

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1952

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Better Medicines Better Life

2024 Environmental, Social and Governance Report

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SCOPE AND REPORTING PERIOD

This is the Environmental, Social, and Governance ("ESG") report prepared by Everest Medicines Limited (the "Company", or together with its subsidiaries referred as the "Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix C2 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the following business operations in the People's Republic of China ("PRC") from 1 January 2024 to 31 December 2024 (the "Reporting Period"), unless otherwise stated:

- (i) The Zhangjiang Laboratory in Shanghai ("Zhangjiang Laboratory");
- (ii) the offices in Shanghai ("Shanghai Office");
- (iii) the Product Manufacturing Plant in Jiashan, Zhejiang ("Jiashan Factory");
- (iv) 6 Regional Sales Offices in China, including Beijing, Chengdu, Guangzhou, Hangzhou, Wuhan and Zhejiang (together referred as the "Regional Sales Offices").

The principal activities of the operations mentioned above involve the development and commercialization of transformative pharmaceutical products. The Zhangjiang Laboratory commenced operations in February 2022, followed by the establishment of the new Medicine Manufacturing Plant in Jiashan, Zhejiang, which began production in September 2022.

During the Reporting Period, the Company has been focused on the commercial launch of NEFECON[®] in China as a first-in-disease treatment for IgA nephropathy, as well as growing XERAVA[®] sales through deepening and broadening its penetration to additional hospitals. In response to the increased commercial activities, new Regional Sales Offices in Wuhan and Zhejiang were included in the reporting scope. The Beijing office is now categorized as one of the Regional Sales Offices to facilitate ESG data management.

The subsidiaries in Singapore and the US are excluded since the Last Reporting Period as they contribute a lower proportion of the Group's revenue and have no significant environmental impacts. For the US operations, relevant data on electricity, water, and energy consumption is not controlled by the Group but rather by shared offices, resulting in the unavailability of such data. Consequently, the operations in the US are excluded from the reporting scope.

Reporting Principles

The preparation of the ESG Report has applied the following principles:

Materiality — materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative — key performance indicators ("KPIs") have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance — performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group communicates with key internal and external stakeholders through daily interaction to understand their concerns and expectations on ESG issues. The Group engages stakeholders via various communication channels such as regular meetings and conferences, annual financial and ESG reports, surveys, grievance mechanisms and site visits. Through regular engagement sessions, the Group obtains valuable feedback and reviews areas of attention which will help the business to meet its potential growth and be prepared for future ESG challenges. The detailed stakeholder engagement methods include but are not limited to those shown in the following table.

| Stakeholders | Methods of Engagement |
|---------------------------------------|---|
| | |
| Investors | Issue timely announcements and circulars Hold regular meetings and frequently attend conferences |
| | Hold regular meetings and frequently attend conferencesPublish financial and ESG reports |
| | The Group's website |
| | |
| Employees | Training and employees-caring activities |
| | Grievance mechanism |
| | Share-based compensation to align with the Group's interests |
| | |
| Customers | Surveys |
| | Regular meetings and conferences |
| | The Group's website |
| Suppliers and contractors | Hold regular meetings and conferences |
| | Tendering process |
| | Supplier rating system |
| | Site visits |
| | |
| Government and regulatory authorities | Regular meetings and conferences |
| | |
| Community | Volunteering and charitable activities |

To determine the Group's material sustainability issues, the Group has hired an external consultant to perform a stakeholder engagement exercise. The Group revised its list of major issues through this effort, revisited them in light of its current business operations and the expectations of various stakeholders.

Materiality Assessment

To identify material ESG issues, the Group has specifically engaged a wide range of stakeholders, including the board of directors (the "Board"), shareholders, senior management, frontline workers, and suppliers, to gain insights into ESG material topics. In the materiality assessment, a list of 19 ESG topics will be considered in terms of their relevance and importance to the Group's business continual and sustainability performance, as well as to the wider community.

Results of the materiality assessment and the consolidated list of material aspects with respective management are presented in below. Management of the material aspects are discussed in relevant sections of this report.

Materiality matrix



Table 1 Environmental and Social Issues for Materiality Assessment

| | ENVIRONMENTAL | | SOCIAL | | OTHERS |
|----|--------------------------|-----|------------------------------|----|---------------------------|
| A1 | Energy | B1 | Employment | C1 | Safety of Clinical Trials |
| A2 | Water | B2 | Occupational Health and | | |
| A3 | Air Emission | | Safety | | |
| A4 | Waste and Effluent | B3 | Development and Training | | |
| A5 | Other Raw Materials | B4 | Labour Standards | | |
| | Consumption | B5 | Supply Chain Management | | |
| A6 | Environmental Protection | B6 | Intellectual Property Rights | | |
| | Policies | B7 | Data Protection | | |
| A7 | Climate Change | B8 | Customer Service | | |
| | | B9 | Product/Service Quality | | |
| | | B10 | Anti-corruption | | |
| | | B11 | Community Investment | | |

Through ongoing dialogue and materiality assessment during the Reporting Period, the Group has identified 5 material issues that were deemed as the most important by the stakeholders:

- Employment
- Occupational Health and Safety
- Labour Standards
- Anti-corruption
- Clinical Trial Safety

According to the stakeholder survey results, all material topics identified during the Reporting Period fall under the social aspect. The Group proactively engages with various stakeholders through established communication procedures regarding different ESG issues. Moving forward, the Group will continue to address these critical issues by developing additional policies and guidelines aimed at further enhancing its ESG performance.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Any suggestions or views can be sent by post:

16/F., CITIC Pacific Plaza, 1168 West Nanjing Road, Jing'an District, Shanghai 200041, China; or

website: www.everestmedicines.com.

THE BOARD STATEMENT

The Board is honoured to present the Group's 2024 ESG report, which outlines our ESG initiatives and performance during this Reporting Period.

In line with our mission of "Better Medicines, Better Life," the Group aims to become a top 3 integrated biopharma in the Asia-Pacific region by 2030. The Board of Directors (the "Board") believes that achieving the highest standards of clinical trial excellence is possible through our dedicated ESG efforts. We have integrated ESG management into our strategic plans and goals, taking proactive measures to promote sustainability across our operations. Under a robust corporate governance framework, both the Board and Senior Management (the "Management") are committed to enhancing the Group's value for all stakeholders. Ultimately, the Board holds responsibility for the Group's sustainability direction, strategy, goals, performance, and reporting.

We are proud to announce that in 2024, the Group was awarded the ESCAP Sustainable Business Network (ESBN) Asia-Pacific Green Deal Green Badge, recognizing our commitment to sustainable practices. Additionally, the Company has become a member of the United Nations Global Compact (UNGC) as of July 2024, further solidifying our dedication to responsible business practices.

An ESG Working Group (the "Working Group") has been established to facilitate the efficient execution of our sustainability agenda. The Working Group is responsible for reviewing and evaluating our operations while identifying areas for improvement that benefit our employees and businesses. The Working Group collaborates closely with Management from the Finance, Legal, and Quality Management Departments, as well as the Board, to oversee and manage ESG issues. Furthermore, the Working Group is working to establish an Environmental Management System for future business operations and development. It maintains close contact with external consultants to build capacity for sustainable development and gain insights into emerging market trends, legal requirements, and capital market expectations. The Group is committed to responding promptly to the latest ESG-related laws and regulations and to optimising our environmental management system.

