



China Traditional Chinese Medicine Holdings Co. Limited
(Incorporated in Hong Kong with Limited Liability)
(Stock Code: 00570)



2024

Environmental, Social and Governance Report

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About the Report



Report Introduction

The 2024 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT of China Traditional Chinese Medicine Holdings Co. Limited is the 9th environmental, social, and governance (ESG) report independently released by the China Traditional Chinese Medicine Holdings Co. Limited. In the spirit of openness and transparency, this report systematically addresses stakeholder expectations by providing an objective, standardized, and comprehensive disclosure of China Traditional Chinese Medicine Holdings Co. Limited and its subsidiaries' vision, strategy, and performance in sustainable development, demonstrating practices in aspects of environmental, social, and governance.



Reporting Boundary

This report covers China Traditional Chinese Medicine Holdings Co. Limited and its subsidiaries, unless otherwise stated. For simplicity, in the report, "China Traditional Chinese Medicine Holdings Co. Limited" is abbreviated as "China TCM", "the Company" or "we", and with subsidiaries, as "the Group". In addition, the subsidiaries mentioned in the report are abbreviated as follows:

- "Anhui Fengliaoqing Chinese Herbal Co., Ltd." as "Anhui Fengliaoqing"
- "Anhui Tianxiang Pharmaceutical Co., Ltd." as "Anhui Tianxiang"
- "Guangdong Qifeng Health Industry Co., Ltd." as "Qifeng Health"
- "Guangdong Yifang Pharmaceutical Co., Ltd." as "Guangdong Yifang"
- "Guangxi Yifang Tianjiang Pharmaceutical Co., Ltd." as "Guangxi Yifang"
- "Guizhou Tongjitang Herbal Co., Ltd." as "Tongjitang Herbal"
- "Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd." as "Beijing Huamiao"
- "Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd." as "Dezhong Pharmaceutical"
- "Sinopharm Group Fengliaoqing (Foshan) Medicinal Material & Slices Co., Ltd." as "Fengliaoqing Material & Slices"
- "Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd." as "Guangdong Medi-World"
- "Guizhou Sinopharm Great Health Industry Development Co., Ltd." as "Guizhou Great Health"
- "Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd." as "Jingfang Pharmaceutical"
- "Sinopharm Tianxiong Pharmaceutical Co., Ltd." as "Tianxiong Pharmaceutical"
- "Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd." as "Tongjitang Pharmaceutical"
- "Sinopharm Group Zhonglian Pharmaceutical Co., Ltd." as "Zhonglian Pharmaceutical"
- "Hunan Yifang Tianjiang Pharmaceutical Co., Ltd." as "Hunan Yifang"
- "Jiangxi Yifang Tianjiang Pharmaceutical Co., Ltd." as "Jiangxi Yifang"
- "Jiangyin Tianjiang Pharmaceutical Co., Ltd." as "Jiangyin Tianjiang"
- "Lixian Dahuang Technology Co., Ltd." as "Lixian Dahuang"
- "Longxi Yifang Pharmaceutical Co., Ltd." as "Longxi Yifang"
- "Shandong Yifang Pharmaceutical Co., Ltd." as "Shandong Yifang"
- "Shandong Zhongping Pharmaceutical Co., Ltd." as "Shandong Zhongping"
- "Shaanxi Yifang Pingkang Pharmaceutical Co., Ltd." as "Shaanxi Yifang"
- "Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd." as "Sichuan Sinopharm Tianjiang"
- "Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd." as "Yunnan Tianjiang Yifang"
- "Zhejiang Yifang Pharmaceutical Co., Ltd." as "Zhejiang Yifang"



Release Cycle

This report is an annual report that is published regularly every year. The previous report was released on April 2024.



Reporting Period

This report discloses China TCM's ESG management approach and performance for the period from 1 January 2024 to 31 December 2024 (the "Reporting Period"). Certain content may extend beyond this scope.



Organizational Scope

This report covers the Group, which operate across various business segments including the production and operation of Chinese medicinal herbs, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health and related operations.



Data Sources

All information and data presented in this report originates from internal official documents, statistical reports, third-party surveys, along with relevant public information. The Company's environmental data reporting boundary includes subsidiaries where: China TCM maintains operational control ($\geq 50\%$ equity ownership) during the Reporting Period; the subsidiary conducts manufacturing operations; and the subsidiary has been operational for a minimum of two years. Unless otherwise stated, the environmental data in this report covers subsidiaries that meet all three of the aforementioned criteria simultaneously, while social data and all textual data cover the entire Group. All currency amounts in this report are stated in RMB, unless noted otherwise.



Reporting Standards

Sustainable Development Goals ("SDGs") of the United Nations ("UN")
ISO 26000:2010—*Guidance on Social Responsibility* of the International Organization for Standardization ("ISO")
Sustainability Reporting Standards of the Global Reporting Initiative ("GRI") (GRI Standards)
The *Environmental, Social and Governance Reporting Guide* set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules")
The *China Corporate Sustainability Reporting Guidelines (CASS-ESG 6.0)* of the Chinese Academy of Social Sciences



Quality Assurance

This report is reviewed by relevant departments of the Company and released after being deliberated and approved by the Board of Directors. The Company hereby warrants that this report contains no false records, misleading statements, or material omissions, and assumes full responsibility for the authenticity, accuracy, and completeness of its contents.



Report Release

This report is published in both traditional Chinese and English. In case of any discrepancy between the two versions, the traditional Chinese version shall prevail. This report is available in electronic format on the website of the Stock Exchange ([https:// www.hkex.com.hk](https://www.hkex.com.hk)), or the official website of the Company (<https://www.china-tcm.com.cn>). If you have any comments or suggestions regarding this report, please feel free to share your feedback through the following channels. We assure you that all information will be kept strictly confidential.

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Message from the Chairman

Verdant landscapes flourish as spring mountains emerge.

As a pioneer in the Traditional Chinese Medicine ("TCM") industry, China TCM has consistently regarded sustainable development as a core approach that aligns with national strategies and serves the well-being of the people. Since 2016, we have published our Environmental, Social, and Governance Report annually for eight consecutive years, steadfastly honoring our commitments to sustainability. Over the past year, we have embedded sustainable practices across our operations and advanced the integration of the TCM industry with ecological civilization and social value, focusing on four areas: prudent governance, green and low-carbon initiatives, technological innovation, and inclusive benefits for the people.

Steadfast in Vision, Resolute in Mission, We Pioneer a New Chapter.

We are steadfast in our commitment to "Practicing national TCM development strategy, leading the high-quality development of TCM industry". We strictly control product quality and safety, continuously optimize our pharmacovigilance system, and promote the completion of modern evidence-based medical verification for classic prescriptions. We have internalized product responsibility as part of our corporate DNA, enhancing drug accessibility. Our products cover 99.9% of tertiary medical institutions nationwide, and our key retail products achieve a 97% coverage rate in the top 100 chain stores across the country. In addition, in 2024, we conducted and organized nearly 1,000 academic events and academic conferences of various types, as well as initiated over 800 free medical clinics and patient education activities, continuing to promote pharmaceutical knowledge sharing.

Honoring Tradition, Embracing Innovation, We Advance Our Legacy Through Technology.

The millennia-old techniques of Traditional Chinese Medicine thrive through a steadfast commitment to fundamental principles, coupled with the wisdom to adapt to changing times. Underpinned by a "Three Horizontal and Eight Vertical" scientific innovation system, we have achieved breakthroughs in six specialized fields, including orthopedics and respiratory medicine. We have also participated in developing national standards, realizing a zero-to-one breakthrough in establishing standards for animal-derived concentrated TCM granule. In 2024, the Company added two CNAS-accredited laboratories and one provincial-level enterprise technology center, and was granted authorization for 126 patents. Amid the wave of digital transformation, we have perfected the "Quality Traceability Data Platform for the TCM Whole Industry Chain" and the "Smart Decoction and Distribution System", endowing the millennia-old medical art with wings of wisdom.



Where Lush Mountains Meet Lucid Waters: Weaving the Tapestry of Ecological Civilization.

We maintain an enduring reverence for nature and coexist harmoniously with it. We have implemented the 2024 "Dual Carbon Action" Work Plan to actively address climate change. In 2024, our photovoltaic power generation reached 6.5947 million kWh, equivalent to reducing 6,574 tons of carbon dioxide emissions. We implement green manufacturing practices, enhancing resource utilization efficiency with intelligent energy management systems. As of the end of the Reporting Period, the Group operates six nationally-certified green factories, and five subsidiaries were recognized as water-efficient enterprises. We are committed to developing a green circular economy. Our TCM residues are diversely transformed into eco-friendly products by third-party ecological agriculture companies, implementing green landfill practices. We practice ecological cultivation tailored to the unique land characteristics of our Chinese medicinal materials growing bases. We have developed three distinctive models: wild-simulated cultivation, crop intercropping, and wild habitat restoration. These initiatives actively support China's "non-grain" agricultural policy, making our cultivation bases a living testament to the "lucid waters and lush mountains are invaluable assets" sustainable development philosophy.

Rooted in Responsibility, Enriching Lives: Our Pledge for National Revitalization.

We uphold our social responsibility by leveraging the distinctive strengths of the TCM industry to deliver multidimensional support across industrial development, talent cultivation, and consumption promotion. In 2024, we allocated RMB28.15 million to rural revitalization initiatives across Jilin, Xinjiang, Tibet, Qinghai, Sichuan and other regions. Through establishing 165 TCM growing bases spanning 22 provinces, we increased incomes for over 4,700 farm families. We concentrated on six core production zones—including Xihe, Gansu (for *Pinellia temata*/Banxia) and Jiangyou, Sichuan (for *Aconitum carmichaelii*/Fuzi)—enhancing support for genuine Dao-di herb regions via full industrial chain empowerment. Our talent development programs, centered on rural talent development, strengthened technical training and capacity building. Through the "Colorful TCM" volunteer initiative, we advanced TCM cultural promotion via exhibitions, museum displays, and modern technology, while establishing TCM education bases to support research programs and community science education.

A single herb carries the sparks of civilization; an effective prescription embodies the hopes of the people. China TCM will remain steadfast to its original aspiration, paint a new picture of high-quality development through ESG practices and write down glorious new chapters on the grand journey toward Healthy China!

China Traditional Chinese Medicine Holdings Co. Limited
Chairman
April 2025



About China TCM



Company Profile

China TCM is the modern TCM platform under China National Pharmaceutical Group Co., Ltd. ("CNP GC") and listed on the Stock Exchange (stock code: 00570. HK). Over the years, the Company has focused on the Chinese medicine industry and upgrading medicinal plant cultivation, TCM products manufacturing, sales, and services. Its core business spans the production and operation of Chinese medicinal herbs, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, and TCM great health.

Corporate Philosophy



Corporate mission

Practicing national TCM development strategy, leading the high-quality development of the TCM industry



Corporate vision

Comprehensively building a sustainable, mutually synergistic, and jointly developed full industry chain of TCM healthcare services, and creating an industry-leading TCM healthcare services group

Corporate Brands

China TCM, with "Sino-TCM" as its core brand, reinforces compliance control over trademark usage at three levels: Sinopharm, Sino-TCM, and its various sub-brands. This systematic approach drives the promotion of both the company and product brands, continuously elevating the brand image and solidifying a leading industry position. Simultaneously, the Company is consistently seeking new partners through expanding professional representation, broadening retail channels, and deepening industry exchanges, thereby enhancing brand building from multiple dimensions. In 2024, both "China TCM" and "Zhonglian" were recognized as "China's Time-Honored Brands", further highlighting their brand value.

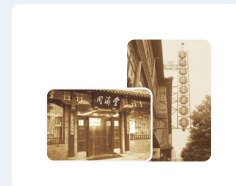
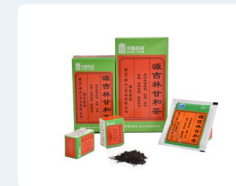
Beijing Time-honored Brand



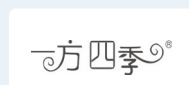
China's Time-honored Brands



Intangible Cultural Heritage



Well-known Brands





Honors and Awards

ESG-related Awards



Development Strategy

China TCM adheres to the development direction of "comprehensively building a sustainable, mutually synergistic, and jointly developed full industry chain of TCM healthcare services, and creating an industry-leading TCM healthcare services group." To address critical shifts in the business environment, strengthen core competitiveness, and define objectives for each business unit, we have refined our strategic roadmap with optimized business segments and priorities. Our operations now focus on five core pillars: Chinese medicinal herb production and operation, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, and TCM great health products, and we implement a tiered development approach across these segments. Additionally, we increased R&D investment for transformative breakthroughs; efforts are made to advance the construction of traceable sourcing bases with digital platforms to ensure medicinal plant quality control from raw materials to finished products. Furthermore, downstream big health industry development is actively expanded.

ESG Responsibility, Charting the Development Blueprint

China TCM deeply understands the significance of ESG governance in the new era development pattern and places high importance on developing and implementing an ESG governance system. The Company has defined ESG governance responsibilities at each level to ensure efficient coordination between decision-making and execution. The Company focuses on material topics, setting quantitative objectives to continuously improve its ESG performance.

