direct GHG emission (Scope 1)	Ton CO_2e	5,895.3	1,549.0	The Scope 1+2 GHG emission intensity to be reduced by at least 6% by the end of 2026, as compared to 2020	In 2024, Scope 1+2 GHG emission intensity has reduced by 62.4% compared with 2020
Indirect GHG emission (Scope 2)	Ton CO_2e	6,686.2	3,999.1		
GHG emission (Scope 1+2)	Ton CO_2e	12,581.5	5,548.1		
Total GHG emission (Scope 1+2) density	Ton CO_2e / million RMB	1.70	0.64		

Climate Change-related Metrics and Targets

Additionally, the Group has analyzed the Scope 3 carbon emissions based on its situation and formulated the Scope 3 disclosure plan, and has commenced data collection and analysis for Scope 3 emissions in respect of the three categories, namely upstream transportation and distribution, business travel, and employee commuting.

Type	Data in 2024[12] (ton CO_2e)
Upstream transportation and distribution	2,047.3
Business travel	966.4
Employee commuting	4,393.0
Total Scope 3 emissions in respect of this three categories	7,406.7

Scope 3 Emission Metrics

Emission and Waste Management

The Group is fully aware that improper treatment of emissions and wastes will pose harm to the ecosystem and human health. The Group strictly complies with relevant laws and regulations on emissions management at locations of operation, and has formulated a series of internal management regulations such as *Regulations on Environmental Protection*, covering requirements for the management of emissions in the production and operation process, including exhaust gas, wastewater, solid waste, and noise pollution.

The Group actively monitors and manages the emissions of various pollutants, to minimize the adverse impact of its own emissions on the surrounding environment. Every year, the Group's manufacturing subsidiary regularly engages qualified third-party detection institutions to strictly monitor its emissions of wastewater, exhaust gas and noise to ensure compliance. Additionally, the Group actively invests in environmental protection projects and enhances pollutant treatment technologies to build a more harmonious and cleaner production environment.

[12] Please refer to Appendix V for the specific calculation method of GHG emissions (scope 3).

The Group is committed to communicating the concept of green development among the supply chain. The Group's manufacturing subsidiary tends to select suppliers with green concepts or relevant qualifications, requiring suppliers to provide relevant documents such as environmental system certificates and emission permits, etc., and taking waste reduction (harmful emissions such as exhaust gas, wastewater and hazardous waste) plans and arrangements as one of the factors to be considered in the selection of suppliers. In addition, in the annual review and analysis of suppliers, the pollution emission and waste reduction of suppliers will be taken into consideration. If any problems are identified, the Group will communicate with the suppliers and agree on follow-up rectification measures.

During the Reporting Period, the Group has not experienced any significant environmental pollution incidents.

Water Pollutant Management

The Group strictly complies with the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations, and has formulated a comprehensive wastewater discharge management plan in compliance with internal management regulations, such as the *Standard Operation Procedures for Use, Maintenance, and Overhaul of Wastewater Treatment Facility*. The wastewater produced by the Group mainly includes domestic and production wastewater. The Group adopts reasonable wastewater treatment processes to enhance the effectiveness of wastewater reuse, achieving the rational recycling of water resources while ensuring the satisfaction of wastewater discharge standards.

The Group's management measures for wastewater include but are not limited to:

Office areas	✓ Strengthening environmental protection training and setting up bulletin boards for environmental protection and resource conservation, to clarify water conservation regulations and raise the awareness of all employees on water conservation; ✓ Strengthening inspections and renovating or replacing old equipment in office areas that are not water-saving or leaking; ✓ Commissioning auto flushing facilities in office areas to shorten the automatic flushing time; ✓ Domestic wastewater is treated in septic tanks and discharged into the municipal wastewater pipe network after reaching the standard.
Pharmaceutical production areas	✓ The production wastewater is treated by the self-built integrated wastewater treatment station to meet regulatory standards, and the wastewater is then discharged into the municipal pipe network and finally flows into the municipal wastewater treatment plant. Moreover, an automatic wastewater monitoring system is installed in the wastewater treatment station of the plant to monitor and analyze the production wastewater regularly, which is connected with the provincial environmental protection monitoring platform to realize real-time and transparent management of production wastewater; ✓ Regularly engaging qualified third parties to conduct wastewater monitoring, with main monitoring parameters including pH values, suspended solids, ammonia nitrogen, etc.; ✓ Recovering relatively clean wastewater for reusing, such as for floor cleaning and toilet flushing.
Agricultural and livestock areas	✓ Collecting manure water from agricultural farms through sedimentation ponds and making organic fertilizers from dried animal dung through dung scrapers, to achieve the purpose of recycling; ✓ Growing plants around animal enclosures and parks to absorb animal manure water left outdoors; ✓ Adopting reasonable wastewater treatment processes to ensure that treated wastewater meets the *Discharge Standard of Pollutants for Livestock and Poultry Breeding* before being discharged, avoiding secondary pollution to the surrounding environment.

Air Pollutant Management

The Group has strictly complied with relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and has formulated internal management polices such as the *Regulations of Boiler and Pressure Vessel Management*. The Group's sources of air pollution are mainly from the pharmaceutical production business, and pollutants include nitrogen oxides/sulphur dioxide/ particulate matter generated by boilers due to complete and incomplete combustion. In response to the requirements of the national and local environmental protection authorities, we have implemented management measures such as adopting exhaust gas treatment equipment and improving the production process to control the emissions of air pollutants. In addition, to ensure compliance with emissions, the Group's manufacturing subsidiary engages a qualified third party to conduct monthly/ quarterly inspections on the emission of nitrogen oxides, sulphur dioxide, particulate matter, and other pollutants.

During the Reporting Period, the relevant monitoring results indicated that the Group's emissions complied with the prescribed emission limits for air pollutants.

To minimize the negative impact of exhaust gas generated in production operations on the environment, the Group takes measures including but not limited to:

- ✓ Using natural gas-fuelled boilers to reduce pollutant emissions from the source;
- ✓ Upgrading the built-in dust collector of the cutting and shredding equipment for "pretreatment" in the Chinese medicine extraction workshop, and adding a large whirlwind bag-type dust remover to allow dust and exhaust gas to meet the standard and be discharged at a high altitude after multi-stage treatment;
- ✓ Using "alkaline water spraying + photooxidation + 15m exhaust funnel" deodorization systems in wastewater treatment stations, and using "fan collection + plasma + 15m exhaust funnel" smell and odour treatment systems in the Chinese medicine extraction workshops, which jointly further improve exhaust gas treatment;
- ✓ Regulating boiler operations reasonably based on the production tasks of workshops, and reducing unnecessary uses for less exhaust gas emission;
- ✓ Engaging a third-party professional inspection agency to sample the organized exhaust gas emitted by steam boilers monthly/quarterly to inspect the compliance of pollutant emissions.