The Board strives to maintain open communication with all stakeholders to deliver sustainable outcomes and services that align with their expectations. We encourage internal communication with employees and actively address their needs. To ensure high quality in clinical trials, product development, and services provided by third-party suppliers, the Board is taking steps to strengthen internal systems and procedures.

When formulating the Group's overall strategy, the Board considers climate-related risks and opportunities, acknowledging the significant ESG impacts that arise from our daily business operations. We are responsible for ensuring effective risk management and compliance with all relevant environmental and social laws and regulations. For detailed information on the climate-related risks and opportunities identified by the Board, please refer to the "A4. Climate Change" section.

AWARDS AND RECOGNITION

During the Reporting Period, the Group received the following recognitions:

- ESCAP Sustainable Business Network (ESBN) Asia-Pacific Green Deal Green Badge
- Member of the United Nations Global Compact (UNGC)

Additionally, the Jiashan Factory achieved the following certifications:

- ISO 14001 (Environmental Management)
- ISO 50001 (Energy Management)
- ISO 45001 (Occupational Health and Safety Management)



1. ENVIRONMENTAL

The Group is highly conscious of balancing development and environmental protection to maintain sustainability of society. The Group is committed to continuously improving its environmental sustainability and ensuring environmental consideration remains one of the top priorities through its business operation.

Additionally, the Group finalized its "Environmental Emergency Response Planning" which has been submitted to the Environmental Protection Agency (EPA). Important environmental factors, including wastewater, exhaust gas, noise, and soil, are regularly tested by a qualified third party in accordance with pollutant discharge permit standards, with results made available on the local EPA website.

The Group stringently complies with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

- Energy Conservation Law of the PRC;
- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Water Pollution;
- Law of the PRC on Prevention and Control of Air Pollution; and
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, and generation of hazardous and non-hazardous waste was identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

The Group was not involved in the consumption of fuel that contributes to significant emissions of non-GHG air emissions. The Jiashan Factory successfully completed the declaration of its pollutant discharge permit in accordance with regulations and has obtained the necessary permit.

A1.2 Greenhouse Gas (GHG) Emissions

During the Reporting Period, the Group's business activities contributed to a GHG emission of 4,929.64 tonnes of carbon dioxide equivalent (tCO_2e .), the overall intensity of the GHG emissions for the Group was 7.41 tCO_2e ./ employee. The intensity was reduced by 48% compared to the Last Reporting Period. This decrease is primarily due to a reduction in the use of purchased electricity, following the optimization of the Company's structure.

The GHG emissions reported include the following activities and scopes:

- Direct (scope 1) GHG emissions from the consumption of stationary source;
- Indirect energy (scope 2) GHG emissions from purchased electricity and purchased steam; and
- Other indirect (scope 3) GHG emissions from paper waste disposal, municipal freshwater/sewage processing and business air travel by employees.

| Scope of GHG emissions | Emission Sources | GH | G Emission (in tCO ₂ e.) | Sub-total (in tCO ₂ e.) | Total GHG Emission (in percentage) |
|--------------------------------------|---|--------|--|---------------------------------------|--|
| Scope 1 | | | | | |
| Direct emissions | Combustion of fuels in stationary sources | Diesel | 0.50 | 0.50 | 0.01% |
| | | | | | |
| Scope 2 Energy indirect emissions | Purchased electricity Purchased steam | | 4,225.34 4.50 | 4,229.84 | 85.81% |
| | | | | | |
| Scope 3 Other indirect emissions | Paper waste disposed at landfills | : | 3.95 | 699.30 | 14.18% |
| | Electricity used for freshwater processing | | 48.36 | | |
| | Electricity used for sewage processing | | 16.49 | | |
| | Business air travel by employees | | 630.50 | | |
| | Group total | | | 4,929.64 | 100% |

- Note 1: Emission factors were made reference to Appendix C2 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.
- Note 2: The emission factor of 0.5366 kg CO₂e/kWh was used for purchased electricity in the PRC, which was made reference to The Ministry of Ecology and Environment of the People's Republic of China 2024.
- Note 3: Scope 3 GHG emissions were calculated based on available emission factors referred by the Appendix C2 to the Listing Rules and their referred documentation.

A1.3 Hazardous Waste

All hazardous waste in the Group is managed in accordance with the applicable national regulations and international standards, including the Prevention and Control of Environmental Pollution by Solid Waste of the PRC. The Group is committed to minimizing hazardous waste which poses risks to our health and the environment. All the hazardous waste is handled by the third-party waste handling companies. Multiple internal policies and procedures were implemented by the Group to assure safe storage of hazardous chemicals, including:

- Chemical Management Procedure
- Emergency Plan for Safety Production
- Environmental Emergency Response Planning
- Fire management procedures
- Emergency Management Procedures

During this Reporting Period, the Group generated a total of 18,750 kg of hazardous waste, which primarily consisted of medical waste, consumable laboratory waste, packaging materials, waste activated carbons, and chemical waste. The overall intensity was 28.20 kg per employee, reflecting a 77% increase from the Last Reporting Period. This rise is attributed to the increased frequency of research and development (R&D) activities.

Table 3 Hazardous Waste Generated

| Type of Hazardous Waste | Hazardous Waste Generated (kg) |
|---|---|
| Medical waste | N/A |
| Consumable waste for experiments | 5,540.00 |
| Waste packaging materials (contaminated by chemical raw materials and reagents) | 3,106.00 |
| Waste activated carbon | 4,171.00 |
| Chemical waste | 5,933.00 |
| Total amount of hazardous waste | 18,750.00 |

A1.4 Non-hazardous Waste

All non-hazardous waste is collected by third-party waste handling companies for centralised disposal. Besides, the waste handling facility, such as solid waste storage warehouse is constructed under the Waste Management Procedure of the Group, in accordance with the relevant laws, regulations and emission control requirements.

The Group generated a total of 22,691.70 kg of non-hazardous waste during this Reporting Period, primarily consisting of domestic waste, wood, scrap metal, waste construction materials, and cartons. The overall intensity was 34.12 kg per employee, reflecting a 73% decrease compared to the Last Reporting Period due to the optimization of the Company's structure.

| Sites | Non-hazardous Waste Generated (kg) |
|------------------------------------|---|
| Zhangjiang Laboratory | 5.50 |
| Shanghai Office | 16.40 |
| Jiashan Factory | 22,632.00 |
| Regional Sales Offices | 37.80 |
| Total non-hazardous waste produced | 22,691.70 |

Table 4 Non-Hazardous Waste Generated

Note: Apart from the non-hazardous waste generated from the Jiashan Manufacturing Plant, the amount of non-hazardous waste of the Group is estimated by the calculation method of assuming 0.1 tonnes of non-hazardous waste generated by one employee per year.

A1.5 Measures to Mitigate Emissions and Emission Reduction Targets

Greenhouse gas (GHG) emissions from the Group's daily electricity consumption represent the primary source of its carbon footprint. To manage the environmental impact of its operations, the Group is committed to continuously monitoring and disclosing its carbon footprint. The Group actively implements the following measures to mitigate GHG emissions:

- Preference for eco-friendly and energy-saving office equipment during procurement.
- Utilisation of LED lighting in offices wherever feasible.
- Switching off lights and unnecessary energy-consuming devices to reduce overall energy consumption and avoid waste.
- Powering down unused equipment, such as computers, when leaving the office.
- Ongoing review of GHG emissions to enhance the emission reduction plan.