Statement of the Board

China TCM actively integrates ESG principles into its corporate strategy and prioritizes ESG management. The Board serves as the highest decision-making body for ESG governance and has delegated oversight of ESG-related work to the Strategic Committee, which functions as the ESG Governance Committee.

Annually, the Company engages with internal and external stakeholders to identify and assess the impact of ESG-related risks and opportunities on its business and stakeholders. Directors unscheduled participate in both online and offline training sessions led by ESG experts to deepen their understanding of ESG issues, enabling them to more scientifically evaluate risks and opportunities. The Board Office regularly updates information on ESG matters for directors, including updates from the Stock Exchange and professional bodies. Based on annual materiality assessments, the Company promptly refines its ESG management policies and strategies. This ensures directors remain well-informed about the Group's ESG efforts while enhancing their ability to recognize ESG's role in driving long-term growth. The Strategic Committee oversees ESG policy formulation and implementation, while the Audit Committee manages internal audits and risk management, supporting ESG risk control. Each center (department) serves as an ESG implementation unit, responsible for planning and executing specific initiatives. All employees are accountable for collectively advancing ESG-related actions.

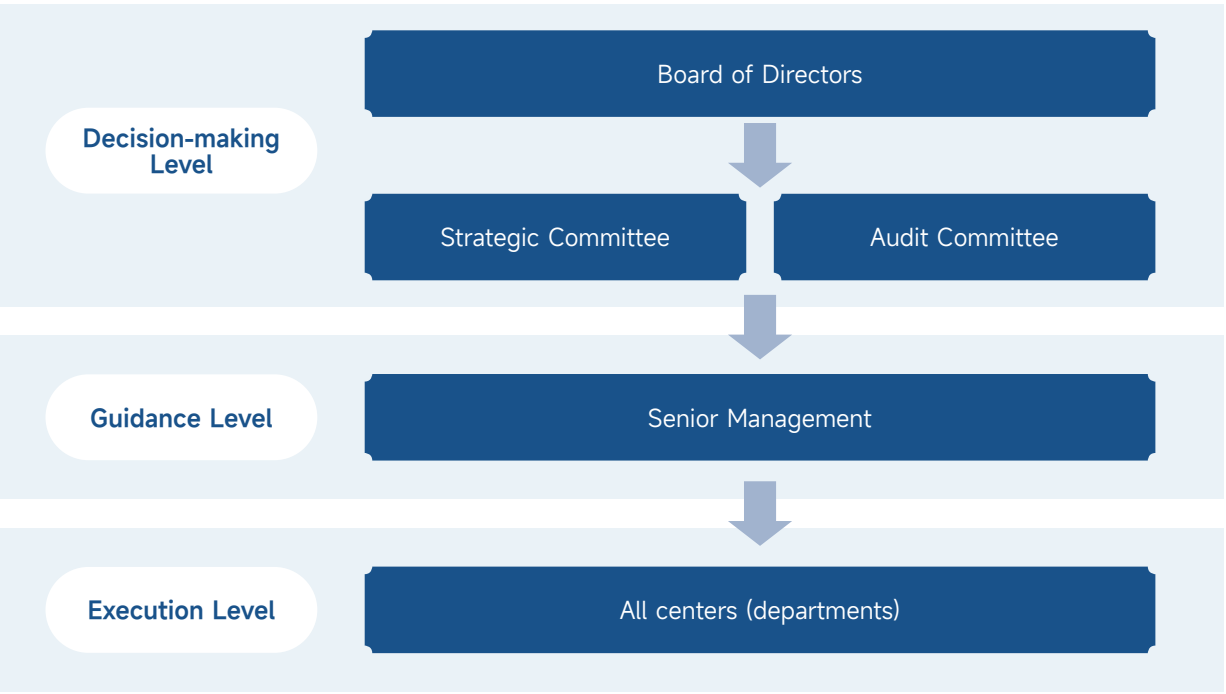




ESG Governance Structure

The Company has established a top-down ESG governance structure, clearly defining responsibilities and roles at each level to ensure ESG principles are fully integrated into corporate strategy, operations, and management. The Board, the highest decision-making body for ESG governance, holds ultimate responsibility for ESG performance. Authorized by the Board, the Strategic Committee oversees corporate governance policies and their implementation. Senior management is responsible for embedding ESG objectives into daily operations and ensuring the effective execution of ESG initiatives. Each center (department) is responsible for planning and executing specific ESG-related initiatives. Acting as the ESG coordination hub, the Board Office consolidates and tracks ESG progress across departments, aggregates ESG data, prepares ESG reports, and reports performance updates to the Board and Strategic Committee.

ESG Governance Structure



Sustainability Indicators, Objectives, and Progress

The Company has established measurable ESG targets, covering aspects such as product quality, safety production, pollutant release, resource consumption, and greenhouse gas emissions. Executive compensation is tied to ESG performance management for accountability. All product quality and environmental management goals for 2024 have been achieved.



Stakeholder Communication

China TCM recognizes stakeholders' critical role in corporate sustainable development. We have implemented a structured engagement mechanism to maintain ongoing dialogue with both internal and external stakeholders. Through these channels, we actively solicit feedback and systematically incorporate relevant suggestions into our ESG management framework to drive continuous improvement. In the meanwhile, the Company consistently refines its communication approaches to better address stakeholder concerns, thereby further promoting mutual trust and win-win outcomes in sustainable development.

Stakeholders	Topics of concern	Communication channels
 Government/ Regulatory agencies	<ul style="list-style-type: none">• ESG governance• Energy management• Response to climate change• Water resources management• Emission and discharge management	<ul style="list-style-type: none">• Regular work reporting• Daily communication• Information submission
 Shareholders/ Investors	<ul style="list-style-type: none">• Compliant operations• Business ethics• Risk control and management• Anti-corruption• Pharmaceutical innovation and R&D	<ul style="list-style-type: none">• Regular report release• Announcement issuance• Convene a general shareholders' meeting• Roadshows, on-site research• Online communication and interaction
 Employees	<ul style="list-style-type: none">• Employees' rights and interests protection• Employee development and training• Occupational safety and health• Diversity and equal opportunity	<ul style="list-style-type: none">• Questionnaire survey• Exchange meeting• Opinion collection• Visits and tours
 Suppliers/Partners	<ul style="list-style-type: none">• Sustainable supply chains• Business ethics• Pharmaceutical innovation and R&D• Promotion of industry development	<ul style="list-style-type: none">• Daily communication• Cooperative exchange
 Customers	<ul style="list-style-type: none">• Pharmaceutical innovation and R&D• Quality and safety of drugs• Medicine accessibility and affordability• Customer rights and interests protection• Responsible marketing	<ul style="list-style-type: none">• Information disclosure• Customer survey
 The public	<ul style="list-style-type: none">• Medicine accessibility and affordability• Community welfare and development	<ul style="list-style-type: none">• Public welfare activities• Volunteer services• Public information
 NGOs	<ul style="list-style-type: none">• ESG governance• Community welfare and development• Biodiversity protection• Response to climate change	<ul style="list-style-type: none">• Public welfare activities• Volunteer services• Communication and exchange



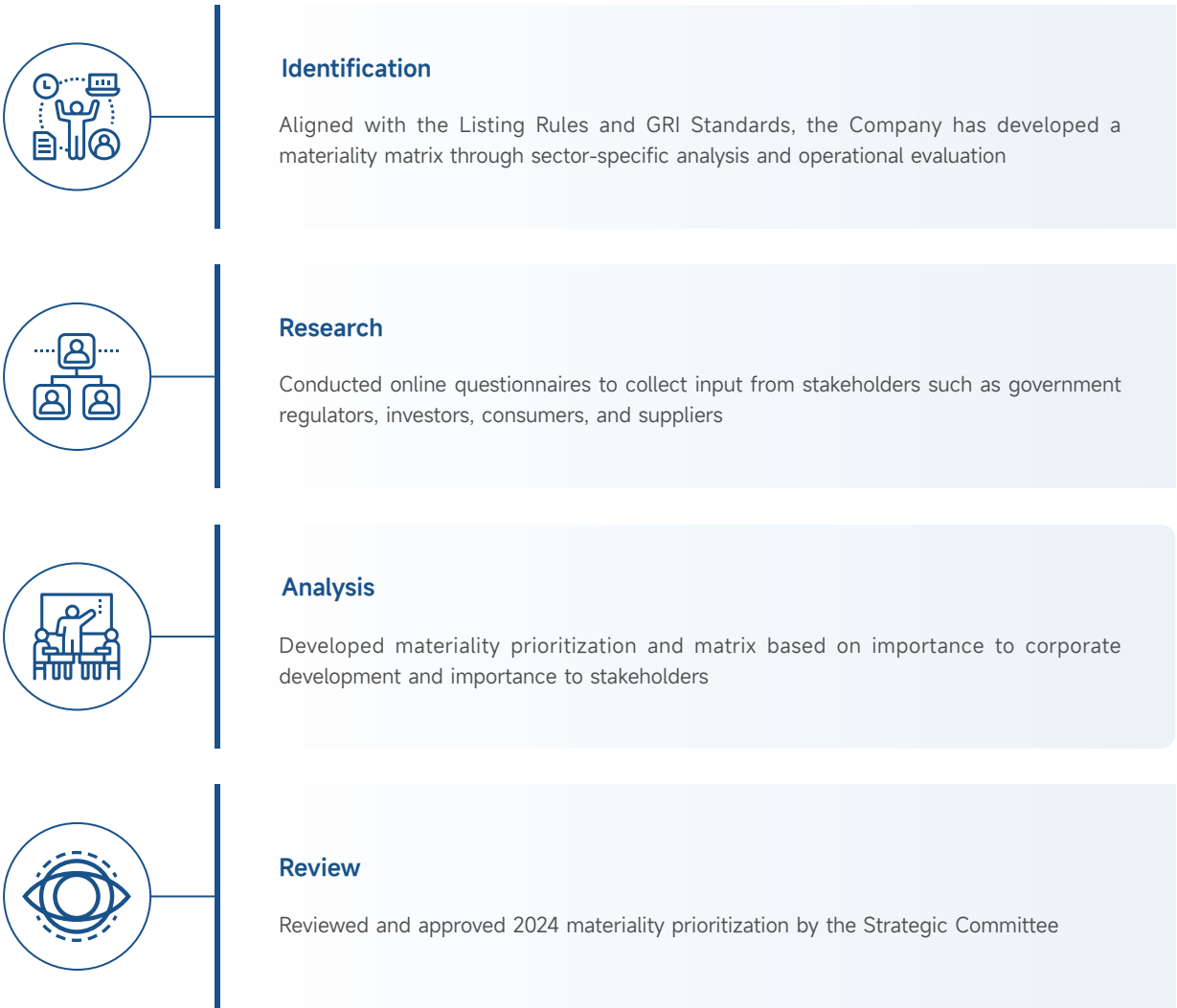
Material Topic Analysis

The Company proactively identifies core issues that are significant to its sustainable development. A total of 5,951 questionnaires were collected through an online survey to gather stakeholders' concerns and requirements. The evaluation and ranking of the impact of material issues were conducted in conjunction with the characteristics of the industry and business in which China TCM operates. This process resulted in the formation of a materiality matrix, which provides an important reference for the disclosure focus of this report and further enhances the relevance and effectiveness of the Company's ESG management.