Noise Pollution Management

The Group attaches great importance to noise management and exercises strict control over noise generated in the production and operation process following the *Law of the People's Republic of China on Noise Pollution Prevention and Control*. The Group's noise pollution is mainly from the pharmaceutical production business. We have implemented control measures at the three stages of noise generation, propagation, and reception:

Source control	✓ Giving priority to the use of low-noise equipment, and using horizontal centrifuges in the workshops of the Group's manufacturing subsidiary to reduce noise, to enhance control from the source; ✓ Isolating the noise sources from the staff activity areas by optimizing the layout of the equipment to reduce the impact of noise on employees.
Propagation control	✓ Setting noise barriers outside the equipment room, and adding sound insulation cotton inside to effectively control the propagation of noise.
Reception control	✓ Regularly engaging third-party professional institutions to monitor noise, ensuring the production activities have no adverse impact on employees and surrounding residents; ✓ Requiring susceptible employees to wear protective equipment, and regularly carrying out training sessions, requiring employees to wear protective equipment properly; ✓ Strengthening production management and developing production schedules for noise-related processes to avoid long working hours of employees in noisy environments.

During the Reporting Period, the noise monitoring results of the Group met the requirements and the noise did not have a significant negative impact on the employees' occupational health and the local ecological environment.

Solid Waste Management

The Group has formulated internal management regulations such as *Management System of Waste Product and Material, Regulations on Hazardous Waste* and collects and disposes of hazardous and non-hazardous waste in accordance with regulations, preventing environmental pollution caused by waste. During the Reporting Period, the Group did not report any soil or underground water pollution incidents caused by waste/chemical leaks.

To further optimize the Group's waste management, the Group has set short-term environmental targets related to hazardous and non-hazardous waste with 2020 as the base year and 2026 as the target year. At the end of the Reporting Period, the environmental targets related to hazardous and non-hazardous waste was orderly underway.

The progress on the achievement of relevant targets in 2024 is as follows:

Metrics	Unit	Data in 2020	Data in 2024	target	Progress on target
Hazardous waste	Ton	4.3	0.8	The hazardous waste intensity to be reduced by at least 7% by the end of 2026, as compared to 2020	In 2024, the hazardous waste intensity has reduced by 84.5% as compared to 2020
Hazardous waste intensity	Ton/million RMB	0.00058	0.00009		
Non-hazardous waste	Ton	1,531.3	368.0	The non-hazardous waste intensity to be reduced by at least 4% by the end of 2026, as compared to 2020	In 2024, the non-hazardous waste intensity has reduced by 81.0% as compared to 2020
- Chinese herb residue	Ton	1,413.0	72.5		
- Sewage sludge	Ton	10.6	121.3		
- Household garbage	Ton	107.8	174.2		
Non-hazardous waste intensity	Ton/million RMB	0.21	0.04		

Solid Waste-Related Metrics and Targets

The Group's hazardous waste is mainly from analytical inspections at laboratories in the pharmaceutical production business, including laboratory waste liquids, expired chemical reagents and waste medicines, etc. Through continuous optimization of laboratory management, standardization of testing and inspection procedures and hazardous waste treatment, the Group reduces the generation of waste from the source and ensures that the hazardous waste is properly managed. The Group's hazardous waste control measures include but are not limited to:

- ✓ Strictly complying with management requirements for the use of related chemical reagents, and purchasing and using these reagents according to the needs;
- ✓ Strengthening the routine management of the laboratory, standardising of the operation process of inspection and testing, to minimize the production of chemical waste residues and waste liquids;
- ✓ Used chemical reagents or expired chemical reagents are collected and stored in the temporary hazardous waste storage room in time. The Group engages a third-party professional disposal company to transfer and dispose of hazardous waste on a regular basis. Before entering into hazardous waste disposal contracts with third parties, the Group strictly reviews their qualifications, such as the business license, the permits for operation and transportation, to ensure that hazardous waste is disposed of in accordance with laws and regulations.

The Group's non-hazardous waste is mainly from day-to-day operations and production activities. The Group treats non-hazardous waste in strict accordance with the environmental standards to minimize the negative impact of waste on the environment and manages the non-hazardous waste by category to maximize the recovery and recycling rate of waste, achieving comprehensive waste reduction. The Group's main control measures for non-hazardous waste include but are not limited to:

Office areas

- ✓ Advocating a lifestyle of resource conservation and on-demand purchasing, to reduce the production of non-hazardous waste from the source;
- ✓ Encouraging employees to take food as per needs in the canteen to reduce the production of kitchen waste and equipping the canteen with microwave ovens to encourage employees to bring their own lunch boxes and use less disposable tableware;
- ✓ Encouraging the classification of garbage: non-recyclable garbage is transported to the garbage disposal station for centralized treatment; recyclable garbage such as paper, metal, plastic, and glass is recovered for treatment or recycled to achieve comprehensive waste reduction;
- ✓ Providing recycling bins for wastepaper in printing areas, and encouraging double-sided printing and wastepaper utilization;
- ✓ Promoting paperless office and using an internal communication platform to reduce paper consumption;
- ✓ Using rechargeable batteries as much as possible for battery recycling.

Pharmaceutical production areas	✓ Chinese herb residues are mainly particle filter residues (lignin) and a small number of insoluble extractives, which are non-hazardous solid waste, are sent to the compost workshop in Hunan Agriculture and Livestock as one of the ingredients for organic fertilizers; Hunan Agriculture and Livestock has set up storage tanks to receive waste medicine residues from Kangzhe Hunan, which will ferment after mixing with organic fertilizers in a certain proportion to produce efficient fertilizers for crops, and to realise ecologic and organic recycling of non-hazardous waste; ✓ Recyclable waste such as waste paper, waste cartons, and waste plastic buckets produced by various workshops and departments is classified and collected for rational recycling or disposal; ✓ Non-hazardous plastic barrels that have contained alcohol or bulk drugs in workshops are recycled and cleaned for secondary use to contain laboratory waste liquids and expired chemical reagents; ✓ The operating procedure is strictly carried out in the wastewater treatment station to control impurities. In addition, oil separation tanks and septic tanks are established for the primary treatment of wastewater.
Agriculture and livestock areas	✓ Adopting various collection devices to collect animal excrement and make it into organic fertilizers via fermentation, to realize organic recycling of non-hazardous waste.

Resource Management

The Group strictly abides by the relevant laws and regulations such as the *Law of the People's Republic of China on Conserving Energy*, the *Law of the People's Republic of China on Promoting Clean Production* and the *Circular Economy Promotion Law of the People's Republic of China*, and has formulated internal management regulations such as the *Regulations on Resource Conservation Management* to strengthen the standardized management of resources such as energy, water, packaging materials, and paper. The Group focuses on energy conservation and emission reduction and circular economy in the whole process of business operation, in an effort to minimize the consumption of natural resources and to realize harmonious coexistence between humans and nature.

During the Reporting Period, the Group promoted the green office concept in a top-down manner, proactively developed digital tools to improve internal management and communication efficiency and minimize the consumption of various resources in day-to-day operations, and actively promoted energy conservation and emission reduction actions to all employees to enhance their awareness of and participation in environmental protection. The Group's manufacturing subsidiary established a leading group for energy conservation and emission reduction to take full charge of supervising and facilitating energy conservation-related work. An Energy Conservation and Emission Reduction Office and Safety & Environment specialist position are set under the leading group, and are responsible for developing management policies for energy conservation and emission reduction of each area, carrying out activities to publicise the energy conservation concept, and performing daily inspection and supervision to ensure effective implementation of energy conservation measures.

To further optimize the management on resource use, the Group has set short-term environmental targets on the consumption of electricity and water, with 2020 as the base year and 2026 as the target year. As at the end of the Reporting Period, the achievement of relevant environmental targets is orderly underway.