At the Jiashan Factory, additional measures have been introduced to further mitigate GHG emissions:

- Installation of exhaust gas collection and treatment systems in manufacturing and experimental workshops to limit emissions of volatile organic compounds (VOCs) and non-methane hydrocarbons (NMHC).
- Initiation of a photovoltaic green energy project at the Jiashan Factory, set to commence operations in October 2024, aimed at reducing GHG emissions.
- Adoption of an integrated steam system from the local industrial park to replace fossil fuel combustion.
- Established ample charging infrastructure for new energy vehicles, installed 10 charging stations for new energy vehicles.
- Advocated for low-carbon commuting options among employees.

Further details on energy efficiency improvements can be found in the section "A2.3 Energy Use Efficiency Initiatives and Targets" of this report.

The Group has set a five-year target to reduce emission intensity (tCO_2e per employee) by 5% by 2030, using the intensity levels of 2024 as a baseline. Additionally, the Group aims to be recognized as a Green Plant at both city and provincial levels by 2026. Over the next three years, it also strives for zero critical findings during inspections related to air emissions and greenhouse gas emissions.

A1.6 Wastes Reduction Initiatives and Targets

The Group strictly adheres to national laws and complies with the requirements of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, as well as the National Catalogue of Hazardous Wastes, in the management of both hazardous and non-hazardous waste. Internally, the Group has established various waste management and reduction initiatives through Environmental Monitoring Forecast Management Procedures, including:

- Reuse non-hazardous waste, such as containers, packaging materials, and wooden pallets, to minimise the volume of solid waste generated from its operations.
- Implement the "Clean Your Plate" campaign to reduce food waste and conserve water.
- Reduce the consumption of non-reusable materials.

Waste management practices involve classifying, collecting, and temporarily storing waste according to environmental protection standards, with hazardous and general waste entrusted to qualified professional suppliers for compliant disposal.

The Jiashan Factory has implemented a paperless Good Manufacturing Practice (GMP) document and information management process by utilizing the One-BMP (SAP) procurement system. The office actively promotes energy-saving and emission-reduction activities, focusing on reducing the consumption of disposable office and household items, as well as kitchen waste. This initiative aims to enhance office efficiency and employee satisfaction while minimizing paper usage, disposable items, and overall waste generation.

In 2024, paper consumption decreased by approximately 12%, while the use of disposable items and kitchen waste is projected to reduce by around 20%. With the above waste reduction measures, the Group is committed to reduce the non-hazardous waste intensity (kg/employee) by 5% by 2030, using the intensity level of 2024 as a baseline.

A2. Use of Resources

A2.1 Energy Consumption

The total energy consumption of the Group during the Reporting Period was 7,887,551.58 kilowatt-hours (kWh), resulting in an overall energy intensity of 11,860.98 kWh per employee. This marks a decrease of 48% in terms of the intensity. The majority of the Group's total energy consumption came from electricity usage.

Table 5 Energy Consumption and Intensity

| Direct/indirect Energy Sources | 2024 (MWh) | 2023 (MWh) |
|--------------------------------|---------------|---------------|
| Diesel | 1.90 | 1.60 |
| Purchased Steam | 11.37 | 6.29 |
| Electricity | 7,874.28 | 9,840.26 |
| Total Energy Consumption | 7,887.55 | 9,848.15 |

Note 1: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

A2.2 Water Consumption and Discharge

The total water consumption for the Group during the Reporting Period was 110,670.27 m³, resulting in a water intensity of 166.42 m³ per employee. This represents a decrease of 58% in intensity compared to the Last Reporting Period. Additionally, no issues regarding the sourcing of water fit for purpose were reported during this Reporting Period.

The Group discharged a total of 76,108 m³ of sewage during the Reporting Period from the Zhangjiang Laboratory and the Jiashan Factory. All discharged water was managed in accordance with the Zhejiang Provincial Local Standards for the biopharmaceutical industry to ensure compliance and minimize environmental impact.

A2.3 Energy Use Efficiency Initiatives and Targets

The following initiatives are implemented by the Group during the Reporting Period:

- Resources Conservation:
 - 1. Accurate control of regional temperature and humidity using EMS system to save steam consumption
 - 2. Non critical area HVAC operates with reduced frequency at night
 - 3. HVAC system hot water recycling for thermal energy reuse
 - 4. Focus on saving condensate water and improving related processes, while also implementing a green photovoltaic project.
- Employee Engagement: We promote energy-saving behaviour among employees. Measures include:
 - Encouraging employees to turn off computers after working hours.
 - Automatically switching printers into energy-saving mode when not in use.
 - Setting up new electric vehicle charging stations.
- **Ongoing Evaluation**: The Group will regularly evaluate energy consumption and continuously enhance energy-saving plans based on these evaluations.
- Application of Green Renewable Energy: The Jiashan Factory implemented a distributed photovoltaic system based on its energy consumption structure and proportions. This initiative utilizes rooftop space with a layout area of 9,000 m² and is scheduled for completion in September 2024. Once operational, the system is expected to generate 1,500,000 kWh of electricity annually, leading to a projected reduction of carbon dioxide emissions by 800 tonnes per year.
- Green Factory Participation: The Jiashan Factory aligns with national initiatives for green industry development and our sustainability strategy. In response to the "Implementation Plan for Promoting Digital and Green Transformation in Manufacturing" issued by the Jiaxing Municipal Government, we have established a "Green Plant" task force. This team will set environmental goals and implementation plans based on green factory guidelines to reduce energy consumption and costs, decrease carbon emissions, and enhance our environmental and ESG performance. The Energy Conservation and Emission Reduction Committee and the Green Plant task force will oversee the environmental and energy management system at the Jiashan Factory. The committee plans to participate in the Green Factory scheme and aims to apply for certification in the coming year to further improve our energy-saving performance.

Future Goals

The Group has established a five-year target of reducing the energy intensity (kWh/m²) by 5% by 2030, using intensity level of 2024 as a baseline.

A2.4 Water Use Efficiency Initiatives and Targets

The Group is committed to enhancing water use efficiency and ensuring compliance with relevant laws and regulations governing effective water use. Below are the key initiatives being implemented:

Water Use Efficiency Measures

- **Recycling System Improvement**: Enhancing the recycling system for air-conditioner condensation to reduce chemical consumption and decrease the load on water treatment processes.
- Ongoing Water Consumption Review: Continuously evaluating the Group's water consumption and refining the water-saving plan.
- Sewage Treatment Facility Upgrades: Improving sewage treatment facilities to maintain their operational capacity for handling wastewater.
- **Condensate System Renovation**: Undertaking renovations in early 2023 at the Jiashan Factory to lower both water consumption and wastewater discharge.

Wastewater Treatment at Jiashan Factory

At the Jiashan Factory, wastewater is categorized into three types: domestic water, cooling water, and process cleaning wastewater. Disposal practices comply with environmental impact assessment standards and regulatory requirements:

- **Domestic Wastewater**: Treated using oil separators and septic tanks before discharge into municipal wastewater pipelines.
- Cleaning and Process Wastewater: Directed to the factory's sewage treatment station for advanced treatment. After undergoing standardised physical and microbiological processes, the treated water is discharged into municipal pipelines.