Material Topic Analysis Process

The Company actively conducts material topic analysis and assessment to accurately understand and respond to the concerns of various stakeholders, thereby more effectively identifying and managing its own risks and opportunities. In 2024, China TCM implemented material topic evaluation following a four-step process: topic identification, topic research, topic analysis, and topic review. The specific process is as follows:

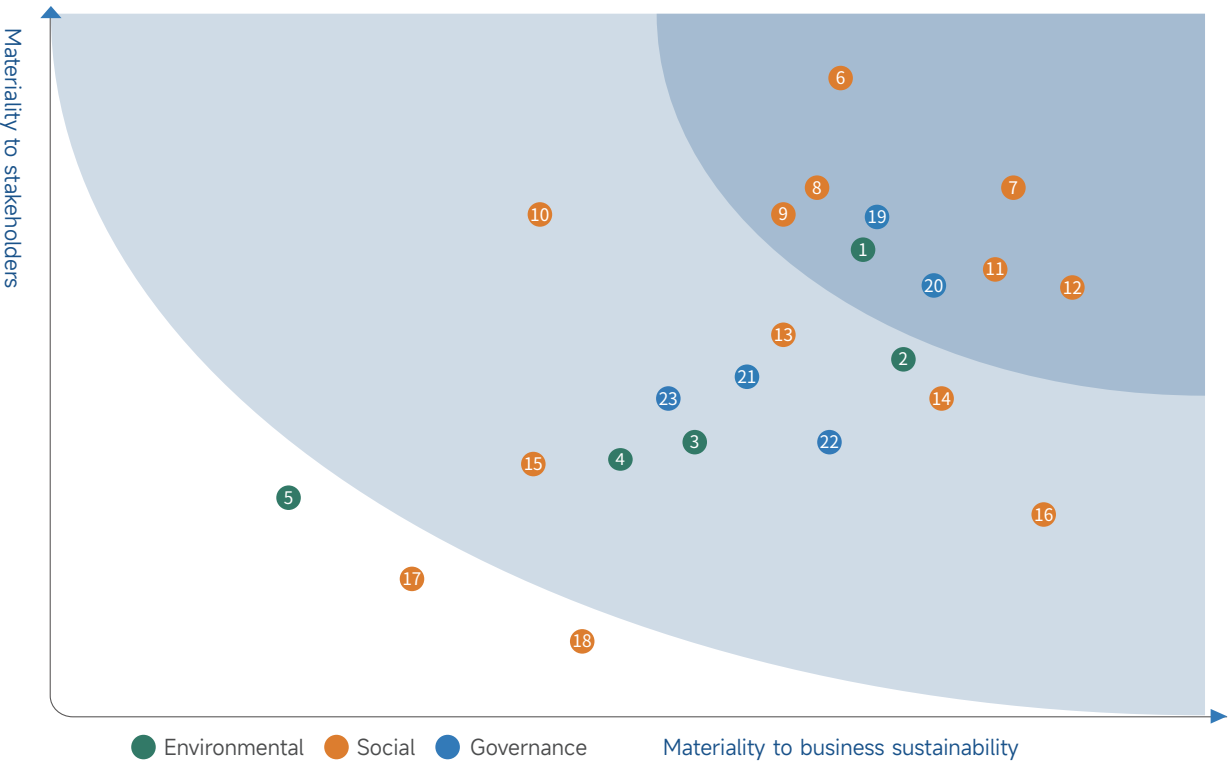
Material Topic Analysis Process



Material Topic Analysis Results

In 2024, the Company merged several topics, resulting in a total of 23 ESG topics. These include 5 environmental topics, 13 social topics, and 5 governance topics. Research and assessment were conducted on these topics, ultimately identifying 9 highly impactful material topics and creating the corresponding material topic matrix.

Material Topic Matrix of China TCM



- 1 Energy management

2 Response to climate change

3 Water resources management

4 Emission and discharge management

5 Biodiversity protection
- 6 Quality and safety of drugs

7 Employees' rights and interests protection

8 Medicine accessibility and affordability

9 Occupational safety and health

10 Responsible marketing

11 Pharmaceutical innovation and R&D

12 Customer rights and interests protection

13 Intellectual property protection

14 Diversity and equal opportunity

15 Sustainable supply chains

16 Employee development and training

17 Community welfare and development

18 Promotion of industry development
- 19 Business ethics

20 Anti-corruption

21 Compliant operations

22 Risk control and management

23 ESG Governance

01

Robust Governance, Building a Solid Development Foundation

China TCM has advanced the modernization of its governance system by developing an integrated mechanism of "compliance, risk control, and monitoring" to reinforce the foundation of rule-based corporate management. The Company upholds business ethics, fostering a culture of integrity and self-discipline. Through digital and intelligent transformation, it strengthens information security safeguards. Committed to ESG principles, the Company generates sustainable value for shareholders, employees, customers, and society at large, consistently setting industry benchmarks in corporate governance.

Material Topics Covered in this Chapter

- Compliant operations
- Risk control and management
- Business ethics
- Anti-corruption

UN SDGs Addressed in this Chapter





Corporate Governance

China TCM strictly complies with laws and regulations, including the *Companies Ordinance (Chapter 622 of the Laws of Hong Kong)*, as well as relevant requirements of the Securities and Futures Commission (SFC) and the Stock Exchange, continuously refining its internal governance framework. The Company has established a comprehensive, professional, and effective governance structure to ensure the independence, diversity, and professionalism of the Board of Directors. We also ensure timely and accurate disclosure of relevant information, safeguarding investor rights and enhancing corporate value.

Corporate Governance



In 2024,
the Company convened
1 general meeting

6

board meetings

Information Disclosure

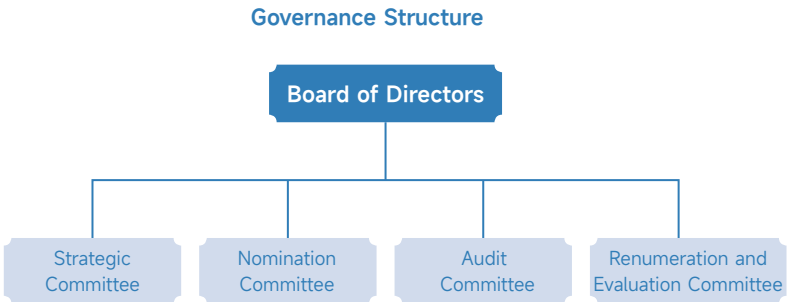


In 2024, the Company organized or participated in nearly

100

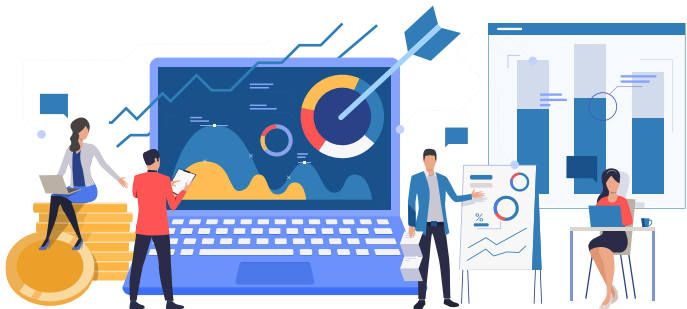
investor communication activities.

In accordance with the *Articles of Association of China Traditional Chinese Medicine Holdings Co., Limited*, the Company continuously standardizes its governance to establish a democratic and scientific modern corporate governance structure. In 2024, the Company convened one general meeting, six board meetings, and multiple special committee meetings, as well as independent director meetings, all in compliance with applicable laws and regulations.



The Company has established internal regulations, such as the *Administrative Measures for Information Disclosure* and the *Investor Relations Management Measures*, to ensure compliance in disclosing corporate information. These measures guarantee the accuracy, authenticity, completeness, and timeliness of the disclosed information. During the Reporting Period, the Company released 71 announcements, including annual and interim reports, relevant documents, notices of general meeting and board meetings, and other voluntary announcements, on designated information disclosure platforms. There were no violations of fair disclosure principles.

The Company has established diverse communication channels, actively engaging with investors through methods such as telephone, email, performance briefings, on-site receptions, and shareholders' meetings. This proactive approach aims to address investor concerns, enhance the timeliness and transparency of interactions, strengthen industry influence, safeguard investors' rights and interests, and achieve mutual growth through mutual promotion. In 2024, the Company organized or participated in nearly 100 investor communication activities.



Compliance and Risk Management

China TCM has consistently upheld compliance and risk management as the lifeline of its sustainable development. The Company continuously strengthens the integration of compliance and rule of law, actively building a compliance management system that spans all business activities and processes. It also enhances compliance awareness and embeds compliance requirements into daily operations. Through the "Three Lines of Defense" framework, the Company has established a robust risk management mechanism, enhancing capabilities in risk identification, assessment, early-warning, and response. This systematic approach safeguards China TCM's steady operations and drives high-quality growth.

Compliance Operations

The Company has established a multi-tiered compliance management system, clearly defining the compliance responsibilities of each department and position to ensure that compliance duties are assigned to individuals. By setting up mechanisms such as the Compliance Committee, General Counsel (Chief Compliance Officer), and part-time Compliance Officers, a top-down compliance oversight network has been formed to ensure that compliance risks can be promptly identified and addressed. In 2024, the Company organized all 21 of its directly managed subsidiaries to conduct a comprehensive effectiveness evaluation of their compliance management systems, achieving 100% coverage across all Tier-3 enterprises. The self-assessment covered six key dimensions: organizational structure, institutional frameworks, operational mechanisms, oversight & accountability systems, corporate culture development, and digital compliance infrastructure. The results indicated overall strong performance.

Compliance Policy Update

The Company regularly reviews and updates its existing compliance management systems to ensure alignment with the latest laws, regulations, and industry standards. In accordance with relevant provisions of the *Measures for the Compliance Management of Central Enterprises*, we have revised the *Compliance Management Measures* and the *Compliance Manual*, and facilitated the adoption of subsidiary-level Compliance Management Measures across all directly-managed units, steering the Company's compliant operations.

Focusing on seven critical compliance areas—market transaction, EHS (Environment, Health & Safety), product quality, labor and employment, tax, finance & asset, intellectual property, and cross-border operations—the Company has implemented targeted systems, including *Marketing Compliance Guidelines*, *Procurement Compliance Guidelines for Wild Protected Species*, *Legal Compliance Guidelines for Brand Authorization and Collaboration*, and *License Management Guidelines (Trial)*, to ensure all business activities adhere to established rules.

Sustained Compliance Management

The Company uses Qixinhuiyan (qixin.com) to monitor and flag compliance risks, providing real-time alerts to the Group regarding litigation exposures, operational risks, and public sentiment. This system enables dynamic tracking of 19 compliance risk categories across all subsidiaries. A compliance early-warning mechanism is embedded in the "Law in Action" column, which distributes tailored compliance alerts to headquarters leadership, relevant departments, and subsidiaries based on risk type and urgency. The Company organizes all centers (departments) and its 21 directly managed subsidiaries to systematically carry out the compilation work of the "Three Lists", adjusting and optimizing key-position compliance checkpoints and process control according to the actual situation of the Company.

Compliance Training and Education

The Company has established structured and sustained training mechanisms that integrate legal education with awareness initiatives. Through a blended approach—including in-person sessions, e-learning platforms, and multimedia tools—it delivers regular compliance training programs. This ensures all employees fully comprehend and consistently uphold the Company's compliance objectives and standards.



100%

signing rate of the *Compliance Management Responsibility Statement* of the directly managed subsidiaries



5

Organized legal compliance training sessions, covering key points of the new company law revision, foreign-related rule of law, anti-domestic violence, corporate anti-corruption, and anti-commercial bribery

38

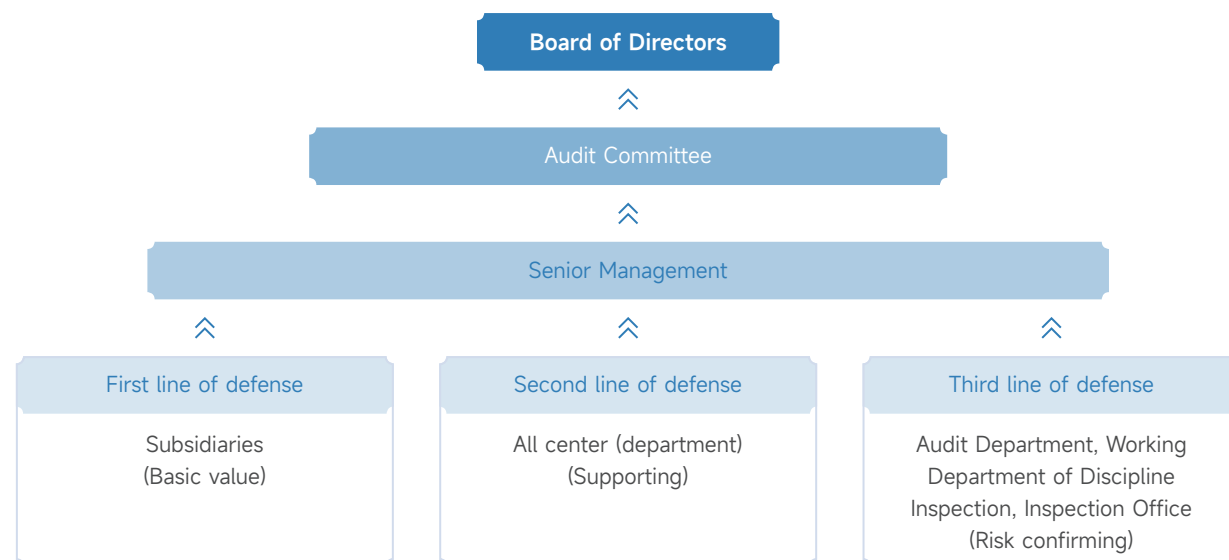
Published a total of legal education articles on the "Law in Action" column through the Corporate WeChat Account. Topics included compliance knowledge in the pharmaceutical industry, Civil Code-related knowledge, highlights of the new company law, compliance case alerts, and more.

Risk Management

Guided by the "Three Lines of Defense" framework, the Company has established a risk management system that conducts comprehensive, methodology-driven annual risk assessments and implements a "annual analysis + quarterly monitoring" mechanism for the prevention and control of major risks. This enables effective evaluation and real-time tracking of critical risks, and tiered management and response protocols for sub-critical risks, thereby ensuring an effective risk mitigation and control structure.