The progress on the achievement of relevant targets in 2024 is as follows:

Metrics	Unit	Data in 2020	Data in 2024	target	Progress on target achievement
Purchased electricity	kWh	7,520,182.0	7,451,203.2	The electricity consumption intensity to be reduced by at least 3% by the end of 2026, as compared to 2020	In 2024, the electricity consumption intensity has reduced by 15.0% as compared to 2020
Purchased electricity intensity	kWh/ million RMB	1,016.90	864.25		
Water consumption	m^3	282,658.0	174,178.6	The water consumption intensity to be reduced by at least 6% by the end of 2026, as compared to 2020	In 2024, the water consumption intensity has reduced by 47.1% as compared to 2020
Water consumption intensity	m^3/ million RMB	38.22	20.20		

Resource Consumption-related Metrics and Targets

Energy Conservation

The Group constantly optimizes energy use efficiency to realize energy saving and consumption reduction and reduce GHG emissions. The Group mainly takes the following measures to manage the use of various energy sources:

Electricity

Pharmaceutical production:

- ✓ Scheduling production reasonably to reduce the production time in the high-temperature summer season and reduce energy consumption;
- ✓ Setting air-conditioning and refrigeration equipment in the warehouse area to the most energy-saving mode, advocating turning off lights and closing doors when entering and leaving the warehouse, and enhancing the awareness of electricity conservation; strengthening inspections and maintenance to ensure the normal operation of electrical equipment;
- ✓ Ensuring that work is completed in the daytime to minimize the duration of night lighting and to reduce the energy consumption of workshops;
- ✓ Assigning dedicated personnel to conduct routine supervision and inspection on the use of electricity, and turn off electrical equipment on time.

Daily work:

- ✓ Providing electricity conservation knowledge during breaks of training sessions or meetings to enhance employees' awareness of conservation;
- ✓ Reducing the use time of air conditioners in summer and setting domestic air conditioners at 26° C, and regularly maintaining air conditioners. Installing shading curtains to reduce direct sunlight and air-conditioning energy consumption;
- ✓ Rearranging unreasonable and energy-wasting electrical wiring in office areas;
- ✓ Phasing out old electrical appliances, and utilising LED energy-saving lamps in all lighting places where possible. Adopting solar energy equipment for water heaters, streetlights and surveillance facilities.

Boiler fuel

Fuel is mainly used by boilers in the pharmaceutical production process:

- ✓ Reasonably adjusting the use of boilers according to production load to reduce fuel consumption;
- ✓ Insisting on using high-quality clean fuels and maintaining boilers regularly to ensure reasonable and efficient use of gas boilers;
- ✓ Detecting and repairing the leakage of volatile organic compounds on a regular basis to reduce emissions and leakage of sealing points.

Gasoline

Gasoline is mainly used by vehicles for business use:

- ✓ Strictly implementing the *CMS Regulations on Vehicles and Drivers' Management* to standardize the management of vehicles and drivers of the Group, implementing vehicle registration and approval system for vehicle use, avoiding non-essential vehicle use, reasonably deploying vehicle use for business purposes, and encouraging employees to share vehicle when going to the same destination to reduce the frequency of vehicle use. Requiring corporate drivers to do mileage registration to ensure reasonable vehicle use;
- ✓ Launching a digital vehicle dispatch platform for rational vehicle deployment and energy conservation;
- ✓ Regularly inspecting and maintaining vehicles to ensure their normal operation and reduce fuel consumption;
- ✓ Encouraging employees to walk or take battery-powered bicycles in the industry park as much as possible;
- ✓ Replacing old, high fuel-consumption vehicles with lower-emission vehicles, and prioritizing new-energy vehicles when purchasing new vehicles.

Diesel oil

Diesel oil is mainly used in the pharmaceutical production business and by backup power generators at the Pingshan base, as well as the greenhouse insulation equipment and farm vehicles for the agriculture and livestock business:

- ✓ During the Reporting Period, through staggered production peak scheduling and reasonable regulation, the Group's manufacturing subsidiary did not use diesel generators for power generation;
- ✓ The diesel generators are used as emergency backup devices and are not allowed to be switched on unless during outage and maintenance;
- ✓ Transportation is reasonably scheduled, to reduce the number of transportation times and the frequency of diesel engine use.

Water Conservation

The Group proactively practises the concept of water conservation in its business operations, and reduces natural water consumption by constantly refining its management mechanisms, striving to enhance the water reuse rate and using less water. Water consumption of the Group mainly derives from production and cleaning in pharmaceutical plants, agricultural irrigation and livestock cultivation, as well as daily use by employees.

In addition, to further identify and address water risk-related concerns in the context of climate change, during the Reporting Period, by referring to Water Risk Filter, a global tool for assessing water risk developed by World Wildlife Fund (WWF), the Group assesses all physical assets (including office buildings, plants and warehouses) for water risks covering basin physical risks, basin regulatory risks and basin reputational risks potentially posed to sites where relevant assets operate.

Water Risk Assessment Dimensions		
Basin physical risks	**Basin regulatory risks**	**Basin reputational risks**
Water scarcity Flooding Water quality Ecosystem services status	Enabling environment Institutions and governance Management instruments Infrastructure and finance	Cultural Importance Biodiversity importance Media Scrutiny Conflict

According to assessment results, the Group's self-owned physical assets are exposed to medium water risk.

Risk type	Very high	High	Medium	Low	Very low
Basin physical risks	0	0	100%	0	0
Basin regulatory risks	0	0	0	33%	67%
Basin reputational risks	0	50%	50%	0	0

To address water-related risks and reduce water consumption, all subsidiaries of the Group have developed water use monitoring and management mechanisms, and the Group's manufacturing subsidiary conducts a routine inspection of purified water once a week and a systematic verification once a year in accordance with the methods specified in the *Pharmacopoeia of the People's Republic of China*; according to the requirements of national standards, drinking water is inspected once a month, and a qualified third-party institution is commissioned for annual audit and inspection. Hunan Agriculture and Livestock, a subsidiary of the Group, formulated the *Hunan Agriculture and Livestock Water Testing Methods*. Adopting the inspection methods of "seeing, smelling, observing, drinking, tasting and checking", the tap water is inspected every month, and health inspection and quarantine authorities conduct onsite centralized inspection and testing once a year, thereby ensuring that the water quality meets the standard and guaranteeing water safety.

The Group has adopted specific water-saving measures for different business areas, including but not limited to:

Office areas	✓ Upgrading taps to water-saving taps in offices, dormitories, canteens and other places; ✓ For green-space watering, utilising water-saving equipment such as portable rotary sprayers for spraying at designated times and venues; ✓ Training or educating employees to enhance their awareness of water conservation; ✓ Replacing leaky and non-water-saving flushing equipment, commissioning auto-flushing facilities in office areas, shortening auto-flushing time, and properly adjusting flushing intervals; ✓ Retrofitting aged automatic flush valves to prevent water waste due to aging equipment.
Pharmaceutical production areas	✓ Closely metering and monitoring all water-using segments in each workshop to strengthen the management of production water consumption; ✓ Regularly conducting comprehensive inspections on leakage and dripping in each workshop, and fixing all leakage and dripping points. The manufacturing subsidiary conducted an inspection, repair and maintenance of the water supply system; ✓ Recycling and reusing cooling water from production in workshops; ✓ Treating the wastewater from domestic use and production through the self-built wastewater treatment station to realise reasonable recycling; ✓ Standardizing the water use for greening, reasonably utilising the water treated by the wastewater treatment station for watering, and extending the watering cycle properly.
Agriculture and livestock areas	✓ Upgrading the water equipment for livestock and poultry breeding to automatic water-saving equipment; ✓ Collecting and using natural precipitation for irrigation to reduce the use of additional water sources; ✓ Using drip water dispensers in chicken coops to reduce air drying, evaporation, etc. due to weather and so on.