Optimisation of Rainwater Reuse System

To support the green factory initiative and the sponge city concept, the Jiashan Factory is optimising its rainwater reuse system, which includes:

- System Components: Initial rainwater collection, pre-treatment, a qualified storage system, a landscape irrigation system, and an emergency discharge system.
- **2024 Optimisation Plans**: Expanding the rainwater storage tanks to enhance the retention system. Treated rainwater will be stored during rainfall and utilized for irrigation on sunny days.
- Ecological Benefits: This approach maximises the ecological functions of the factory's infrastructure in absorbing, retaining, and gradually releasing rainwater, effectively controlling stormwater runoff.

The overall rainwater reuse rate is anticipated to exceed 40%, yielding annual water savings of 300 to 500 tonnes.

Future Targets

The Group aimed to reduce water consumption intensity (m³ per employee) by 5% at the Jiashan Factory over the next two years, with 2023 as the base year. Since this target was achieved during the Reporting Period, the Group has now established a new five-year goal to reduce water consumption intensity by 5% by 2030, using the intensity level of 2024 as a baseline. The Group will continue to review and improve its water consumption reduction measures.

A2.5 Packaging Material

The packaging materials primarily come from the Group's supply chains and include glass, rubber, metal, paper, and plastic. To minimise the production of packaging materials, the Group reuses recyclable woven bags for hazardous waste packaging and repurposes wooden pallets for waste transportation.

During the Reporting Period, the total amount of packaging materials generated was 1,597 kg, resulting in an intensity of 2.40 kg per employee. This represents an 86% decrease in intensity compared to the Last Reporting Period. The breakdown of the different types of packaging materials generated is presented in the following table.

Table 6 Packaging Material Consumption

| Type of Packaging Material | The Amount Generated (kg) |
|--|---------------------------------|
| | |
| Glass materials | 1,324 |
| Rubber materials | 116 |
| Metal materials | 38 |
| Paper materials | 119 |
| Plastic materials | 0.15 |
| The total amount of packaging materials consumed | 1,597.15 |

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

Most of the Group's operations are conducted in office settings, resulting in minimal environmental impact. However, as the Group expands into drug research and production, it anticipates an increase in energy and water demand. This growth will likely lead to higher waste production and greenhouse gas (GHG) emissions to support these activities.

The Group acknowledges its responsibility to minimise adverse effects on the environment and natural resources. To this end, it is committed to continuously improving and reviewing its environmental measures to achieve optimal performance in GHG emissions, energy efficiency, water use efficiency, and waste reduction over the long term.

Environmental Emergency Response Planning

The Group submitted its Environmental Emergency Response Plan to the EPA during the Reporting Period. This plan encompasses several key sections:

- 1. Environmental Risk Identification
- 2. Building Response Capabilities
- 3. Governance and Accountability

- 4. Precautions, Alerts, and Reporting
- 5. Emergency Response Actions
- 6. Information Disclosure
- 7. Post-Incident Management
- 8. Emergency Assurance Measures
- 9. Contingency Plan Management

Main Environmental Risks

The primary environmental risks identified for the Group include:

- Fire risk associated with flammable chemicals
- Chemical leakage

Risk Mitigation Measures

To prevent these risks, the Group implements strict monitoring and safety protocols, including:

- Hazard Source Monitoring
- Accident Prevention Measures
- Emission Control Device Safety Measures
- Hazardous Waste Storage Safety Measures
- Transportation Safety Measures for Hazardous Chemicals
- Environmental Monitoring and Incident Early Warning

Emergency Response Teams

In the event of an environmental emergency, the Group has designated dedicated teams and governance structures to ensure effective response and management.



A4. Climate Change

A4.1 Climate Change Governance

The Board of Directors recognizes the risks associated with climate change and integrates ESG issues, including climate-related matters, into its governance framework. Each department head supplies pertinent information for the Board's review and engages in regular meetings with senior management and ESG Working Group, keeping them informed about the latest business developments, including climate risks and opportunities. With the support of external ESG consulting firms, the Board has the capacity to oversee these matters adequately.

The accumulated experience regarding business operations is utilized to assess climate-related risks and opportunities. Although the Group did not include "climate-related risks and opportunities" in its monitoring measures and procedures for the 2024 fiscal year, the Board will actively consider these aspects moving forward. Additionally, the Board will review progress towards relevant goals during annual meetings.

A4.2 Climate Risk Identification

In alignment with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), climate-related risks are classified into two primary categories: physical risks and transition risks. The Group has conducted a thorough analysis to identify various climate-related risks that could impact its business operations. These include acute physical risks, chronic physical risks, legal and policy risks, technology risks, and reputational risks.

To assess the potential effects of these climate-related risks on its value chain, the Group has evaluated the likelihood and severity of each risk. This assessment enables the Group to gauge the level of risk associated with each identified climate-related concern.

By proactively identifying and managing these climate-related risks, the Group seeks to protect its business operations and bolster its resilience against climate change. This strategy ensures that the Group is well-equipped to handle the challenges posed by climate-related disruptions, thereby supporting the long-term sustainability of its operations.

Climate-related Risks Management

An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium and low.

| Risk levels | Definition of the Overall Risk Levels |
|-------------|---|
| High | Risks at this level may have serious consequences. There will highly likely be some |
| | impacts on the Group and hindrances for the Group to achieve strategic goals. |
| Medium | Risks at this level may have serious consequences, but they are less likely to occur. |
| | Conversely, the consequences could be minor in nature, but the probability of |
| | occurrence is higher. |
| Low | Risks at this level have limited harm and consequences for the Group to achieve its |
| | strategic goals, and the probability of occurrence is low. |

Time Horizon for Risk Analysis

| Time Horizon | Years | Definition |
|--------------|------------|---|
| | | |
| Short-term | 1–5 | Covers the period during which the Group faces severe and rapidly |
| | | emerging climate risks. The focus of short-term strategies is to |
| | | address the most urgent threats and implement gradual recovery |
| | | measures. |
| Medium-term | 5–10 | During this period, the Group must organize and consolidate its |
| | | short-term climate risk management, creating a deeper impact |
| | | across its business operations and value chain. |
| Long-term | 10 or more | This period extends to the long-term, systemic impacts of climate |
| | | change that the Group must address. Structural changes can be |
| | | made in the long run to mitigate and adapt to profound climate |
| | | effects. |

Climate Change Risk Analysis

| Climate change risk type | Time horizon | Potential Financial Impact | Risk level |
|--------------------------|------------------------|---|------------|
| Physical Risk | | | |
| Acute physical risk | Short term | Extreme weather events, such as typhoons, storm surges and rainstorms, may cause physical damage to infrastructure and operations, and failure of technology and equipment incur costs on recovery and repair. Recovery and repair can take months or even years. | High |
| Chronic physical risk | Medium to long term | The increasing temperature may increase the costs of cold-storage and cold-logistics of medicines and chemicals. | High |
| Transition risk | | | |
| Technology risk | Long term | Substitution of existing technology and equipment with lower emissions or resource-saving options to comply with the new energy and sustainability standards incur investment and maintenance costs. | Medium |
| Legal and policy risk | Long term | Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for non-compliance, such as the change of policies may increase the costs of handling hazardous waste and the costs of purchasing raw materials. | Low |
| Reputation risk | Long term | The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about the existing logistic services. It may affect the reputation of the Group. | Low |

Climate Change Opportunity Analysis

| Climate change | Time heringe | Detertial Firencial Impact | lung of lovel |
|--|----------------------------|--|---------------|
| opportunity Operational Enhancements | Time horizon | Potential Financial Impact | Impact level |
| Sustainable Drug Production | Medium to long • term • | Reduction in operational costs through energy efficiency. Enhanced brand reputation and market positioning by adopting environmentally friendly practices. | High |
| Energy-Efficient Facilities | Medium to long • term | Lower energy costs through investment in renewable energy and energy-efficient technologies. Long-term savings and potential incentives from government programs supporting sustainability initiatives. | Medium |
| Market Expansion | | | |
| Research and Development in Alternatives | Medium to long • term | Opportunities to innovate and develop low-carbon alternatives to traditional pharmaceuticals. Potential for securing funding and partnerships focused on sustainability in healthcare. | High |

A4.3 Anticipated Financial Impacts

The Group recognizes that climate-related risks may significantly impact its financial position. Extreme heat events have affected operational consumption metrics and led to increased costs within the supply chain, diminishing production efficiency and cost control, which in turn has lowered financial performance. Additionally, additional resources will be invested due to the need for increased investments to address climate risks and maintain business operations.