A three-tiered organizational framework (Governance-Management-Operations) has been established to ensure cross-functional coordination through clear role delineation, defined accountability, and preemptive contingency planning, maintaining robust safeguards against risk incidents.

The "Three Lines of Defense" framework for Risk Management



The Company has launched its 2024 comprehensive risk evaluation, with inputs from 19 headquarters centers (departments) and 60 key subsidiaries, alongside an analysis of macro-policy and internal/external environmental factors. This process identified the top five enterprise risks, for which targeted mitigation measures have been developed to systematically strengthen risk management capabilities.

Business Ethics

China TCM upholds the development philosophy of integrity, honesty, and fair competition, implementing comprehensive business conduct policies applicable to both workforce and suppliers. These codes clearly define moral guidelines and red lines, fostering a clean and righteous business environment. The Company employs internal audits, special inspections, and whistleblowing mechanisms as part of its regular oversight functions to monitor key positions and critical processes, ensuring that integrity requirements are embedded throughout all business processes. This provides a solid foundation for the healthy and sustainable development of the Company.

Business Ethics System



During the year,

China TCM has completed economic responsibility audits on

34 subsidiaries,

achieving a

100% five-year coverage rate

The Company strictly complies with all applicable laws and regulations, including the *Criminal Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, and has implemented robust governance frameworks such as the *Gifts, Cash and Voucher Registration and Handover Policy*, supported by complementary measures including the *Prohibited Items List for Implementing the Eight-Point Directive of the CPC Central Committee*. Through ongoing monitoring and enforcement, the Company ensures consistent adherence to internal business ethics standards across all operations. The Company firmly opposes illegal and non-compliant activities, including commercial bribery, money laundering, monopolistic practices, and unfair competition.

During the Reporting Period, there were no instances of money laundering, fraud, unfair competition, or other violations of business ethics within the Company. Additionally, no embezzlement lawsuits were filed against the Company or its employees.

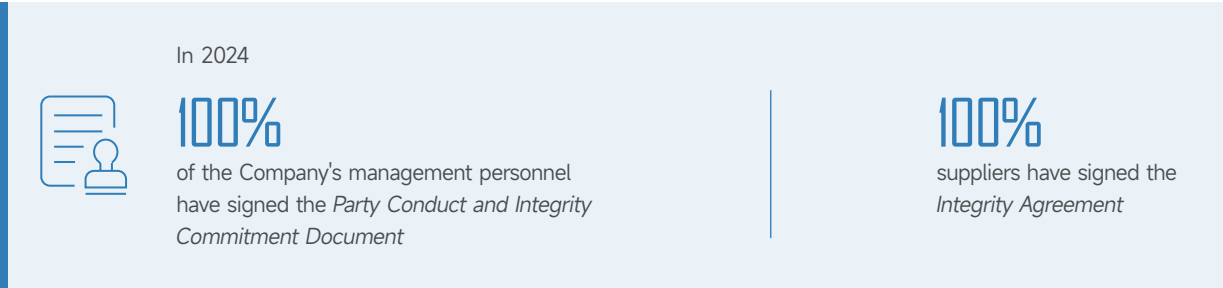
In accordance with regulatory requirements, the Company conducts comprehensive audits of its subsidiaries on a rotating at least five-year cycle. A unified annual audit plan is formulated in accordance with 12 existing regulations such as *Economic Responsibility Auditing Measures for Key Leading Personnel*, *Internal Control Evaluation Management Measures*, and other relevant regulations on economic responsibility auditing and internal control evaluation, through which we ensure a full coverage internal audit oversight. During the year, China TCM has completed economic responsibility audits on 34 subsidiaries, achieving a 100% five-year coverage rate.





Building a Culture of Integrity

The Company continues to strengthen its integrity culture by promoting anti-corruption and anti-bribery principles across all levels of the organization. Through integrity-themed campaigns, anti-corruption training, specialized workshops, and online awareness initiatives, the Company reinforces ethical awareness and self-discipline among employees, fostering a transparent and compliant corporate environment.



Strengthening the Online Publicity Efforts

The Company continues to expand the coverage of its integrity-at-work promotional efforts. Through columns on WeChat official accounts such as "TCM Compliance Insights", "TCM Discipline Guidelines", and "Integrity at Work", the Company has published over 50 authoritative interpretations and case studies of relevant policies. These publications provide timely and accurate policy guidance for our employees.



Integrity Awareness Articles

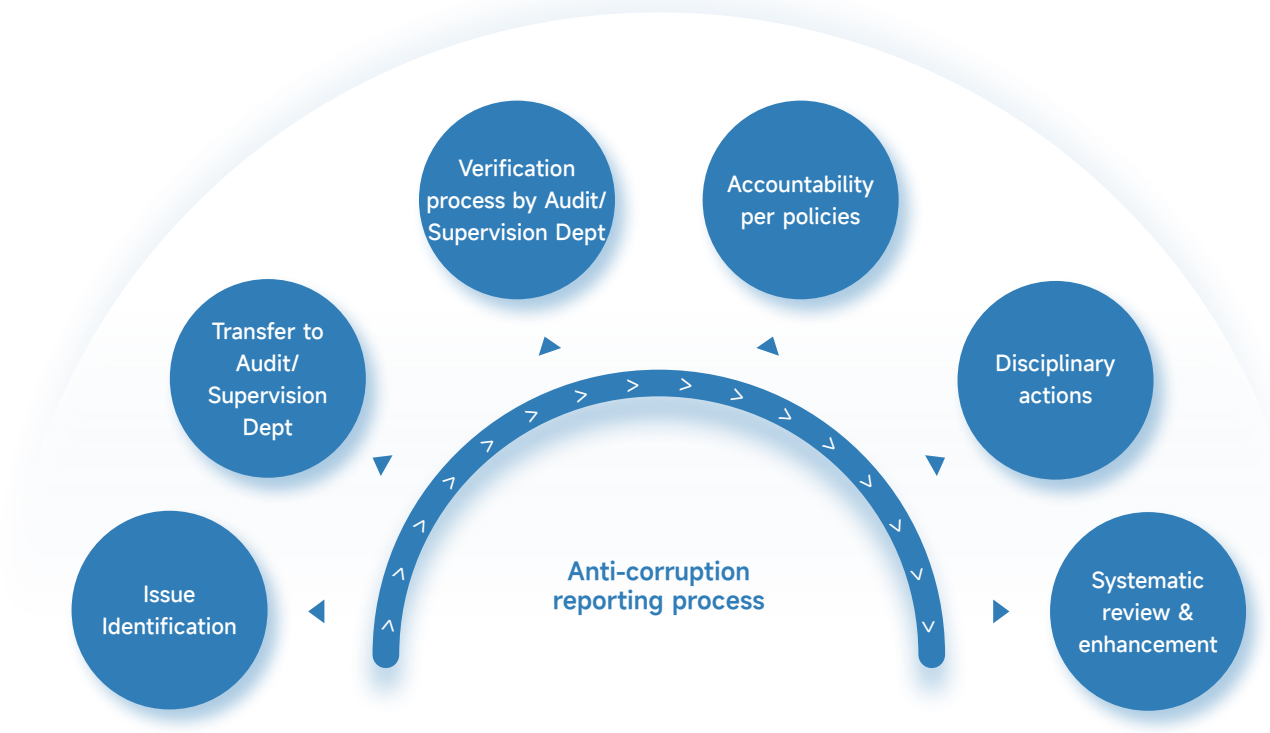
Deepening Anti-Corruption Training for Leadership

The Company remains steadfast in advancing its anti-corruption initiatives, intensifying integrity education to reinforce ethical professional conduct and build a robust ideological defense against corruption. Group integrity discussions were conducted with senior management from subsidiaries, engaging 250 participants; two on-site integrity training sessions were conducted to strengthen self-discipline and ethical awareness among leadership.

	單位	2022	2023	2024
Anti-corruption training	Session	14	23	27
Anti-corruption training coverage	%	100	100	100

Whistleblowing

The Company is committed to safeguarding the legitimate rights and interests of whistleblowers. Handling departments must strictly maintain confidentiality regarding whistleblowers' identities and report contents. All received reports—whether by phone, mail, or in-person visits—are processed by designated personnel. Following standard procedures, including the *Letter of Petition and the Handover Receipt of Materials from the China TCM Party Committee Inspection Team*, the cases reported are transferred to the relevant organizations for handling according to the management authority.



Reporting Channels



Mailing/on-site reporting address:
China TCM Working Department of Discipline Inspection, 5th Floor, Winteam Plaza, Kuiqi 2nd Road, Chancheng District, Foshan

Reporting hotline: 0757-88338890

02

Excellent Innovations, Setting Industry Quality Benchmarks

China TCM is establishing a mature innovation system, supporting innovative talents and integrating sustainability principles into its R&D processes. The Company places emphasis on intellectual property protection and digital and intelligent development, promoting industry exchange; ensures product quality while consistently enhancing customer management capabilities, enabling more patients to access affordable and reliable medications; and is enhancing its supply chain management systems by progressively integrating ESG principles into lifecycle management.

Material Topics Covered in this Chapter

- Pharmaceutical innovation and R&D
- Intellectual property protection
- Promotion of industry development
- Quality and safety of drugs
- Responsible marketing
- Customer rights and interests protection
- Medicine accessibility and affordability
- Sustainable supply chains

UN SDGs Addressed in this Chapter





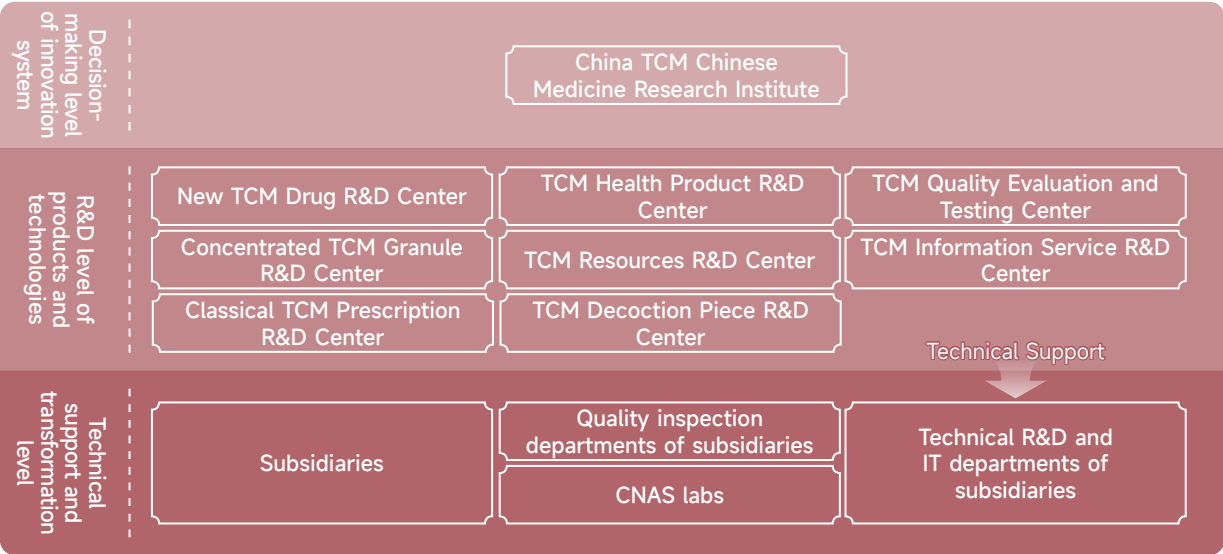
Innovative Research & Development

R&D System

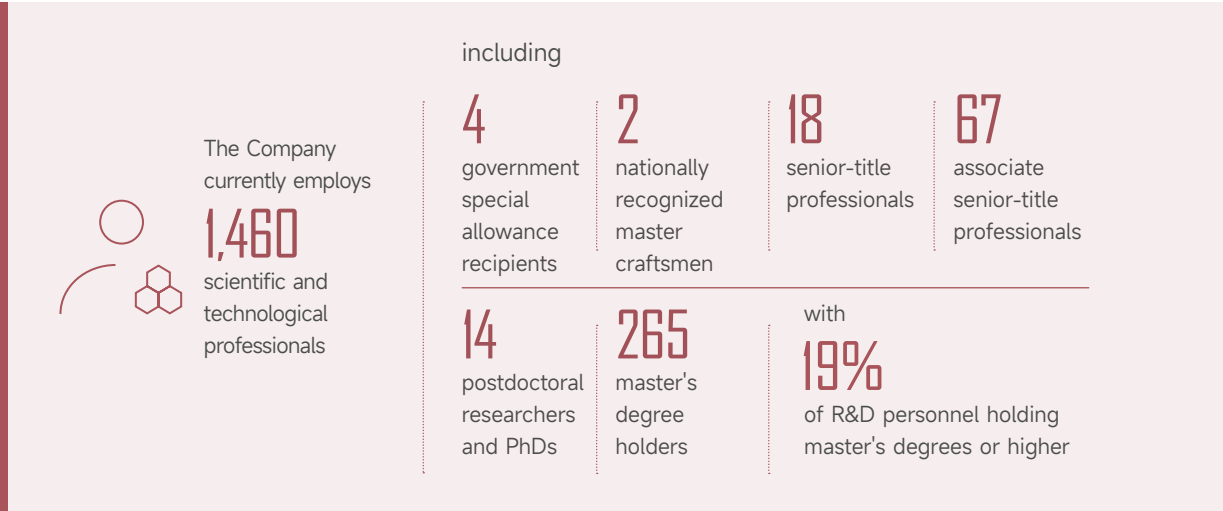
China TCM adheres to the core philosophy of "Honoring Heritage, Advancing with Innovation", promoting a vertically integrated control system for technological innovation and driving the upgrade of the entire industrial chain. The Company has established multiple systems related to R&D management, innovation incentives, and intellectual property protection, continuously enhancing its innovative capabilities and competitive advantages.