Packaging Material and Paper Conservation

The Group is committed to reducing the use of packaging materials and paper, constantly improving the utilization rate, and minimizing the generation of waste to mitigate the potential impact of operations on the surrounding environment. The Group has formulated the *Regulations on Acceptance, Storage and Distribution of Labels, Insert Sheets and Packaging Materials* and *Regulations on Material Requisition*, and encourages relevant personnel to use as needed. While meeting market and production demands, the Group has also taken the following measures to proactively optimize the use of packaging materials:

Recycling packaging materials

- ✓ Stipulating that all packaging materials shall meet environmental protection requirements and packaging recycling marks indicating that the national standards are met;
- ✓ Setting up packaging material recycling sites at warehouses, to classify and recover recyclable packaging boxes and materials generated by returned goods and products or in other processes;
- ✓ Using reusable materials such as damaged and used cartons and separation films for other filling purposes;
- ✓ Integrating the concept of environmental protection into packaging design.

Reducing packaging materials

- ✓ Using machines for packaging, carrying out training for packaging positions, and conducting inspection and maintenance for packaging machines, to reduce waste of packaging materials;
- ✓ Delivering goods in whole packages whenever possible to reduce the use of packaging materials.

The Group strictly urges the packaging material suppliers to undertake their environmental responsibilities and comply with relevant environmental regulations, requires them to sign the *CMS Proposal for Suppliers*, insists on choosing higher-quality environment-friendly packaging materials under the same conditions, and requires cooperating packaging material suppliers to provide certificates of the environmental quality management system. The amount of formaldehyde released from cartons, pearl cotton, blister boxes and adhesives of various packaging materials shall meet the requirements of GB 18580-2017 *Indoor Decorating and Refurbishing Materials - Limit of Formaldehyde Emission of Wood-based Panels and Finishing Products.*

The Group positively promotes a paperless, digitalized and online working environment to reduce paper consumption and facilitate green office:

Paperless

- ✓ Standardizing paper use, and promoting double-sided printing & copying and diversified use of paper;
- ✓ Setting wastepaper recycling bins to encourage the secondary use of paper with no confidential information;
- ✓ Promoting online working process to substitute the previous paper document submission process.

Digitalisation

- ✓ Vigorously promoting digital office and issuing internal notices via digital communication tools to cultivate the habit of prioritizing electronic office among employees;
- ✓ Using electronic documents instead of paper documents when communicating with relevant parties.

Conserving Biodiversity

The Group attaches great importance to biodiversity conservation and strictly abides by the *Forest Law of the People's Republic of China,* the *Law of the People's Republic of China on Wildlife Protection* and other relevant laws and regulations, and the United Nations' *Convention on Biological Diversity* and other international conventions. Allowing for business characteristics, the Group has developed internal policies including *CMS Regulations on Environmental Protection and Occupational Health & Safety*, providing institutional safeguards to biodiversity conservation. Additionally, the Group enhances the awareness of employees on biodiversity conservation through publicity and multi-level practices.

Keeping an eye on the impact of production and operation activities on the local ecological environment and biodiversity, the Group utilises environment-friendly technologies and materials while pledging to maintain zero deforestation in future operations. In planning new, renovation or expansion projects, the Group intentionally avoids locations with important biodiversity and environmentally sensitive areas, and adopts technologies and measures with a lower environmental impact to avoid negative effects on local biodiversity and environment. If negative impacts have occurred, the Group will take remedial measures in a timely manner.

During the Reporting Period, the Tibet subsidiary of the Group conducted a number of public welfare activities in support of the Nenang Ecological and Cultural Conservation Center, Lhasa, Tibet, involving onsite/warehouse/system/power station management, etc., in order to assist in the conservation of snow leopard habitat and the construction of protected areas. Additionally, the Group also donated RMB 100,000 to further support these environmental conservation endeavors.

The Group has taken various measures for the protection of ecological environment and biodiversity, including but not limited to:

Office areas	✓ Effectively managing waste generated in daily work and life, advocating and practising biodiversity conservation, and ensuring that different types of waste are properly sorted and disposed of and will not pollute soil, water source and habitat, so as to reduce the impact on the surrounding environment.
Pharmaceutical production areas	✓ Regulating procurement to prevent over-exploitation, destruction of biodiversity, and other behaviours that damage the ecological environment; ✓ Enhancing greening in plant areas to protect the surrounding water and soil resources.
Agriculture and livestock areas	✓ Promoting harmless agriculture and livestock production technology, institutionalization of the ecological environmental protection works, and the manufacturing of environment-friendly agricultural and livestock products, to control and mitigate environmental pollution; ✓ Insisting on daily cleaning of animal enclosures and regular sanitary inspections to reduce the impact of the breeding area on the surrounding air and water; ✓ Setting up double-layer protection in the breeding area to strictly prevent pollution of the surrounding environment; ✓ Collecting and using natural precipitation for irrigation to reduce the consumption of purchased water sources.

During the Reporting Period, the Group's business did not involve animal testing, none of its offices, operation sites and industrial plant areas were located in critical areas for nature conservation, and none of its business operations, products and services had any significant impact on biodiversity.

Appendix 1: List of Laws, Regulations and CMS' Rules and Policies Listed

	Laws and Regulations	CMS' Rules and Policies
A.Environmental		
A1: Emissions	*Law of the People's Republic of China on the Prevention and Control of Atmospheric 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 Prevention and Control of Environmental Noise Pollution, Law of the People's Republic Of China on Prevention and Control of Water Pollution, Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises, Discharge Standard of Pollutants for Livestock and Poultry Breeding, Emission Standard of Air Pollutants for Boiler, Integrated Wastewater Discharge Standard, Wastewater Quality Standards for Discharge to Municipal Sewers, Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants, Emission Standard for Industrial Enterprises Noise at Boundary, Standard for Pollution Control on the non-hazardous industrial solid waste storage and landfill, Standard for Pollution Control on Hazardous Waste Storage, Administrative Measures for Hazardous Waste Transfer, Regulation on the Administration of Permitting of Pollutant Discharges, etc.*	*Regulations on Environmental Protection, Wastewater Management Regulation, CMS Environment, Occupational Health and Safety (EHS) Management Policy, Operation Procedures of Wastewater Treatment System, Standard Operation Procedures for Use, Maintenance, and Overhaul of Wastewater Treatment Facility, Regulations of Boiler and Pressure Vessel Management, Regulations on Hazardous Waste, Hazardous Materials Safety Management System, Management System of Waste Product and Material, Regulations on Sanitation Management in Plant Area, etc.*
A2: Use of Resources	*Energy Law of the People's Republic of China, Law of the People's Republic of China on Promoting Clean Production, Circular Economy Promotion Law of the People's Republic of China, etc.*	*Regulations on Environmental Protection, Regulations on Green Agriculture and Livestock, Regulations on Resource Conservation Management, CMS Management Regulations on Vehicles and Drivers, Hunan Agriculture and Livestock Water Testing Methods, Regulations on Acceptance, Storage and Distribution of Labels, Insert Sheets and Packaging Materials, Regulations on Material Requisition, etc.*
A3: The Environment and Natural Resources	*Environmental Protection Law of the People's Republic of China, Forest Law of the People's Republic of China, Wild Animal Conservation Law of the People's Republic of China, Law of the People's Republic of China on Environmental Impact Assessment, etc.*	*CMS Environment, Occupational Health and Safety (EHS) Management Policy, Integrated Emergency Response Plan for Environmental Incidents, Regulations on Environmental Protection, Regulations on Sanitation Management in Plant Area, etc.*
A4: Climate Change	*Responding to Climate Change: China's Policies and Actions.*	*Emergency Response Plan for Environmental Incident, Regulations on Environmental Protection, etc.*