In light of the Group's strategies for managing climate-related risks and opportunities, we anticipate changes in financial performance over the short, medium, and long term. The Group plans to intensify its control measures and investments aimed at improving energy efficiency and reducing carbon emissions. Funding for these initiatives will be sourced through a combination of internal and external financing. Furthermore, the Company will actively seek government subsidies and tax incentives to lower financing costs and enhance capital utilisation efficiency.

In the short term, investments to improve energy efficiency and reduce carbon emissions will require certain expenditures, which may temporarily affect financial performance. However, as operational efficiency improves, the Group's financial performance is expected to gradually enhance in the medium term, fostering the Group to the transition to a low-carbon corporate future.

A4.4 Climate Change Scenarios

The Group has analyzed the major impacts that the pharmaceutical industry may encounter under the climate scenarios suggested by the HKEX¹.

| Climate Scenario | Global Average Temperature Increase | Major Impacts |
|------------------|---|---|
| Turquoise | Projected to rise approximately 1.7°C by 2060 and approximately 1.8°C by 2100 | Increased demand for eco-friendly and bio-based chemicals Growth in the market for sustainable packaging solutions Enhanced focus on circular economy practices |
| Brown | Projected to rise approximately 2.4°C by 2060 and approximately 4.4°C by 2100 | Heightened risk of regulatory non- compliance leading to financial penalties Disruption of supply chains due to extreme weather events Increased operational costs associated with carbon pricing and regulatory compliance |

1 HKEX. (2021). Guidance on climate disclosures. Hong Kong Exchanges and Clearing Limited. https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_climate_disclosures_c.pdf

A4.5 Commitment to a Sustainable Transition

The Group's operations in Hong Kong are aligned with the goal of achieving carbon neutrality by 2050, in accordance with the "Hong Kong Climate Action Blueprint 2050." For its extensive operations in China, the Group is focused on the country's 3060 target, which aims to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060. For more details, please refer to the section "A1.5 Measures to Mitigate Emissions and Emission Reduction Targets" and "A2.3 Energy Use Efficiency Initiatives and Targets" of the report.

Measures to cope with the climate-related physical and transition risks includes:

- 1. Employee Safety During Extreme Weather:
 - Employees are advised to stay in safe locations during extreme weather events until it is safe to resume normal activities.
 - The Group enhances awareness and training for professionals regarding climate risk to strengthen the ability to cope with the impacts of extreme weather.
- 2. Adoption of Best Practices:
 - The Group implements industry best practices based on identified climate-related risks to improve energy efficiency.
 - All internal professionals and frontline staff are encouraged to focus on daily procedures aimed at climate change mitigation.
- 3. Environmental Impact Assessments:
 - Prior to launching new medicine manufacturing projects, comprehensive environmental impact assessments are conducted for each production and operational procedure.
 - Air emission plans and treatment measures are formulated to ensure compliance with relevant environmental laws and regulations.
- 4. Energy Evaluation for Existing Projects:
 - An overall energy evaluation of current medicine manufacturing projects is conducted to guide energy and equipment planning.
 - The Group prioritises the use of environmentally friendly and energy-saving equipment in public systems to reduce energy consumption and greenhouse gas emissions.

- 5. Stakeholder Engagement:
 - The Group regularly researches stakeholder preferences regarding climate-related performance and disclosure.
 - Transparent communication with stakeholders is ensured to keep them informed.

As environmental regulations grow more stringent, the Group anticipates a need for additional investments in pollution control and compliance upgrades, which will likely result in increased liability levels. Currently, the Group does not utilize carbon credits, an internal carbon price, or climate change-related performance metrics within its remuneration policy. However, by continuing to invest in green energy and sustainable technologies, the Group expects to lower long-term operational costs and enhance its market competitiveness, gradually improving its asset and liability structure in the years to come.

2. SOCIAL

1. Employment and labour practices

The Group strictly complies with national and local laws and regulations concerning employment and Labour practices, including but not limited to:

- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law on the Protection of Minors; and
- Law on the Protection of Disabled Persons.

No non-compliance with relevant laws and regulations that had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare had been identified during the Reporting Period.

B1. Employment

The Employee Handbook of the Group clearly outlines details of recruitment, promotion, discipline, working hours, vacations and other benefits, and the Group has laid down compliance procedures and a series of work safety rules. The Group is responsible for the confirmation that the staff has a full understanding of the content of the Employee Handbook before they commence employment with the Group.

Employee Profile and Turnover

As of 31 December 2024, the Group had a total number of 665 employees. All the employees of the Group are full-time workers. The breakdown of employees according to employment type, employee category, age group, gender and region is as follows.

Table 8Employment Data by Employment Type, Category, Age Group, Gender and GeographicalRegion

| | Number of Employees | Percentage % |
|--|----------------------------|-------------------------------|
| Employment Type | | |
| Full-time Part-time | 665 0 | 100% 0% |
| Employee Category | | |
| Senior management Middle management | 7 14 | 1% 2% |
| Frontline and other staff <i>Age Group</i> | 644 | 97% |
| 18–25 26–35 36–45 46–55 56 or above Gender | 3 338 263 52 9 | <1% 51% 40% 8% 1% |
| Male Female | 287 378 | 43% 57% |

| | Number of Employees | Percentage % |
|---------------------|------------------------|--------------|
| Geographical Region | | |
| Mainland China | 651 | 98% |
| US | 8 | 1% |
| Singapore | 2 | <1% |
| South Korea | 4 | <1% |

During this Reporting Period, a total of 149 full-time employees left the Group, with an annual staff turnover rate of 22%.

| Turnover Rate by Employee Category | |
|--------------------------------------|------|
| Senior management | 0% |
| Middle management | 29% |
| Frontline and other staff | 23% |
| Turnover Rate by Age Group | |
| 18–25 | 67% |
| 26–35 | 26% |
| 36–45 | 20% |
| 46–55 | 15% |
| 56 or above | 0% |
| Turnover Rate by Gender | |
| Male | 24% |
| Female | 21% |
| Turnover Rate by Geographical Region | |
| Mainland China | 22% |
| Singapore | 150% |
| United States | 13% |

Table 9 Total Turnover Rate by Employment Category, Age Group, Gender and Geographical Region

Note: The turnover rate was calculated by (no. of employees leaving the Company during the reporting period/no. of employees as of 31 December of the Reporting Period)*100%.

Inclusive Workplace

To enable employees to perform at their best, the Group is dedicated to fostering a culture of inclusivity and open communication. The Group upholds the principle of equal opportunity, ensuring that all employment-related decisions — such as recruitment, compensation, promotion, and performance evaluation — are made solely based on qualifications and merits. The Employee Handbook outlines guidelines for workplace conduct and is reviewed and updated as necessary.