We have established a "Three Horizontal and Eight Vertical" matrix-style scientific innovation system, achieving full coverage from the source of medicinal materials to the final products. This ensures scientifically validated technical support at every stage, creating synergies that accelerate innovation across all company business units.

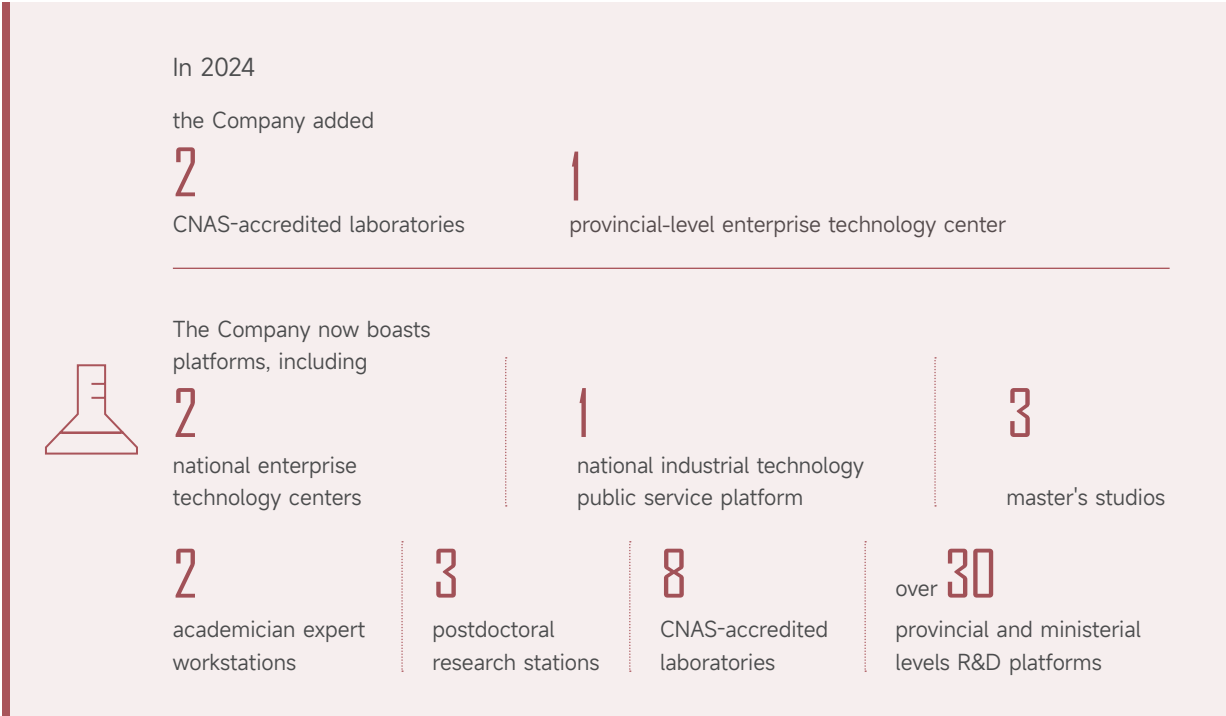
Scientific Innovation System with a "Three Horizontal and Eight Vertical" Matrix



The Company incentivizes research personnel in accordance with its management regulations, fully supports the growth and development of innovative talent, and continuously expands the research team to enhance R&D capabilities.



The Company has earned multiple recognitions for its innovative platform technologies, demonstrating our exceptional R&D capabilities and industry leadership. These achievements will further drive industrial upgrading and facilitate higher-quality development.



R&D Achievements

The Company focuses on well-defined research directions, encompassing six major specializations: orthopedics, respiratory medicine, mental health, dermatology, oncology, and metabolic diseases, along with other clinical fields demonstrating strong outcome predictability. Leveraging the unique strengths of its subsidiaries, the Company engages in the development of new traditional Chinese medicine drugs and the secondary development of existing products. This ongoing effort aims to enhance the Company's R&D capabilities and enrich its portfolio of research achievements.

Case: Self-Developed Category 3.1 innovative traditional Chinese medicine—Danggui Buxue Tang Granules Approved for Marketing

In August 2024, our first traditional Chinese medicine compound preparations regulated as the ancient classic formulae (i.e. the Category 3.1 innovative traditional Chinese medicine), has been approved for marketing by National Medical Products Administration. Fully developed in-house, the formula originates from Danggui Buxue Decoction recorded in Treatise on Differentiation of Internal and External Injuries (Jin Dynasty, Li Dongyuan). Designed to tonify qi and generate blood, it addresses blood-deficiency fever syndrome, with symptoms including muscular heat, dry fever, excessive thirst, reddened eyes/face, persistent day-night discomfort, and weak pulse upon heavy pressure. China TCM is the first domestic company to secure approval for this classical formula. Marketing authorization of Danggui Buxue Tang Granule manifests that the technological system for traditional Chinese medicine ancient classic formulae developed by China TCM, targeting on seeds and seedlings, traditional Chinese medicinal materials, TCM decoction pieces, reference samples, preparation researches, toxicology researches and clinical application, has achieved a substantial breakthrough. Meanwhile, it will further enrich our TCM finished drug product echelon, and plays an active role in our continuous high-quality development.



We integrate sustainability principles into our R&D initiatives through dedicated projects exploring circular economy solutions for herbal medicine byproducts. Key research programs include: *Key Technologies for Producing Epimedium-Specific Organic Fertilizer from Xianling Gubao Residues & High-Value Recycling*, *Research & Demonstration of Key Technologies for Herbal Residue-to-Animal Feed Conversion*, *Development of Granule Formulation Residue Recycling*, and *Process Research & Industrial Demonstration of Xianling Gubao API Residue Reutilization*. These initiatives pioneer novel approaches to maximize the value chain of TCM materials, establishing sustainable models for industry advancement.

Case: Guizhou Sci-Tech Project Achieves Circular Economy Breakthrough with Medicinal Residue



The Guizhou Science and Technology Plan Project *Process Research & Industrial Demonstration of Xianling Gubao API Residue Reutilization* has pioneered an ESG-driven fermentation technology for medicinal byproducts, achieving development of the "Epimedium-Specific Organic Fertilizer" enterprise standard and establishment of a 2,000-ton/year pilot scale production line and 577-acre (233-hectare) demonstration planting base, enabling closed-loop material recycling. The project also obtained one invention patent, one design patent, and one research publication that collectively validate the ecological-economic value of residue upcycling and establish an industry model for green production technologies.

The Company has played an active role in developing national standards for TCM granule formulas. Currently, China TCM has drafted and secured adoption of 190 out of the 342 published national TCM granule standards, representing a 55% contribution rate. Notably, in the January 2025 release of 26 new national standards, the Company successfully drafted 18 adopted standards. This batch included pioneering animal-derived granule formulas such as Bombyx Batryticatus (Stiff Silkworm) and Stir-fried Bombyx Batryticatus (Stir-fried Stiff Silkworm), marking a significant breakthrough in establishing national standards for animal-derived TCM granules.

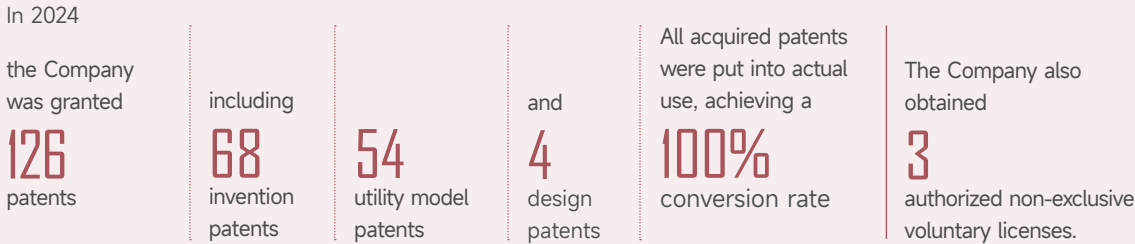
China TCM's Honors for Technological Innovation and Research in 2024

No.	Awards	Recipients	Awarded by
1	Third Prize, China Patent Award	Guangdong Yifang Pharmaceutical Co., Ltd.	China National Intellectual Property Administration
2	Second Prize, Shandong Traditional Chinese Medicine Industry Science and Technology Award	Shandong Yifang Pharmaceutical Co., Ltd.	Shandong Traditional Chinese Medicine Association—Science and Technology Awards Committee of Shandong TCM Industry
3	First Prize, Industrial Progress Award—Shandong Chinese Medicinal Herb Industry Association	Shandong Yifang Pharmaceutical Co., Ltd.	Shandong Chinese Medicinal Herb Industry Association
4	First Prize, 2024 Science and Technology Award—China Medical Association of Minorities	Shandong Yifang Pharmaceutical Co., Ltd.	China Medical Association of Minorities
5	Third Prize, Gansu Provincial Science and Technology Progress Award	Lixian Dahuang Technology Co., Ltd.	Gansu Provincial People's Government
6	First Prize, Science and Technology Progress Award	Guangdong Yifang Pharmaceutical Co., Ltd.	Guangdong Manufacturers Association
7	Third Prize, Shandong Agricultural Technology Promotion Achievement Selection Program	Shandong Zhongping Pharmaceutical Co., Ltd.	Shandong Provincial Department of Agriculture and Rural Affairs
8	Second Prize, Guizhou Provincial Science and Technology Progress Award	Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.	Guizhou Provincial Department of Science and Technology
9	Second Prize, Industry-University-Research Collaborative Innovation	Shandong Zhongping Pharmaceutical Co., Ltd.	China Industry-University-Research Institute Promotion Association

Intellectual Property Rights

China TCM prioritizes intellectual property protection, strictly managing patent-related activities, including patent searches, applications, transfers, and licensing, in compliance with the Science and Technology Administration Measures and the *Patent Administration Measures (2023 Revision)*.

During the Reporting Period, subsidiaries including Jiangyin Tianjiang, Guangdong Yifang, Guangdong Medi-World, Tongjitang Pharmaceutical and Anhui Fengliaoqing established their intellectual property management systems in accordance with the *Enterprise Intellectual Property Management (GB/T 29490-2013)*. This system comprehensively manages intellectual property across all critical phases—creation, maintenance, utilization, and protection. Through standardized processes and risk control mechanisms, it enables closed-loop lifecycle management from innovation output to value realization. Furthermore, we implemented regular IP protection training programs to strengthen organization-wide awareness and competencies.



Digital and Intelligent Transformation

With the rapid advancement of information technology, China TCM is deepening its digital and intelligent transformation, aiming to develop a smarter, more efficient, and transparent TCM industrial ecosystem.

Case: Upgrading the Quality Traceability Data Platform for the TCM Whole Industry Chain



In 2024, the project "Quality Traceability Data Platform for the TCM Whole Industry Chain" successfully completed the upgrade from an enterprise platform to an industry platform. This integrated platform establishes a comprehensive TCM industrial production quality traceability subsystem to fulfill multi-party tracking requirements, upgrades the quality traceability in TCM materials production subsystem with mobile capabilities to enhance field operations and quality control efficiency, and develops an eco-sharing industry platform that attracts premium medicinal material suppliers and pharmaceutical partners by overcoming traditional information silos—collectively fostering a robust TCM traceability ecosystem that significantly improves supply chain transparency and collaborative productivity.

Case: Optimizing TCM Decoction and Distribution System



By optimizing the business processes of its TCM decoction and distribution system, the Company enabled efficient operations across 25 nationwide shared intelligent TCM decoction and distribution centers. With the recent addition of 81 hospitals and community clinics to its network, the service coverage has been significantly expanded. This system has processed over 4 million prescriptions, representing a 43% year-on-year growth, which has substantially improved prescription processing efficiency. These advancements facilitate convenient medication access for citizens and strengthen primary healthcare coverage. In the Fengliaoqing Material & Slices pilot project, the system successfully achieved real-time integration with the ERP system, comprehensively supporting operations from material requisition to invoicing and verification. This resolved issues with manual data processing, markedly improving data accuracy and service efficiency. Moreover, leveraging big data analytics to scrutinize prescription drug usage not only aids herbal decoction piece manufacturers in refining their production and supply strategies, enhancing capacity utilization, but also fosters effective collaboration across the supply chain.