Appendix 1: List of Laws, Regulations and CMS' Rules and Policies Listed- continued

	Laws and Regulations	CMS' Rules and Policies
B. Social		
Employment and Labour Practices		
B1: Employment	*The Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Employment Promotion Law of the People's Republic of China, Regulations on the Implementation of the Labour Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Minimum Wage Provisions, Regulations of the State Council on the Hours of Work of Employees, Special Rules on the Labour Protection of Female Employees, Law of the People's Republic of China on the Protection of Women's Rights and Interest, etc., Hong Kong Employment Ordinance, Hong Kong Minimum Wage Ordinance, Hong Kong Mandatory Provident Fund Schemes Ordinance, Macao Labour Relations Law, UAE Labour Law, Singapore Employment Act, etc.*	*Measures for Recruitment Management, Social Recruitment Practice Manual, Campus Recruitment Practice Manual, Measures for Background Check Management, Incentive Policies for Recommending Talents. Human Resource Policy, Personnel Management Policy, Human Rights and Employee Diversity Policy, CMS Board Diversity Policy, etc.*
B2: Health and Safety	*The Work Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Regulations on Work-Related Injury Insurances, Regulations on Occupational Safety and Health, Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents, Special Equipment Safety Law of the People's Republic of China, Hong Kong Occupational Safety and Health Ordinance, etc.*	*CMS Environment, Occupational Health and Safety (EHS) Management Policy, Provisions on Production Safety, Employee Health Management Procedure, Fire Safety Management Policy, Regulations on Governing Safety Prevention Responsibility, Emergency Plan, Office Building Emergency Plan, Provisions on Workplace Safety Management, CMS Management Regulations on Vehicles and Drivers, Special Equipment Safety Management Regulations, etc.*
B3: Development and Training	*Employment Promotion Law of the People's Republic of China, etc.*	*CMS Training Management Policy, Internal Trainer Management Policy, Provision on Employee Training Process, etc.*
B4: Labour Standards	*Law of the People's Republic of China on the Protection of Minors, The Special Rules on the Protection of Juvenile Workers, Law of the People's Republic of China on the Protection of Minors, Trade Union Law of the People's Republic of China, Hong Kong Employment Ordinance, etc.*	*Human Resource Policy, CMS Employee Manual, Regulations on Holiday Management, Personnel Management Policy, etc.*
Operating Practices		
B5: Supply Chain Management	*Company Law of the People's Republic of China, Export Control Law of the People's Republic of China, Administrative Measures for the Import of Drugs, Provisions for Supervision of Circulation of Pharmaceuticals, etc.*	*Regulations on Supplier Management, Provisions for Material Supplier Management, Admission and Evaluation System of Suppliers, Regulations on Supplier Assessment, Standard Regulations on Supplier Management, Procedures on Supplier Audit Management, Code of Practice for Field Quality Audit of Supplier, Catalogue of Qualified Material Supplier, Regulations on First-time Supplier Qualification Review, Management Regulations on International logistics Suppliers, CMS Code of Conduct for Suppliers, Material Supplier Assessment and Management Procedure, etc.*

Appendix 1: List of Laws, Regulations and CMS' Rules and Policies Listed- continued

	Laws and Regulations	CMS' Rules and Policies
B. Social		
Employment and Labour Practices		
B6: Product Responsibility	*The Drug Administration Law of the People's Republic of China, Regulations for Implementation on Drug Administration Law of the People's Republic of China, Provision for Drug Registration, Good Manufacturing Practice of Medical Products, Good Clinical Practice, Measures for the Supervision and Administration of Pharmaceutical Production, Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products, Good Supply Practice for Pharmaceutical Products, Administrative Measures for the Import of Drugs, Good Supply Practice for Medical Devices, Regulations for the Supervision and Administration of Medical Devices, Law of the People's Republic of China on Safeguarding the Consumer Rights and Interests, Provisions for Drug Insert Sheets and Labels, Measures for Reporting and Monitoring of Adverse Drug Reactions, Good Pharmacovigilance Practice, Civil Code of the People's Republic of China, Cybersecurity Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China, Hong Kong Personal Data (Privacy) Ordinance, etc.*	*Quality Risk Management Policy, Internal Audit Management Policy of Quality Management System, Operating Procedures for Internal Audit of Quality Management System, Regulations on Drug Procurement, Regulations on Drug Check and Acceptance, Regulations on Drug Maintenance, Regulations on Purchaser' Qualification Review, Management Procedures for Production Process, Regulations on Storage, Derivation Management Procedures, Change Management System, Operation Procedures for Change Management, CMS Management Provisions on the Direct Reporting of Quality Information, Regulations on Quality Responsibility, Management Procedures for Unqualified Product, Regulations on Warehouse Fire Safety Management, Regulations on Inspection, Maintenance and Servicing of Equipment and Facilities, Drug Traceability Management System, Sampling Management Procedures, Quality Policy, Target and Plan Management Regulations, Product Quality Review and Analysis Management Procedure, Regulations on Warehouse Handling Area Working Safety Management, Regulations on Warehouse Hygiene, Procedure for Administration of Drafting/ Alteration of Drug Insert Sheets and Labels, Procedure for revision, review and approval of design draft of Insert Sheets and Labels, Regulations on Quality Complaints, Operating Procedures for Quality Complaints, Operating Procedures for Drug Safety Report Handling, Emergency Plan for Drug Safety Incidents, Operating Procedures for Cluster Adverse Drug Reaction Events, Pharmacovigilance Training and Personnel Qualification Management, Operating Procedures for Product Safety Event Handling Plan, Regulations on Drug Recall, Operating Procedures for Drug Recall, Management System for Recall Information Disclosure, CMS Management Standards for Compliance in Clinical Research, CMS Confidentiality Regulations, CMS Rules on Data Access Management, CMS Regulations on Data Security Management, the CMS Regulations on Personal Information Protection, CMS Intellectual Property Management Policy, CMS Responsible Marketing Policy, Advertising Management System, Operating Procedures for Advertising Inspection, etc.*
B7: Anti-corruption	*Anti-Money Laundering Law of the People's Republic of China, Law of the People's Republic of China Against Unfair Competition, Criminal Law of the People's Republic of China, Interim Provisions of the State Administration for Industry and Commerce on the Prohibition of Commercial Bribery, Hong Kong Prevention of Bribery Ordinance, etc.*	*CMS Conflict of Interest Management Measures, CMS Anti-Fraud Management System, CMS Code of Ethics for Employees, CMS Budget Management System, CMS Procurement Management System, CMS Internal Audit System, CMS Code of Promotional Conduct, Compliance Performance Assessment Policy, CMS Code of Conduct, CMS Compliance Management Policy, etc.*
Community		
B8: Community Investment	*Charity Law of the People's Republic of China Charity Donation Law of the People's Republic of China, etc.*	*External Donation Management Policy, etc.*