The Group maintains a zero-tolerance policy towards any form of harassment, intimidation, bias, or discrimination based on age, gender, disability, religion, family status and obligations, race, or colour. Any reported concerns or complaints regarding harassment, discrimination, or retaliation based on a protected category are addressed in accordance with the procedures outlined in the Policy Against Harassment, Discrimination, and Retaliation.

Employee Communication

Through the implementation of an Open Door Policy, employees are encouraged to participate in discussions about policies that may impact their daily responsibilities. Employees can raise job-related concerns and complaints with their line manager or any other management representative.

To enhance employees' sense of belonging within the Group, the Group holds an all-hands meeting in Suzhou, China in July 2024 to invite the employees around the world for joining, in order to promote unity with the Group and strengthen overall organizational culture by creating a sense of belonging and emphasizing the Group's goals. The Group also conducts several all-staff town halls to align its goals with employee interests and recognize contributions from staff members.

Labour Contract Management

The Group's labour contracts comply with the Labour Law of the PRC and the Labour Contract Law of the PRC. Labour contract management encompasses the signing and termination of contracts, clearly outlining positions, working hours, remuneration, and employee benefits to ensure compliance with labour standards. Any overtime arrangements must be negotiated between the company and employees, adhering to the principle of voluntary agreement. Relevant remuneration is paid in accordance with applicable laws and regulations. During the Reporting Period, the Group complied with all employment-related laws and regulations.

Employee Compensation and Benefits

The Group is dedicated to providing fair and competitive remuneration and benefits to its employees. These include, but are not limited to, paid leave, family leave, disability leave, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance, and annual health check-ups.

The Group also offers vacation benefits, allowing eligible employees to take paid time off for leisure. It believes that these benefits will enhance employee productivity and create a more satisfying work experience.

Additionally, the Group provides an Employee Share Option Plan (ESOP) to encourage selected participants, including employees, to support the Group's expansion and development. The ESOP serves to reward and motivate employees, aligning their efforts with the overall enhancement of the Group's value.

The hiring team has established a Referral Bonus Scheme, inviting all employees to participate in supporting recruitment efforts. A referral bonus is awarded to current employees who successfully refer new talent to the Group, contingent upon the new hire completing their probationary period.

B2. Employee Health and Safety

The Group cares about the health, safety and security of all the staff, and strives to protect the physical and mental health, safety and security of employees. The Group strictly complies with the relevant laws and regulations including but not limited to:

- Labour Law of the PRC;
- Law of the PRC on the Prevention and Treatment of Occupational Diseases;
- Fire Protection Law of the PRC; and
- Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong.

The Employee Handbook of the Group clearly outlines the details of occupational and safety rules which provides guidance to complying with the relevant laws and regulations. The Group did not note any cases of material non-compliance with occupational health and safety laws and regulations in the Reporting Period.

The Group has adopted the following occupational health and safety measures in daily business operation routines:

- Monitor air quality of the offices;
- Provide ergonomic office furniture to ensure comfort in daily operations;
- Provide safety training for operational staff to promote safety awareness and minimise the risk of potential work hazards, such as hazardous chemicals, wastewater treatment and fire protection; and
- Conduct fire drills regularly.

The Group conducted regular reviews of the internal occupational health and safety management, taking employee feedback into account to promote ongoing improvements in employee health and safety. The Group holds two health talks including the topics of eyes care and cervical spine care, and provides influenza vaccination benefits to employees during the reporting period. In Jiashan Factory, occupational health and safety related targets have been set. The targets will be reviewed regularly in order to ensure the safety and health of employees and the compliance of all relevant laws and regulations. The Jiashan Factory has improved its emergency plans for safety working environment, occupational health of employees, biosafety, hazardous chemicals and equipment operation in order to strengthen the Group's ability to cope with emergency cases and work-related accidents.

| Table 10 N | Number of Work-Related | Fatality and Fatality | Rate, Injury | Cases, Lost Days |
|------------|------------------------|-----------------------|--------------|------------------|
|------------|------------------------|-----------------------|--------------|------------------|

| | 2024 | 2023 | 2022 |
|--------------------------------------|------|------|------|
| | | | |
| Number of work-related fatalities | 0 | 0 | 0 |
| Work-related fatality rate | 0% | 0% | 0% |
| Work-related injury cases | 1 | 1 | 1 |
| Lost days due to work-related injury | 2 | 168 | 41 |

There have been no work-related fatalities in the past years, including the Reporting Period. However, the Group did report one work-related injury case, resulting in two lost days. The Group assisted the injured employee and actively promoted safety knowledge to enhance overall work safety awareness among staff. Additionally, the injured employee is covered by the Group's insurance.

To ensure a safe working environment for all employees and prevent similar incidents in the future, the Group will regularly evaluate its current work safety management practices, ensuring that employees operate in safe conditions.

B3. Development and Training

The Group prioritises the growth and development opportunities for employees by offering targeted skills improvement and training tailored to various roles and job positions. On-the-job training and self-learning programmes are provided to expand employees' knowledge bases. During the Reporting Period, the Group actively encouraged participation in a variety of training sessions, including Autoimmune Encephalitis (AE) Awareness Training, Product Complaint Training, and leadership and communication skills development.

To enhance training management efficiency, the Group has created user accounts for all employees in the eQMS (Veeva Vault) System, allowing for the allocation of different training types to specific employees.

In the rapidly evolving and competitive healthcare sector, the Group has implemented a performance assessment mechanism to retain talent that supports its business objectives and reward high-performing employees for their achievements. Semi-annual performance reviews are conducted to monitor and evaluate employee performance, alongside relevant training to foster development. Individual Development Plans are created to help employees track their progress and identify areas for further growth. Supported by their managers and supervisors, this review process enables all employees to assess their goals and realise their full career potential.

As of 31 December 2024, the Group delivered more than 2,776 training hours to a total of 347 employees, including those who left the Group during the Reporting Period. Overall, 52% of employees received training, with an average of 4.17 training hours per employee.

| | % of Employees Trained | Average Training Hours Per Employee |
|-------------------------|------------------------------|---|
| By Employee Category | | |
| Senior management | 0% | 0 |
| Middle Management | 0% | 0 |
| Frontline & other staff | 54% | 4.17 |
| By Gender | | |
| Male | 53% | 4.21 |
| Female | 52% | 4.15 |

Table 11 Percentage of Employees who Received Training and Average Training Hours Completed

Note: The percentage of employees who received training was calculated by (Total no. of trained employee during the Reporting Period/no. of employees as of 31 December of the Reporting Period)*100%.

B4. Labour Standards

The Group strictly prohibits child and forced labour in all its operations. It adheres to all relevant laws and regulations concerning employment and labour standards, including the Labour Law of the PRC, the Provisions on Prohibiting the Use of Child Labour, the Labour Contract Law of the PRC, and the Law on the Protection of Minors.

The Group only recruits individuals who are of legal working age, and new employees must provide accurate and truthful personal information. Additionally, background checks are conducted during the recruitment process to verify the identities of potential employees. Disciplinary actions will be taken if any violations are discovered.

During the Reporting Period, no instances of non-compliance with laws and regulations related to the prevention of child and forced labour were identified. There were no significant risks associated with incidents of child or forced labour in the Group's operational sites, and no child or forced labour was employed by the Group.