Industry Co-Development

China TCM consistently drives industry advancement, enhances external communication, and elevates both industry research capabilities and corporate core competitiveness through collaborations with regulatory bodies and universities. The Company actively engages in industry conferences to deepen knowledge exchange, proactively shares its sector expertise, and adopts innovative technologies, collectively advancing the development of the traditional Chinese medicine industry.

Case: Participating in the 2024 Summit on Chronic Airway Disease Management and the 5th Airway Diseases Conference

China TCM showcased its respiratory series products, including Huashi Baidu (Dampness-Resolving Toxin-Removing) Granules, Yupingfeng Granules, and Jinye Baidu Granules, at the 2024 Summit on Chronic Airway Disease Management and the 5th Airway Diseases Conference. Through product exhibitions, academic exchanges, and service engagements, the Company showcased its expertise in integrated Traditional Chinese and Western medicine approaches for treating respiratory infections and chronic obstructive pulmonary disease (COPD) to an audience of over 2,000 participants.



2024 Summit on Chronic Airway Disease Management and the 5th Airway Diseases Conference



During the Reporting Period, becomes members of national-level associations

17 associations

local associations

159 associations

China TCM has continuously strengthened its connections with government bodies and universities, pooling resources from various sectors to foster a consensus on sustainable development. This effort contributes to the inheritance and innovation of traditional Chinese medicine, as well as to global health. In 2024, the Company hosted visits, inspections, and forums for leaders from provincial, municipal, and district governments across the country. It also established strategic partnerships with multiple universities to expedite the integration of industry-university research. Moreover, China TCM and its subsidiaries actively joined professional associations. During the Reporting Period, they became members of 17 national-level associations and 159 local associations, thereby supporting the high-quality development of the industry.

Case: China TCM and Jinan University Launch Phase II Collaborative Research Program

In collaboration with Jinan University, the Company has initiated a second-phase research program targeting three core TCM formulations—Runzao Zhiyang Capsules (Moisture-Restoring Anti-Pruritic Capsules), Heiguteng Zhuifeng Huoluo Capsules, and Tongluo Guzhi Ning Plaster—employing integrated methodologies including animal model development, multi-omics analyses, and molecular pathway decryption to pinpoint therapeutic targets for senile pruritus, gouty arthritis, and osteoarticular disorders. The research systematically investigates the products' foundational mechanisms, such as "blood nourishment and yin fortification" and "anti-inflammatory and analgesia effects", through pharmacodynamic marker identification, critical signaling pathway verification, and quality standard enhancement, thereby advancing expanded clinical applications and evidence-based medical validation to support TCM modernization.

The Company has also collaborated with renowned hospitals to conduct evidence-based medicine research. Through clinical studies, it aims to provide patients with more effective and diverse treatment options, thereby meeting the growing demand for precise medication tailored to individual needs.

Case: Clinical Study on the Treatment of Acute Upper Respiratory Infection in Children with Jinye Baidu Granules

On March 23, 2024, China TCM launched a multicenter clinical study on the treatment of acute upper respiratory infection in children with Jinye Baidu Granules in Tianjin. This project, conducted across 11 tertiary TCM hospitals in Tianjin, Henan, Guangzhou, Wuhan, Zhejiang and other regions, employs an investigator-initiated clinical trial (IICT) design to assess therapeutic effects on both symptomatic manifestations and TCM syndrome patterns, establish a robust evidence-based medicine (EBM) system, and conduct in-depth clinical value exploration.

Quality Management

China TCM is committed to establishing and refining its quality management system, enhancing product quality through systematic management measures and clearly defined quality objectives. The Company prioritizes robust internal and external audit systems to proactively identify and address potential quality risks. Through company-wide quality culture initiatives, it engages all employees in maintaining stringent product quality and safety standards, ultimately protecting public health.

Quality Management System

China TCM regards pharmaceutical quality and safety as a high-priority material issue, continuously enhancing oversight of production and operational quality management. This ensures full compliance with regulatory standards across all drug manufacturing stages—from production and processing to inspection and distribution—while systematically advancing the quality management system. The Company has established a Quality Management Committee, chaired by the Company President, to serve as the governing body for quality management and lead organization-wide quality assurance initiatives.

The Company adheres to relevant regulations including the *Good Manufacturing Practices for Drugs* and *Good Supply Practices for Drugs*. It has developed policy documents including the *Measures for Quality Supervision and Management*, *Internal Quality Audit Management Measures*, and *Internal Quality Audit Operating Procedures*. All subsidiaries establish annual quality objectives, with 100% signing the Quality Management Objectives Responsibility Agreement to formalize their commitments. Internal control and routine inspections on product quality of subsidiaries are conducted, aiming at identifying and rectifying the potential quality risks. During the Reporting Period, all China TCM manufacturing and commercial subsidiaries obtained the Drug Production License or Drug Business License, and conducted activities in full compliance with GMP/GSP standards, maintaining comprehensive quality management systems.

Quality Risk Oversight

The Company has established the *Internal Quality Audit Management Measures* and *Internal Quality Audit Operating Procedures* to identify and rectify quality issues through both internal and external audits.

In 2024, the Company conducted internal quality audits on 29 subsidiaries, identifying 418 potential quality risks. Additionally, the Company underwent various types of inspections by external drug regulatory authorities, including supervisory, evaluative, national, provincial, and special sampling inspections. These inspections covered a cumulative total of 2,803 batches of the Company's products and materials. Through both internal and external oversight, the Company implemented corrective measures for quality risks, achieving a 100% completion rate for rectifications. To continuously control and reduce quality risks, the Company strengthened control over the source of quality issues and standardized drug production processes. Additionally, it conducted special quality incident inspections at enterprises failing random sampling tests to identify and address root causes of production quality issues.

Indicators	Unit	2022	2023	2024
Number of defects identified by internal quality audit	Piece	393	414	418
Rectification rate of defects identified by internal quality audit	%	100	100	100



Quality Culture Development

The Company focuses on quality culture development through various initiatives that engage all employees in quality management practices to strengthen quality-focused talent development.

Authentication Training

- The Company has launched an identification training program for Chinese medicinal herbs and decoction pieces, which has conducted **38** sessions to date. This weekly **1-hour** rotational online training is designed to develop practitioners' skills in verifying the authenticity of Chinese medicinal herbs and decoction pieces.

Longyin Classroom

- The Company has launched the "Longyin Classroom" for practicing quality management knowledge quizzes and specialized knowledge quizzes for marketing authorization holders of medicinal products. The "Longyin Classroom" learning platform has initiated **12** sessions of regular quality management knowledge quiz activities.

Quality Month

- The Company organized the China TCM 2024 "Laboratory Skills Competition", with **36** subsidiaries participating;
- The Company also held a "QC Standard Operations" video courseware production activity, involving **21** subsidiaries.

Product Liability

China TCM integrates product liability into the core of its corporate DNA, by establishing a comprehensive end-to-end responsibility system and a dynamic closed-loop management mechanism, propelling the traditional Chinese medicine industry to achieve leadership in responsibility, moving beyond mere safety assurance.

Drug Accessibility

In an effort to enhance drug accessibility, the Company actively promotes the coverage of medical institutions and retail markets, ensuring that more patients have access to affordable medication.

Medical Institution

In 2024, the Company gained market access for key clinical products in over **3,000** additional Tier 2 and Tier 3 hospitals. Currently, its products cover **99.9%** of tertiary hospitals nationwide, **81.44%** of secondary hospitals, and **86.84%** of primary care institutions, ensuring the fulfillment of essential clinical medication needs.

Retail Market

In the retail market, the Company actively partners with chain pharmacies to maintain high product availability on shelves. Currently, its key retail products achieve **97%** coverage in the top 100 national chains, **51%** in regional chain stores, and **26%** in independent pharmacies, ensuring reliable access to essential medications for patients.

When determining pricing, the Company evaluates multiple factors, including product lifecycle stage, market comparables, initial R&D and production investments, the drug's differentiated clinical advantages, and benchmarking against national centralized procurement prices for similar products, to ensure fair and competitive pricing.

Pharmacovigilance

The subsidiaries have established a Pharmaceutical Safety Committee and a dedicated Pharmacovigilance Department, staffed with a Pharmacovigilance Officer and Pharmacovigilance Specialists to oversee pharmacovigilance activities. Based on the requirements of *Specification on Pharmacovigilance and Quality Management* and relevant documents, all subsidiaries have established pharmacovigilance system documents, and conduct periodical self-inspections of pharmacovigilance *according to the Guiding Principles for Pharmacovigilance Inspection*.

All subsidiaries submit quarterly reports on adverse drug reaction data collection. During internal quality audits, the Company concurrently evaluates and monitors the implementation of pharmacovigilance quality systems across its subsidiaries.

Adverse Drug Reaction Management Procedure

Collection of information on adverse reaction

The pharmacovigilance department actively collects information on adverse reaction through telephone, clinical trials, literature searches, consultation and complaints, and other channels, and reports it to the national system.



Analysis of information on adverse reaction

The Company regularly collects adverse reaction data from the direct reporting system for national drug marketing authorization holders for analysis, and submit the regularly updated safety reports to the ADRS.



Revision of product instruction manual

Based on the analysis results, the Company timely carries out the revision of the product instruction manual to inform the public about the types and severity of adverse reactions, thus ensuring the safety of public medication.



To further strengthen our pharmacovigilance system and enhance professional competencies, in 2024 the Company's Quality Management Department coordinated participation of all subsidiary pharmacovigilance personnel in a specialized video training program. Hosted by the China Society for Drug Regulation, the "Pharmacovigilance and Risk Management Training Course" provided comprehensive instruction on regulatory policy requirements and core technical aspects of drug safety monitoring.



Product Recall

The Company has established a series of regulatory documents, including the *Management Regulation for Product Quality Information (2020 Revision)*, *Emergency Plan of for Product Quality Incidents (2020 Revision)*, and *Regulations for the Collection and Management of Adverse Reaction Information of Marketed Drugs (2020 Revision)*. Subsidiaries have independently developed documents, including *Administrative Measures for Product Recalls*, *Emergency Plan for Product Quality Incidents*, *Control Procedures for Product Recall*, *Control Procedures for Non-conforming Products*, and *Regulations for the Management of Product Return*. These documents, customized according to each unit's specific product types and risk profiles, define the methodology and frequency for assessing recall system effectiveness. This framework strengthens product quality safety while standardizing emergency response and recall protocols.

Indicators	Unit	2022	2023	2024
Number of product recalls	Case	4	5	6
Percentage of recall due to quality of TCM decoction pieces (in kilograms)	%	0.04	0.017	0.017
Percentage of recall due to safety of TCM decoction pieces (in kilograms)	%	0	0	0
Percentage of recall due to quality of concentrated TCM granules (in packets)	%	0.00006	0.00004	0.00001
Percentage of recall due to safety of concentrated TCM granules (in packets)	%	0	0	0
Percentage of recall due to quality of TCM finished drugs (in boxes)	%	0.00002	0.00042	0.0029
Percentage of recall due to safety of TCM finished drugs (in boxes)	%	0	0	0

Customer Service

China TCM places customer rights and interests at the core of its management, providing customers with truthful and accurate information. The Company has established transparent feedback channels and emergency response mechanisms, consistently adhering to a patient-centered service philosophy. Through effective information management practices, it safeguards customer information security, demonstrating its steadfast commitment to protecting customer rights and enhancing service quality.

Responsible Marketing



In 2024, the Company organized educational conferences and academic annual meetings for doctors and pharmacists nearly

1,000 events

free clinic and patient education events over

800 events

The Company is committed to responsible marketing and strictly adheres to pharmaceutical advertising laws. It has developed several management guidelines and measures, including the *Marketing Compliance Guidelines of China Traditional Chinese Medicine Holdings Co., Ltd.*, the *Multimedia Platform Management Measures of Foshan Yingtian Pharmaceutical Sales Co., Ltd.*, and the *Multimedia Platform Management Measures of Guangdong Jiu'an Pharmaceutical Service Co., Ltd.* The Company conducts regular audits of market expenses, sales performance, business contracts/agreements in compliance with national laws, regulations, and internal company policies.

We promote rational medication use, patient education, and free clinic initiatives to enhance physicians' understanding of appropriate drug application and raise patient awareness of disease prevention and treatment. In 2024, the Company organized various types of academic conferences and events, and participated in

nearly 1,000 academic conferences hosted by different societies, along with over 800 free clinic and patient education events. By delivering accurate and reliable medical information, we helped healthcare professionals and patients better understand diseases, strengthen disease management, and improve treatment outcomes.

In 2024, through a third-party marketing compliance initiative, the Company performed an in-depth analysis of selected subsidiaries' product offerings, marketing approaches, and compliance management status, identifying risks and challenges in marketing practices. Guided by these findings, the Company is systematically enhancing its marketing compliance system through institutionalization, standardization, and process optimization.