Appendix 2: ESG Reporting Guide Content Index

ESG Aspects, General Disclosure and KPIs			Chapter
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non- hazardous waste.	Environmental Protection, Green and Low-carbon development
	A1.1	The types of emissions and respective emission data.	Taking actions to protect the environment Appendix 3 Key environmental KPIs
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key environmental KPIs
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key environmental KPIs
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key environmental KPIs
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Taking actions to protect the environment
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of reduction target(s) set and steps taken to achieve them.	Taking actions to protect the environment

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
A. Environmental			
A2: Use of Resources	General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Taking actions to protect the environment
	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).	Taking actions to protect the environment Appendix 3 Key environmental KPIs
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key environmental KPIs
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Taking actions to protect the environment
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Taking actions to protect the environment
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix 3 Key environmental KPIs
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Environmental Protection, Green and Low-carbon Development
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Conserving Biodiversity
A4: Climate Change	General Disclosure	Identifying and mitigating policies of significant climate-related issues which have impacted, and those which may impact, the issuer.	Taking actions to protect the environment
	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.	Taking actions to protect the environment

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
B. Social **Employment and Labour Practices**			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented Practice, Growing with Employees
	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Appendix 4 Key social KPIs
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 4 Key social KPIs
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Ensuring the occupational health and safety of employees
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 4 Key social KPIs
	B2.2	Lost days due to work injuries.	Appendix 4 Key social KPIs
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Ensuring the occupational health and safety of employees
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	People-oriented Practice, Growing with Employees
	B3.1	The percentage of employees trained by gender and employee category (e.g. mid-level and senior management, general employees).	Appendix 4 Key social KPIs
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 4 Key social KPIs

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
B. Social			
Employment and Labour Practices			
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-oriented Practice, Growing with Employees
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Absorption and Management
	B4.2	Description of steps taken to eliminate such discovered.	Talent Absorption and Management
Operating Practices			
B5: Supply Cain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Reliable and Responsible Citizen
	B5.1	Number of suppliers by geographical region.	Appendix 4 Key social KPIs
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Providing high-quality products and services
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Providing high-quality products and services
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Providing high-quality products and services
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Providing high-quality products and services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Providing high-quality products and services
	B6.2	Number of products and service related complaints received and how they are dealt with.	Providing high-quality products and services Appendix 4 Key social KPIs
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Adhering to high ethical standards in business operation
	B6.4	Description of quality assurance process and recall procedures.	Providing high-quality products and services
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Adhering to high ethical standards in business operation

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
B. Social **Employment and Labour Practices**			
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Reliable and Responsible Citizen
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Adhering to high ethical standards in business operation
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Adhering to high ethical standards in business operation
	B7.3	Description of anti-corruption training provided to directors and staff.	Adhering to high ethical standards in business operation
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Undertaking community responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Undertaking community responsibility Improving healthcare accessibility
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Undertaking community responsibility Improving healthcare accessibility

Appendix 3: Key Environmental KPIs

KPIs	Unit	Year 2022	Year 2023[13]	Year 2024
Air Pollutants[14]				
Sulfur Dioxide (SO_2)	Kg	209.0	0.0	7.0
Nitrogen Oxide (NOx)	Kg	1,219.7	386.2	364.1
Particulate Matte (PM)	Kg	119.5	45.5	18.0
Wastewater and Pollutants				
Wastewater[15]	m^3	79,375.6	79,085.4	85,690.4
Wastewater intensity	m^3/million RMB	7.56	8.35	9.94
Ammonia Nitrogen (NH_3-N)	Ton	0.2	0.1	0.1
Chemical Oxygen Demand (COD)	Ton	2.2	0.8	0.7
GHG				
Total GHG emission (Scope 1+2+3)	Ton CO_2e	Non-disclosure	10,096.0	12,954.8
Total GHG emission (Scope 1+2)	Ton CO_2e	9,861.6	5,759.4	5,548.1
Total GHG emission (Scope 1+2) intensity	Ton CO_2e/ million RMB	0.94	0.61	0.64
Direct GHG emission (Scope 1)	Ton CO_2e	5,391.4	1,628.4	1,549.0
Indirect GHG emission (Scope 2)[16]	Ton CO_2e	4,470.2	4,131.0	3,999.1
Indirect GHG emission (Scope 3)[17]	Ton CO_2e	Non-disclosure	4,336.6	7,406.7
Solid Waste				
Hazardous waste[18]	Ton	1.6	0.6	0.8
Hazardous waste intensity	Ton/ million RMB	0.00015	0.00006	0.00009
Non-hazardous waste[19]	Ton	1,504.8	462.9	368.0

[13] In 2023, due to the adjustment of the Group's business structure, Hebei Xili was transferred to a joint venture of the Group and was no longer included in the Group's statistics, therefore there was a significant decrease in a number of environmental indicators between 2022 and 2023, such as air pollutants, total GHG emissions (Scope 1+2), non-hazardous waste and alcohol-based liquids fuel.

[14] The air pollutant statistics of the Group include the exhaust gas generated from its production operations. The annual emission of air pollutants is an estimated value, which is calculated from the total natural gas consumption of the boiler, the fixed gas consumption rate of the boiler, and the emission rate. The emission rate comes from the test report of a professional third party hired by the Group, so the emission rate is related to the production status and fuel quality at the test time point.

[15] The wastewater generated by the Group primarily consists of domestic sewage and production wastewater. The increase compared to the same period last year is mainly due to the increase in domestic sewage resulting from a larger number of employees, as well as the increase in production wastewater due to business demands.

[16] The GHG emissions (Scope 2) mainly arise from indirect emissions due to the consumption of externally purchased electricity during the Group's operations and production processes.In 2024 and 2023, GHG emissions in Hong Kong were calculated with reference to the emission factors provided in the 2023 and 2022 Sustainability Report of HK Electric. In 2022, the emission factors used in the calculation of GHGs in Hong Kong District come from the revised version of HKEX Appendix II: Guidelines on Reporting Environmental Key Performance Indicators in May 2021. For other operating sites outside Hong Kong, the relevant emission factors for the countries/regions are used. For 2024, the electricity emission factor for the Mainland of China adopts the electricity emission factor of 0.5366 ton CO_2/MWh as specified in the Announcement on the Release of the 2022 Electricity Carbon Dioxide Emission Factors, issued by the Ministry of Ecology and Environment on December 23, 2024.

[17] During the Reporting Period, the GHG emissions(Scope 3) increased compared to last year, mainly due to two factors: 1) In 2024, the "upstream transportation and delivery" category was introduced under the Scope 3 GHG emissions. This category specifically accounts for emissions arising from orders where transportation is arranged by the Group according to predefined trade agreements with upstream manufacturers, rather than encompassing all orders placed by the Group;2) the sample of the employee commuting questionnaire changes in the composition (e.g., an increase in the number of employees who commute long distances and by private vehicles) and an increase in the number of employees have led to an increase in GHG emissions(Scope 3) in the category of "Employee Commuting". Please refer to Appendix V for the detailed calculation method of. GHG emissions(Scope 3).

[18] During the Reporting Period, the hazardous waste was mainly generated from laboratory analytical tests and disposal of discarded pharmaceuticals in the drug production business. The increase of the hazardous waste compared to the same period last year was mainly due to the increase in the generation of discarded pharmaceuticals as a result of business demand changing.