2. Operating Practices

B5. Supply Chain Management

During this Reporting Period, the Group engaged with 909 suppliers, all of whom are based in Mainland China.

Table 12 Number of Suppliers by Geographical Region

| Geographical Region of Suppliers | Number of Suppliers | Type of Suppliers |
|----------------------------------|---------------------|-----------------------------------|
| | | |
| Mainland China | 909 | Consulting service |
| | | Facility and property management |
| | | Creative services |
| | | Logistics and travel services |
| | | Human resources |
| | | Laboratory services and equipment |
| | | IT and software |
| | | Miscellaneous |

Supply Chain Management

The Group manages its supply chain in accordance with Standard Operating Procedures (SOP), which outline the responsibilities and processes for procuring products and services. Key aspects include:

Supplier Selection and Verification

- Health and Safety Standards: Specific standards are applied in the selection process for suppliers, ensuring that product health and safety are prioritised. Credentials are verified during the initial due diligence phase.
- **Remedial Actions**: Suppliers failing to meet standards must take corrective actions; persistent noncompliance may lead to termination.
- **EHS Clauses**: Environmental, Health, and Safety (EHS) clauses are included in supplier contracts as required, with the procurement team evaluating the performance of key vendors.

Collaboration with Contract Research Organizations (CROs)

- The Group supports clinical investigations in China by partnering with reputable CROs, considering:
 - Academic credentials
 - Industry reputation
 - Compliance with regulations
 - Cost competitiveness
- Audits: CROs are audited every three years, with additional ad hoc audits or quality visits based on identified risks and inspections by the Centre for Food and Drug Inspection.

Risk Management

- **Supply Continuity**: The Group develops alternative sourcing plans based on supply continuity risk assessments.
- **Preliminary Risk Assessment**: Third-party suppliers undergo a risk assessment before engagement. Compliance due diligence is performed for identified high-risk suppliers, including those frequently interacting with governmental organizations or providing sensitive services.

Environmental and Quality Management

- **Procedures**: The Group establishes procedures for chemical management, waste management, and biosafety management to monitor environmental performance along the supply chain. Due diligence checks are conducted by the Legal Team.
- Quality Audits: Suppliers are audited to ensure compliance with Laboratory Testing Regulations, including Good Clinical Practice (GCP) and Good Manufacturing Practice (GMP).

Sustainable Procurement

- The Group prioritises environmentally friendly raw materials and products in its procurement process.
- Energy Efficiency: High energy-efficient equipment is selected, adhering to energy efficiency requirements as specified by the Minimum Allowable Values of Energy Efficiency and Efficiency Grades for Motors (GB18613-2020).
- Considerations for energy efficiency and environmental impact are also applied to the selection of heating, ventilation, and air conditioning systems (HVAC) and furniture.

B6. Product Responsibility

In order to ensure the safety and quality of services, the protection of intellectual property right and data protection, the Group complies with the following laws and regulations, including but not limited to:

- Trademark Law of the PRC;
- General Principles of the Civil Law of the PRC.

There was no non-compliance of laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress in this Reporting Period. The Group primarily engaged in the community partnership and charitable funding program, aiming to extend healthcare to underserved populations and capitalize their access to healthcare. More information could be found in the section "B8. Community investment".

Quality Assurance

The Group recognizes that producing high-quality goods and services is essential for maintaining its competitive edge. The Quality Management Department oversees quality performance and implements governance mechanisms through an independent Quality Management System (QMS) designed to monitor the quality of clinical development, manufacturing, and testing of drug candidates.

During the Reporting Period, the Group received 22 complaints concerning packaging and product quality issues. Each complaint was addressed in accordance with the Group's established procedures, and effective communication was maintained with the customers. Furthermore, a review of the relevant production processes was conducted to mitigate the occurrence of similar issues in the future. There were no product recalls or service complaints related to health and safety received during the Reporting Period.

Key Responsibilities of the Quality Management Department

- Quality Management System: Establish a robust quality management system for the Group's line functions to ensure compliance with national and international regulatory standards.
- Audit Plans: Develop and implement audit plans for various types of audits, including:
 - Investigator site audits
 - Process audits
 - System audits
 - Contract Manufacturing Organization (CMO) site audits
 - GxP vendor audits
- Quality Control Policy: Manage the Group's quality control policy and standard operating procedures, and organize risk assessments for business operations and specific projects to maintain high-quality metrics and ensure prompt reporting to senior management.

Electronic Quality Management System (eQMS)

The first phase of the electronic Quality Management System (eQMS) has been developed and is operational. This phase includes management modules for electronic Standard Operating Procedures (eSOPs) and e-Training. To ensure compliance with ICH standards and relevant laws and regulations, the Group continuously updates its unified quality management system, covering Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), and Good Supply Practice (GSP).

Intellectual Property Policy

The Group has established an Intellectual Property Policy that outlines:

- Categories of Intellectual Property: An overview of the various types of IP that the Group seeks to protect.
- Employee Responsibilities: Clear duties and responsibilities for employees regarding the protection of IP.
- **Procedures for Protection**: Important procedures for maintaining confidentiality and safeguarding copyrights, trademarks, and trade secrets.

By implementing this policy, the Group aims to ensure the integrity and security of its intellectual property while fostering a culture of awareness and compliance among its employees.

During the Reporting Period, the Group obtained 1 new invention patent, bringing the total number of invention patents owned by the Group to 15. This reflects the Group's commitment to innovation and the protection of its intellectual property rights.

Data Protection

The Group is committed to safeguarding personal information, recognising that maintaining confidentiality is essential for building trust with stakeholders. To this end, the Group has established a Personal Data Protection Policy that sets forth fundamental guidelines for processing personal data in written, electronic, or verbal forms.

Key Components of the Personal Data Protection Policy

- **Data Processing Guidelines**: Clear principles for handling personal data, ensuring compliance with relevant laws and regulations.
- Business Activities: Instructions on how to protect personal data within various business activities.
- Incident Response: Procedures for responding to personal data breach incidents.
- Roles and Responsibilities: Defined roles for employees regarding data protection responsibilities.

The Group is dedicated to taking effective measures to mitigate risks to the rights and freedoms of Data Subjects, in accordance with all applicable laws. Additionally, the employee handbook specifies the requirements for handling confidential data and outlines security measures to protect sensitive information. This comprehensive approach helps ensure the integrity and security of personal data across the organization.

Safety of Clinical Trials

To effectively manage and execute clinical trials for pharmaceutical development, the Group follows a rigorous and structured process. The evaluation and management of quality risks associated with these trials are overseen by Clinical Quality Assurance (CQA), which is part of the Group's Quality Management System.

Key Elements for Ensuring Safety

- 1. Informed Consent:
 - Obtaining informed consent from all clinical trial participants is crucial. This ensures that participants voluntarily engage in the trial with a clear understanding of what it entails.
 - The preparation, review, and distribution of informed consent forms (ICFs) are governed by Standard Operating Procedures (SOPs). ICFs must meet stringent review and approval protocols and include all required elements as specified by regulations.
- 2. Adverse Event Reporting:
 - The timely reporting of adverse events (AEs) and serious adverse events (SAEs) is essential for monitoring participant safety throughout the trial.

Compliance with Regulations

The Group strictly adheres to Good Clinical Practice (GCP) guidelines in all aspects of clinical trial management. This comprehensive approach ensures that the rights, safety, and well-being of trial participants are prioritized while maintaining high-quality standards in clinical research.