To enhance internal awareness of responsible marketing, the Company conducted regular training sessions for both internal and other pertinent marketing personnel. Additionally, based on compliance inspection findings, targeted training programs were organized to ensure all marketing activities align with legal and regulatory requirements. The training covered relevant laws and regulations including the *Advertisement Law of the People's Republic of China* and the *Pharmaceutical Industry Compliance Management Practices*, as well as industry standards. Through case analysis, it ensures that employees fully understand the legal requirements and potential consequences of non-compliance across all business marketing operations.

Customer Service Management

Customer Satisfaction

The Company prioritizes exceptional customer service, implementing robust management systems and continuous improvement measures to enhance satisfaction and maintain seamless customer communication.

To ensure timely and effective post-sales services, we have introduced multiple initiatives. The Company has established dedicated after-sales service hotlines and online consultation platforms, allowing patients to easily report issues and submit requests at any time. We have implemented a comprehensive complaint management system that includes: immediate recording of all complaints, prompt escalation to relevant departments, active assistance in investigation and root cause analysis, development of improvement measures, continuous progress monitoring, and regular updates to complainants. This ensures all issues are properly resolved.

In 2024, the Company launched several optimization initiatives, including supply chain and logistics efficiency enhancements, after-sales service and feedback mechanism improvements, business networking event organization. These measures have significantly increased customer satisfaction and strengthened brand impact.





Customer Information Transmission

Medical Institution

The Company has a professional team of over **3,000** people responsible for enhancing the dissemination of basic information on its products to doctors, pharmacists, and drug management employees. The team also promotes the dissemination of information on the essential drug system, clinical application guidelines for essential drugs, and prescription collections to facilitate rational drug use.

Retail Pharmacy

The Company has a team of over **400** professionals to collaborate with chain pharmacies in providing education for relevant staff, so as to ensure timely and accurate transmission of drug information.



In 2024, the Company achieved a **100%** resolution rate for all customer complaints.

Customer Information Management

The Company continuously maintains robust information security standards. To ensure the protection of customer data, we provide reliable safeguards through five key dimensions: user access management, secure data transmission protocols, system architecture design, network security protection, and compliance certifications.



In 2024, there were **0** customer information leakage



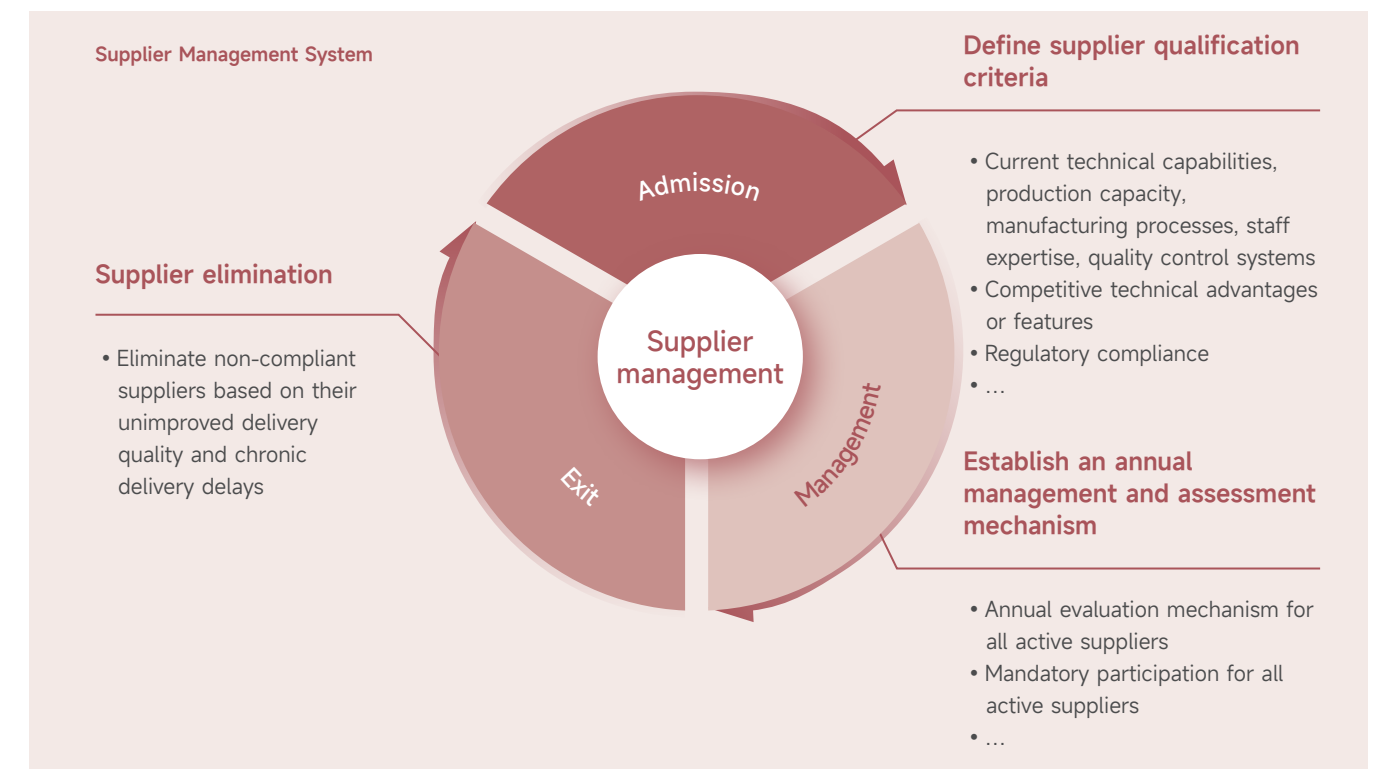
Supply Chain Management

The Company actively monitors the sustainability of its supply chain, progressively exploring and refining its management approach. It strictly adheres to anti-corruption laws and regulations and collaborates with suppliers to build a transparent supply chain.

Supplier Management

The Company has established a comprehensive supplier full-process management system, clearly defining and standardizing the principles for supplier access, management, and elimination in accordance with *the Supplier Management System for Group Purchasing Business*. *The Management System* specifies the evaluation methods for suppliers, including criteria such as quality, economy, and service, and implements classified management for suppliers.

In 2024, the Company completed on-site audits for 18 suppliers, with particular emphasis on reviewing the completeness, authenticity, and validity of suppliers' qualification documents.



Transparent Procurement

To ensure compliance with national laws and regulations by both suppliers and purchasers, guarantee fairness, impartiality, and transparency in procurement activities, prevent commercial bribery, and safeguard the legitimate rights and interests of both parties, the Company and its suppliers have signed the *Integrity Agreement for Key Areas (Procurement Business)*. Both the Company and suppliers are required to strictly adhere to national laws, regulations, and relevant policies concerning the prohibition of commercial bribery, the sales and circulation of pharmaceutical raw materials, excipients and packaging materials, and quality management, as well as all regulations regarding integrity in professional conduct.

03

People-Oriented Philosophy, Fostering a Harmonious Workplace

China TCM adheres to the principle of "putting people first", fostering an environment of equality and justice in the workplace. The Company prioritizes employee rights and interests, establishes a comprehensive career development system to promote employee growth, and takes preventive measures against potential safety hazards to ensure a safe and healthy working environment.

Material Topics Covered in this Chapter

- Employees' rights and interests protection
- Diversity and equal opportunity
- Employee development and training
- Occupational safety and health

UN SDGs Addressed in this Chapter





Protection of Rights and Interests

The Company complies with laws and regulations such as the *Labor Contract Law of the People's Republic of China*, the *Labor Law of the People's Republic of China*, and the *Hong Kong Employment Ordinance*. During the Reporting Period, the Company updated its policy documents including *Administrative Measures for Labor Contract Management (2024 Revision)* and *Administrative Measures for Labor Employment at Headquarters (2024 Revision)* to standardize recruitment processes and protect employees' legitimate rights and interests from infringement.

Employment Compliance

The Company adheres to transparent and fair recruitment principles, identifying various labor employment risks and prohibiting the use of child labor and forced labor. The Company legally enters into labor contracts with employees and conducts talent management through intelligent systems to ensure compliance in employment practices. China TCM actively promotes democratic management systems. By 2024, the Company had established 43 labor unions to advance employee participation and safeguard workers' legitimate rights and interests. During the Reporting Period, the Company did not encounter any legal disputes related to employment.

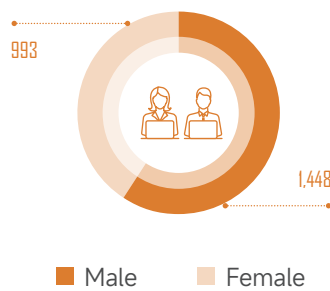


During the Reporting Period, the Company achieved a **100%** labor contract signing rate.

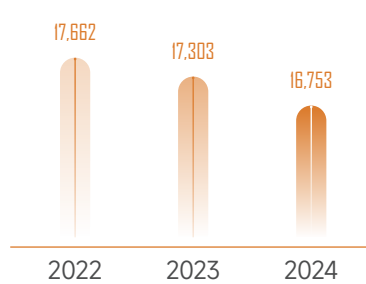
Diversity, Equality, and Inclusion

The Company upholds the principles of diversity, equality, and inclusion, committed to promoting equal employment opportunities. We foster a diverse and equitable workplace environment, treating employees of different ages, genders, races, religions, nationalities, and marital statuses with fairness and impartiality. Moreover, we actively promote diversity in hiring and fully implement inclusive employment practices for special groups. During the Reporting Period, the Company employed 132 employees with disabilities, maintained a 5.66% minority workforce representation, and achieved 40.68% female representation in management roles.

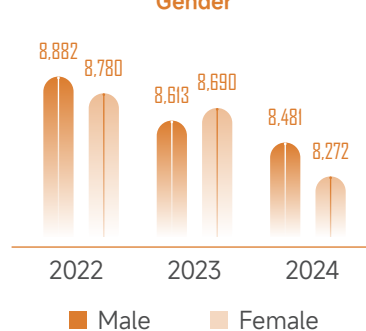
Number of Management Personnel by Gender



Number of Employees



Number of Employees by Gender



Talent Attraction and Retention

Remuneration and Benefits

The Company has developed the *Guidance on Employee Benefits Management*, establishing a comprehensive three-tier employee benefits system. This ensures that employees' basic rights are secured while motivating them to perform their tasks more effectively and achieve outstanding results.

Employee Benefits System

Statutory Benefits	Social insurance (covering pension, medical, unemployment, work injury, and maternity insurance), housing provident fund, and all statutory leave entitlements (such as public holidays, annual leave, sick leave, maternity leave, etc.)
Caring Benefits	Meal subsidies for working hours, high-temperature allowances, annual health check-ups, labor protection equipment and provisions, etc.
Incentive Benefits	Transportation subsidies, communication/phone allowances, housing rental assistance, commercial supplementary health insurance, corporate pension scheme, location-specific benefits, etc.

Indicators	Unit	2022	2023	2024
"Five Insurances and One Fund" coverage	%	100	100	100
Employee physical examination coverage	%	98.03	100	100
Average paid vacation days	day	6.20	6.57	8.11

The company has established a sound employee performance evaluation mechanism, formulating management policies such as the *Executive Compensation and Performance Evaluation Policy*, *Headquarters Compensation & Performance Management Policy*, and *Headquarters Attendance Management Policy*. Annually, management signs target responsibility agreements that align performance metrics with core business objectives, including safety production standards, product quality requirements, green development initiatives, R&D investment benchmarks, workforce utilization rates, and energy efficiency per unit.



1,005
care visits for employees

Financial support for care visits totaling
RMB **468,000**

Employee Care

The Company places great emphasis on employee well-being, striving to create a happy and warm workplace environment through measures such as employee assistance, care for female employee, and organizing club activities.

In 2024, the Company revised the *Labor Union Funds Usage and Management Regulations*, strengthening the standardized use of union funds to ensure comprehensive support and care for employees in areas such as subsidies, union benefits, and holiday gifts. In 2024, the Company provided diverse employee support through a combination of targeted assistance and routine care visits. This included 1,005 care visits for employees, with financial support totaling RMB468,000.



Employee Mutual Aid Fund

Established by the Company's Labor Union with the mission of "providing urgent assistance and building a caring mutual aid platform", the Employee Mutual Aid Fund aims to support employees in need.



As of 2024, **63** subsidiaries had joined the Employee Mutual Aid Fund.

Since its establishment in 2012, the Fund has provided a total of **3.098** million RMB in assistance.

In 2024, the Fund supported **40** individuals, totaling **551,000** RMB in assistance.

Care for Female Employees

In compliance with local regulations and company policies, we provide paid maternity leave for female employees and enhanced annual health check-ups with female-specific screenings. Additionally, the Company has established a dedicated nursing room and a yoga room, organized regular science workshops and themed activities. These initiatives aim to foster a workplace environment that cares for female employees and supports a balance between work and life. During the Reporting Period, the Company conducted 11 women's workplace wellness seminars and training sessions.