[19] During the Reporting Period, the non-hazardous waste was mainly generated from household garbage, sludge from water treatment processes and drug residues in the pharmaceutical manufacturing operations. The decrease compared to the same period last year was mainly due to changes in the product mix, leading to a reduction in sludge generated from water treatment activities.

Appendix 3: Key Environmental KPIs - continued

KPIs	Unit	Year 2022	Year 2023	Year 2024
Solid Waste				
Non-hazardous waste intensity	Ton/ million RMB	0.14	0.05	0.04
Energy				
Conversion of electricity for comprehensive energy consumption	kWh	28,539,856.0	15,219,548.7	15,026,209.9
Conversion of electricity for comprehensive energy consumption intensity	kWh/million RMB	2,718.73	1,606.76	1,742.86
Purchased electricity	kWh	7,831,428.4	7,245,001.7	7,451,203.2
Purchased electricity intensity	kWh/million RMB	746.03	764.87	864.25
Natural gas	m^3	966,963.0	679,270.0	640,705.0
Alcohol-based liquid fuel	Ton	1,763.7	2.8	1.4
Gasoline	Liter	49,679.8	63,825.4	67,434.6
Diesel oil	Liter	4,209.6	3,129.4	2,660.5
Liquefied gas	Kg	595.0	470.0	330.0
Water Resources				
Total water consumption	m^3	177,987.2	174,415.7	174,178.6
Total water consumption	m^3/million RMB	16.96	18.41	20.20
Packaging Materials /Office Paper				
Total packaging materials	Ton	790.2	614.2	564.5
Total packaging material intensity	Ton/million RMB	0.08	0.06	0.07
Office paper	Ton	10.3	12.3	10.8

Appendix 4: Key Social KPIs

KPIs	Unit	Year 2022	Year 2023	Year 2024
Employment				
Total number of employees	Person	5,647	5,701	6,141
Number of male employees	Person	2,608	2,579	2,743
Number of female employees	Person	3,039	3,122	3,398
Number of employees in mid-level and senior management	Person	157	173	185
Number of male employees in mid-level and senior managemen	Person	102	114	116
Number of female employees in mid-level	Person	55	59	69
Proportion of female in mid-level and senior management positions of revenue-generating functions[20]	%	Non-disclosure	29.68	31.61
Number of mid-level and senior management employees of ethnic minorities	Person	Non-disclosure	16	16
Number of contracted employees	Person	5,647	5,701	6,141
Number of dispatched employees	Person	0	0	0
Number of employees aged under 30	Person	2,435	2,331	2,370
Number of employees aged 30-50	Person	3,013	3,213	3,601
Number of employees aged over 50	Person	199	157	170
Number of employees employed in Mainland	Person	5,584	5,608	6,020
Number of employees employed in HK, Macao, Taiwan and overseas regions	Person	63	93	121
Number of employees from Mainland China	Person	Non-disclosure	5,620	6,060
Number of employees from HK, Macao and	Person	Non-disclosure	35	27
Number of employees from overseas	Person	Non-disclosure	46	54
Number of employees of ethnic minorities	Person	Non-disclosure	373	408
Average years employed by the Group for male employees	Year	Non-disclosure	4.81	5.03
Average years employed by the Group for female employees	Year	Non-disclosure	4.29	4.48

[20] Revenue-generating functions: This refers to positions that contribute directly to the output of the Group's products or services, and the scope covers all marketing and promotion related employees of the Group.

Appendix 4: Key Social KPIs - continued

KPIs	Unit	Year 2022	Year 2023	Year 2024
Employee Turnover				
Turnover rate of employees	%	15.4	16.7	18.2
Turnover rate of male employees	%	15.9	18.4	19.5
Turnover rate of female employees	%	14.9	15.2	17.2
Turnover rate of employees aged under 30	%	18.0	21.9	26.7
Turnover rate of employees aged 30-50	%	13.7	12.6	13.0
Turnover rate of employees aged over 50	%	7.8	13.4	10.6
Turnover rate of employees employed in Mainland China	%	15.3	16.4	18.0
Turnover rate of employees employed in HK, Macao, Taiwan and overseas	%	20.8	22.1	29.8
Occupational Health and Safety				
Working days lost due to work-related injury[21]	Day	43	255	296
Number of work-related fatalities	Person	0	0	0
Proportion of work-related fatalities	%	0	0	0
Proportion of employees with occupational health check benefit	%	100	100	100
Training and Development				
Total employees training expenditure	Million RMB	4.8	6.5	8.8
Training coverage of employees	%	100	100	100
Training coverage of general employees	%	97.2	97.4	97.0
Training coverage of mid-level and senior management	%	2.8	2.6	3.0
Training coverage of male employees	%	46.2	45.3	44.7
Training coverage of female employees	%	53.8	54.7	55.3
Employees training duration per capita	Hour	26.1	21.5	27.6
Training duration per capita for general employees	Hour	26.5	21.6	27.5
Training duration per capita for mid-level and senior management	Hour	8.6	19.9	28.8
Training duration per capita for male employees	Hour	25.1	20.6	26.4

[21] During the Reporting Period, the causes of work-related injuries of the Group's employees included accidental falls and injuries sustained in the course of work.

Appendix 4: Key Social KPIs - continued

KPIs	Unit	Year 2022	Year 2023	Year 2024
Training duration per capita for female employees	Hour	27.0	22.0	28.5
Training duration per capita for employees participating in management and leadership	Hour	Non-disclosure	18.6	10.0
trainings				
Total number of suppliers	Number	152	161	190
Number of suppliers in Mainland China	Number	102	119	136
Number of suppliers in HK, Macao, Taiwan and overseas	Number	50	42	54
Quality and Safety of Products and Services				
Response and handling rate for product and service quality related complaints	%	100	100	100
Percentage of sold and delivered product recalls due to safety and health problems	%	0	0	0
Number of product and service-related complaints[22]	Number	151	158	284
Anti-corruption				
Number of concluded legal cases regarding corrupt practices	Number	0	0	0
Participation in Public Service Activities				
Total donation amount of public service activities	Million RMB	2.7	3.0	1.1

[22] During the Reporting Period and in 2023, the number of product and service-related complaints of the Group include product packaging issues, suspected adverse reactions and other quality related issues. The statistics of 2022 include medication counselling, product packaging issues, suspected adverse reactions and other quality related issues. The increase in the number of complaints related to products and services compared to the same period last year is primarily due to a rise in other quality issues, including inquiries about drug storage temperatures and the authenticity of medications.

Appendix 5: Calculation of Key Environmental KPIs

Statistical targets: the Company, its wholly owned subsidiaries and majority owned subsidiaries Intensity KPIs: the Group adopts the revenue "in the case that all medicines were directly sold by the Group" for the calculation of the intensity of environmental indicators, that is, the total amount of emissions or use divided by the revenue "in the case that all medicines were directly sold by the Group" (million RMB) during the corresponding reporting period.