B7. Anti-corruption

The Group upholds honesty, integrity, and fairness as its core values and strictly complies with relevant national laws and regulations, including but not limited to:

- Criminal Law of the PRC
- Anti-Money Laundering Law of the PRC
- Law Against Unfair Competition of the PRC

During the Reporting Period, the Group had no instances of non-compliance with laws related to bribery, extortion, fraud, or money laundering.

Code of Conduct and Business Ethics

The Group has established a Code of Conduct and Business Ethics that serves as the foundation for ethics governance. This document provides guidance on interactions with stakeholders and outlines policies, practices, and rules concerning:

- Prevention of bribery and fraud
- Conflicts of interest
- Acceptance of gifts and entertainment from third parties

The Legal and Compliance Department is responsible for regularly training new hires to ensure their understanding of the Code of Conduct and Business Ethics. Anti-corruption measures are implemented in accordance with all relevant laws and regulations.

Whistle-Blowing Policy

The Group is committed to maintaining high standards of openness and accountability, and to preventing, detecting, and reporting fraud. A whistle-blowing policy allows employees and stakeholders to voice concerns about suspected fraudulent activities.

- **Reporting Process**: Whistle-blowers can submit their concerns using a standard whistle-blowing report form, sent via email to the Compliance Officer. The Compliance Officer acknowledges receipt of the report within three working days.
- **Investigation**: The Compliance Officer manages and evaluates the report, conducting an investigation into the suspected case. The findings are reported to management, and a formal report is prepared for the Audit Committee to implement corrective actions for any substantiated fraud.
- Confidentiality and Protection: All reported cases are handled confidentially. The Group recognizes the importance of protecting whistle-blowers and prohibits any unlawful discrimination, retaliation, or hostile measures against investigators and whistle-blowers.

Anti-Corruption Training

To strengthen anti-corruption awareness in the workplace, the Group conducts effective communication and training programs. These initiatives aim to ensure that employees:

- Understand the concepts outlined in the Code of Conduct
- Recognize legal versus illegal concepts
- Identify ethical versus dishonest behaviour

Although the Group did not conduct any specific anti-corruption training during the Reporting Period, it remains committed to fostering a culture of integrity and accountability throughout the organization. This ongoing commitment is essential for maintaining ethical standards and promoting responsible behavior among employees.

B8. Community Investment

The Group recognizes the importance of participating in community investment to create positive value and contribute to societal well-being. The Group is committed to corporate social responsibility (CSR) through its active engagement in the Baoshen (III) project, which aims to support patients diagnosed with IgA nephropathy. Scheduled from May 2024 to January 2025, this initiative offers financial assistance of 3,000 yuan to each patient for accessing essential medications. With the Group coordinating the project, resources were efficiently allocated, resulting in 639 out of 1,598 applicants receiving aid totaling 2,010,000 yuan. This effort underscores the Group's dedication to improving community health outcomes and enhancing patient access to critical treatments.

Similarly, the Group's Hushen project, running from May 2024 to February 2025, further exemplifies its commitment to CSR. This initiative provides direct medication support to patients, offering additional assistance through the distribution of budesonide enteric-coated capsules. By December 2024, the project aims to reach eligible patients through an online consultation platform, ensuring that 2,367 out of 2,816 applicants receive vital medication, totaling 2,415 boxes distributed.

APPENDIX I — HKEX ESG REPORTING GUIDE INDEX

| General Disclosures | | |
|------------------------|---|---|
| and KPIs | Description | Section(s) |
| Environmental | | |
| Aspect A1: Emissions | | |
| General disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | A. Environment |
| KPI A1.1 | The types of emissions and respective emissions data. | A1. Emission |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity. | A1.2. Greenhouse Gas Emissions |
| KPI A1.3 | Total hazardous waste produced and, where appropriate, intensity. | • A1.3. Hazardous Waste |
| KPI A1.4 | Total non-hazardous waste produced and, where appropriate, intensity. | • A1.4. Non-hazardous Waste |
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them. | • A1.5. Measures to Mitigate Emission and Targets |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | A1.6. Waste Reduction Initiatives and Targets |
| Aspect A2: Use of Reso | burces | |
| General disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | • A2. Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | A2.1. Energy Consumption |
| KPI A2.2 | Water consumption in total and intensity. | A2.2. Water Consumption |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | A2.3. Energy Use Efficiency Initiatives and Targets |
| KPI 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. | A2.4. Water Use Efficiency Initiatives and Targets |
| KPI A2.5 | Total packaging material used for finished products and, if | A2.5. Packaging Materials |

applicable, with reference to per unit produced.A3. The Environment and
Natural ResourcesGeneral DisclosurePolicies on minimising the issuer's significant impact on the
environment and natural resources.A3. The Environment and
Natural ResourcesKPI A3.1Description of the significant impacts of activities on the
environment and natural resources and the actions taken to
manage them.A3.1. Significant Impacts of
Activities on the Environment

| General Disclosures | | |
|-------------------------|---|---|
| and KPIs | Description | Section(s) |
| Aspect A4: Climate Cha | nge | |
| General Disclosure | Policies on identification and mitigation of significant climate- related issues which have impacted, and those which may impact, the issuer. | A4. Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | • A4. Climate Change |
| Social | | |
| Employment and Labou | r Practices | |
| Aspect B1: Employment | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | B. Social 1. Employment and Labour Practices B1. Employment |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | B1. Employment- Employee Profile and Turnover |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | |
| Aspect B2: Health and S | 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. | B2. Occupational Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | e • B2. Employee Health and Safety |
| KPI B2.2 | Lost days due to work injury. | B2. Occupational Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | l, • B2. Employee Health and Safety |

| General Disclosures | | |
|----------------------------|---|-------------------------------------|
| and KPIs | Description | Section(s) |
| Aspect B3: Developmen | t and Training | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | B3. Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category. | B3. Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | |
| Aspect B4: Labour Stan | dards | |
| 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 or forced labour. | |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | id |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | |
| Operating Practices | | |
| Aspect B5: Supply Chai | n Management | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | ly • B5. Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | |
| KPI B5.2 | Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored. | f |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | |

| General Disclosures | | | | | |
|-----------------------------------|---|---|--|--|--|
| and KPIs | Description | Section(s) | | | |
| Aspect B6: Product Responsibility | | | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | | | | |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | B6. Product ResponsibilityQuality Assurance | | | |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | B6. Product ResponsibilityQuality Assurance | | | |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | B6. Product ResponsibilityIntellectual Property Rights | | | |
| KPI B6.4 | Description of quality assurance process and recall procedures. | B6. Product ResponsibilityQuality Assurance | | | |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | B6. Product ResponsibilityData Protection | | | |
| | | | | | |
| Aspect B7: Anti-corruption | | | | | |
| General Disclosure | Information on: (a) the policies: and (b) compliance with relevant | B7 Anti-corruption | | | |

| General Disclosure Information on: (a) the policies; and (b) compliance with relevant | B7. Anti-corruption |
|---|---|
| laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | |
| KPI 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. | B7. Anti-corruption |
| KPI B7.2Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.• | B7. Anti-corruption Whistle-blowing Policy |
| KPI B7.3Description of anti-corruption training provided to directors and staff. | B7. Anti-corruption Anti-corruption Training |

Aspect B8: Community Investment

| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | • | B8. Community Investment |
|--------------------|--|---|--------------------------|
| KPI B8.1 | Focus areas of contribution. | | |
| KPI B8.2 | Resources contributed to the focus area. | | |