Indicator	Unit	Data source	Calculation method	Parameter usage
Sulfur Dioxide (SO_2)	Kg	Total natural gas consumption: calculated according to the environmental test report	Total natural gas consumption/rated gas consumption of boilers*rate of emission of SO_2	Rate of emission: average value of tests in the annual environmental test report
Nitrogen Oxide (NOx)	Kg	Total natural gas consumption: calculated according to the environmental test report	Total natural gas consumption/rated gas consumption of boilers*rate of emission of NOx	Rate of emission: average value of tests in the annual environmental test report
Particulat Matter (PM)	Kg	Total natural gas consumption: calculated according to the environmental test report	Total natural gas consumption/rated gas consumption of boilers*rate of emission of PM	Rate of emission: average value of tests in the annual environmental test report
Wastewater	m^3	Office/domestic wastewater: Water consumption* estimated coefficient or calculated according to monitoring result Production wastewater: calculated according to the monthly ledger of sewage treatment amount	Wastewater = office/ domestic wastewater + production wastewater	/
Wastewater intensity	m^3/million RMB	/	Wastewater intensity = Wastewater / revenue (in the case that all medicines were directly sold by the Group	/
Ammonia Nitrogen (NH_3-N)	Ton	Production wastewater: calculated according to the monthly ledger of sewage treatment amount	Ammonia nitrogen concentration*total amount of production wastewater discharged	Ammonia nitrogen concentration: average value of tests in the annual
Chemical Oxygen Demand(COD)	Ton	Production wastewater: calculated according to the monthly ledger of sewage treatment amount	COD concentration*total amount of production wastewater discharged	COD concentration: average value of tests in the annual environmental test report

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Direct GHG emission (Scope 1)	Ton of CO_2 equivalent	Consumption of fuels	Fuel consumption*(carbon dioxide emission coefficient + methane emission coefficient*methane GWP + nitrous oxide emission coefficient*nitrous oxide GWP)	Carbon dioxide emission coefficient/methane emission coefficient/ methane GWP/nitrous oxide emission coefficient/ nitrous oxide GWP: The latest version of HKEX *Appendix II :Guidelines on Reporting Environmental Key Performance Indicators*
Indirect GHG emission (Scope 2)	Ton of CO_2 equivalent	Purchased electricity	Electricity consumption amount*power grid carbon emission factor	The emission factors for regional power grids in Hong Kong are based on the emission factors disclosed in the 2023 *Sustainability Report* of HK Electric, the electricity supplier of our operating sites in Hong Kong; for operating sites outside of Hong Kong, the relevant emission factors for the countries/regions are used. For 2024, the electricity emission factor for the Mainland of China adopts the electricity emission factor of 0.5366 ton CO_2/MWh as specified in the Announcement on the Release of the 2022 Electricity Carbon Dioxide Emission Factors, issued by the Ministry of Ecology and Environment on December 23, 2024.
Indirect GHG emission (Scope 3)- upstream transportation and distribution	Ton of CO_2 equivalent	Energy consumed by orders where the Group is responsible for transportation under agreed trade terms with upstream suppliers (not all orders of the Group).	The calculation is based on summing up the carbon emission data of orders exported from the logistics service provider platform and the carbon emission data of other orders generated from the EcoTrans IT World	/

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Indirect GHG emission (Scope 3) -business travel	Ton of CO_2 equivalent	Energy consumed in employees' business travel by air	The calculation is based on the method for calculating carbon dioxide (CO_2 journeys developed by the) emissions from air International Civil Aviation Organization (ICAO), a United Nations agency, i.e., by inputting the departure and arrival airports of employees' business travel into the ICAO Carbon Emissions Calculator	/
Indirect GHG emission (Scope 3) - employee commuting	Ton of CO_2 equivalent	Energy consumed by the means of transportation used for commuting	Employee commuting is sampled and investigated through questionnaires, including commuting means (e.g., private fuel or electric cars, subway, bus, online car-hailing, etc.), commuting distance and number of commuting days. Employees' average commuting distance, number of commuting days and proportion of different means of transportation are calculated based on the investigation, and carbon emissions are then verified based on the emission factors of different means of transportation	The emission factor of gasoline cars comes from *Appendix II : Reporting Guidance on Environmental KPIs* of HKEX; The emission factor of electric cars comes from the *Notice on Doing a Good Job in 2023-2025 Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises;* The emission factors of subway and online carhailing come from *China Products Carbon Footprint Factors Database (2022);* The emission factor of buses comes from the *Carbon Inclusion Methodology for Low-carbon Public Travel in Shenzhen (Trial)*
Total GHG emission (Scope 1 + 2)	Ton of CO_2 equivalent	/	Total GHG emission = GHG emission (Scope 1) + GHG emission (Scope 2)	/
Total GHG emission (Scope 1 +2) intensity	Ton of CO_2 equivalent/ million RMB	/	Total GHG emission (Scope 1 + 2) intensity = Total GHG emission/ revenue (in the case that all medicines were directly sold by the Group)	/
Amount of waste chemicals generated in laboratories	Kg	Calculated based on hazardous waste transfer manifests	/	/
Household garbage	Ton	Estimated based on production days or working days	Household garbage per day*production days or working days	/

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Sewage sludge	Ton	Estimated according to the work record ledger	The number of sludge bags produced per day * the weight of each bag	
Chinese herb residue	Ton	Calculated based on total weight of the Chinese herb input	/	/
Hazardous waste	Ton	Calculated based on hazardous waste transfer manifests within the reporting period	/	/
Hazardous waste intensity	Ton/million RMB	/	Hazardous waste intensity = hazardous waste / revenue (in the case that all medicines were directly sold by the Group)	/
Non-hazardous	Ton	/	Non-hazardous waste = household garbage + sewage sludge + Chinese herb residue	/
Non-hazardous waste intensity	Ton/million RMB	/	Non-hazardous waste intensity = non-hazardous waste /revenue (in the case that all medicines were directly sold by the Group)	/
Electric quantity converted from comprehensive consumption	kWh	Total fuel consumption and purchased electricity	Electric quantity converted from comprehensive energy consumption = total fuel consumption *standard coal conversion coefficient * electric power equivalent value	Standardized coal coefficient and electric power equivalent value: National Standard of the People's Republic of China, *General Rules for Calculation of the Comprehensive Energy Consumption* (GB/T2589-2020)
Electric quantity intensity converted from comprehensive energy consumption	kWh/million RMB	/	Electric quantity intensity converted from comprehensive energy consumption = Electric quantity converted from comprehensive energy consumption/ revenue (in the case that all medicines were directly sold by the Group)	/
Purchased electricity	kWh	Calculated according to the financial invoice	/	/

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Purchased electricity intensity	kWh/million RMB	/	Purchased electricity intensity = purchased electricity/revenue (in the case that all medicines were directly sold by the Group)	/
Natural gas	m^3	Calculated according to the financial invoice	/	/
Alcohol-based liquid	Ton	Calculated according to the financial invoice	/	/
Gasoline	Liter	Calculated according to the financial invoice	/	/
Diesel oil	Liter	Calculated according to the financial invoice	/	/
Liquefied gas	Liter	Calculated according to the accounting vouchers	/	/
Water consumption	m^3	Calculated according to the financial invoice	/	/
Total water Consumption intensity	m^3/million RMB	/	Total water consumption intensity = total Water consumption/ revenue (in the case that all medicines were directly sold by the Group)	/
Total packaging materials	Ton	Calculated according to the actual amount used	/	/
Total packaging materials intensity	Ton/million RMB	/	Total packaging materials intensity = Total packaging materials/revenue (in the case that all medicines were directly sold by the Group)	/
Office paper	Ton	Calculated according to the actual amount used	/	/