During the Reporting Period, the Company conducted **11** women's workplace wellness seminars and training sessions



Recreational Activities

Through a series of "Colorful TCM" events, such as labor skills competitions, TCM intangible cultural heritage activities, and fun sports meetings, the Company is dedicated to enriching employees' lives and enhancing their sense of belonging and happiness.



117 "Colorful TCM" events were held

with a total of **27,000** participants.



Employee Communication

The Company places great emphasis on employee communication and feedback, ensuring that employee opinions can be fully expressed through various channels. Regular employee satisfaction surveys are conducted, employee representative meetings are convened, and suggestion boxes are set up to comprehensively gather feedback and listen to employees' voices.

Career Growth

The Company has optimized the talent pipeline through the formulation of the *Headquarters Job Title, Professional Qualification Evaluation and Education Enhancement Incentive Measures (2022 Revision)*, *Implementation Rules for the Development of Talent Pipeline (2023 Revision)*, and *Training Management Measures*. These efforts are aimed at promoting mutual growth and development between the Company and its employees.

Talent Development

talent acquisition and development policies over

50

obtained government subsidies approximately

RMB **2.2** million

29% ↑

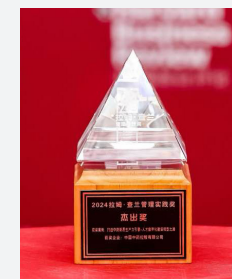
year-over-year increase in engagement from master's/PhD candidates

recruitment expansion from tier-1 universities

72% ↑

Talent Acquisition

The Company actively cultivates a talent hub, developing annual recruitment strategies aligned with organizational needs while continuously innovating campus recruitment campaigns to showcase our competitive strengths. During the Reporting Period, our subsidiaries secured approval for over 50 talent acquisition and development policies nationwide, obtained approximately RMB2.2 million in government subsidies, achieved a 29% year-over-year increase in engagement from master's/PhD candidates, and expanded recruitment from tier-1 universities by 72%. These efforts significantly enhanced both the quality of talent acquisition and employee retention rates.



2024 Ram Charan Management Practice Award—Outstanding Prize



HRoot 2024 Excellence in Human Resource Management Practice



University Collaboration

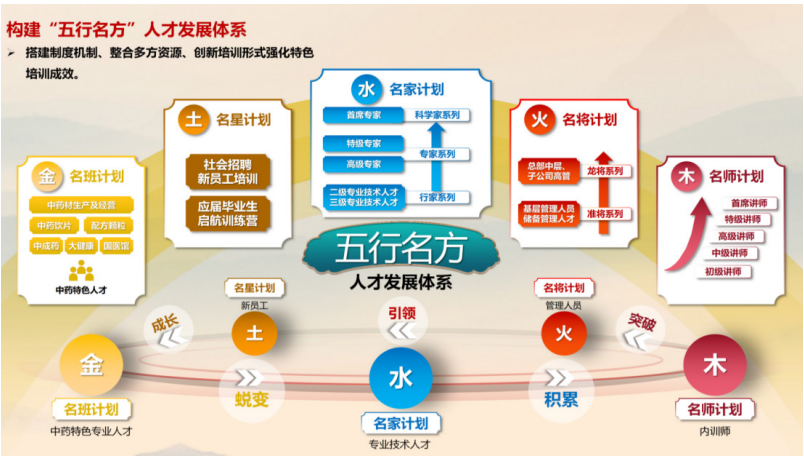
The Company enhances its employer branding through expanded partnerships with universities, significantly attracting high-quality talent. We actively build university partnerships through continuous participation in university job fairs, regular campus visits and exchanges, as well as reaching agreements on graduate recruitment and strategic university-enterprise collaborations. In 2024, the headquarters and various subsidiaries hired nearly 400 graduates through campus recruitment. China TCM received the "China Top Graduate Employer Brand 2024" award in recognition of its exceptional campus employer branding initiatives.



2024 Top Graduate Employer Brands awarded by 51job

Talent Development System

The Company actively explores and practices a traditional Chinese medicine-inspired talent development model, establishing the "Five-Element & Great-Plan" Talent Development System. With a focus on cultivating "professional + management" capabilities, the Company clearly outlines profiles for junior, mid-level, and senior talent, and implements specialized training programs to meet the needs of different groups for capability enhancement. These programs cover multiple domains, including professional skills enhancement and business management training. We've established an integrated talent development framework by leveraging external experts and implementing senior-level talent mentorship programs. During the reporting period, a total of 6 training sessions were organized, cultivating 66 senior talents and 327 junior/mid-level talents.

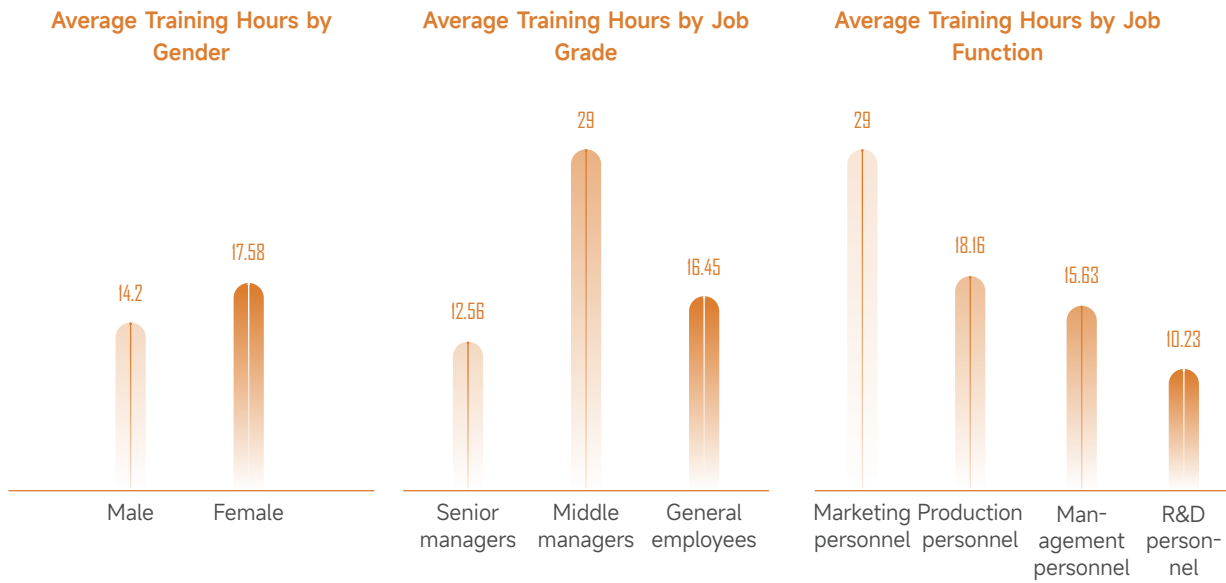
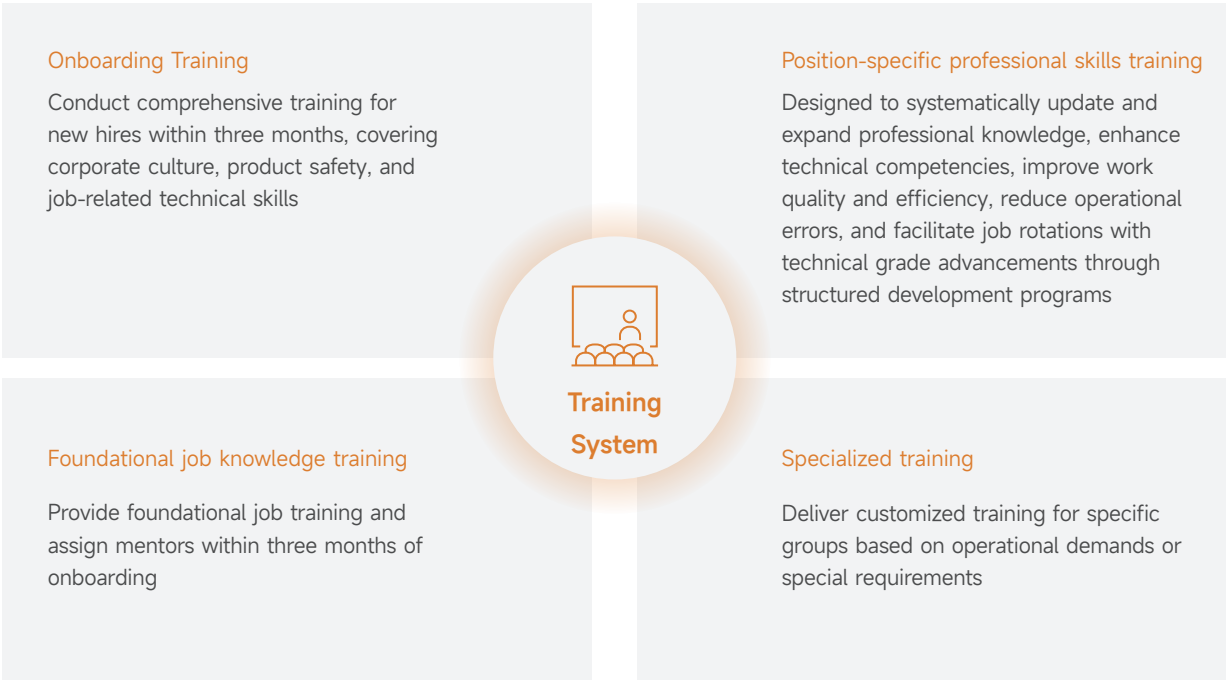


"Five-Element & Great-Plan" Talent Development System



We conduct a comprehensive analysis of human resource needs, with our Human Resources Center spearheading the development of a 5-year strategic plan. Our multi-modal training approach combines on-site practical sessions, centralized workshops, and digital learning platforms to deliver four core programs: new employee onboarding, foundational job training, specialized skill development, and thematic professional education. During the Reporting Period, the total investment in employee training amounted to RMB7.0248 million, with cumulative training participations reaching 148,360.

Training System and Programs





Occupational Safety and Health

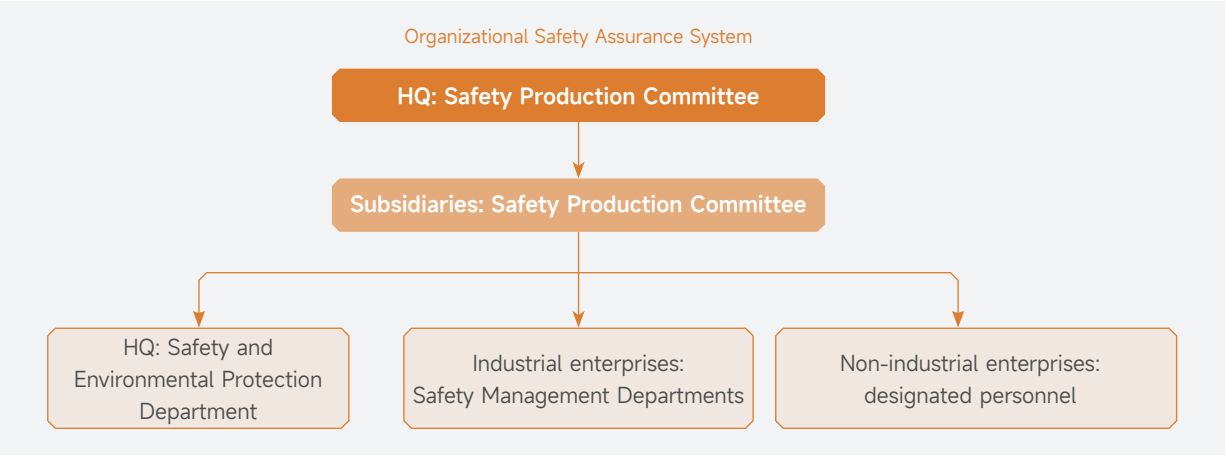
China TCM has established relevant regulations such as the *Administrative Measures for Occupational Health Supervision and Management*, *Measures for Management of Safety Production Responsibility System*, and *Measures for Management of Emergency Response Plans for Production Safety Accidents*, which cover occupational health management, fire safety management, hazardous chemicals safety management, special equipment and special operations safety management. These mechanisms are dynamically revised annually to provide comprehensive protection for employee health and safety.

Occupational Safety

China TCM places great emphasis on work safety, establishing a safety production management system, setting safety objectives, and regularly conducting hazard identification and rectification and emergency drills to ensure the steady advancement of work safety. During the Reporting Period, the Company's total investment in work safety amounted to RMB11.0479 million, with no working safety incidents resulting in heavy injury.

Work Safety Management System

The Company has established a well-defined three-tier organizational safety assurance system to ensure that workplace safety responsibilities are effectively implemented at all levels. The first tier is the Headquarters Safety Production Committee, led by the Chairman and President. The second tier consists of Subsidiary Safety Production Committees, which oversee the implementation of safety initiatives within their respective units. The third tier is the execution level, where the headquarters sets up safety and environmental protection department for safety management, industrial enterprises establish safety management divisions tailored to their production needs, staffed with professional managers, and non-industrial enterprises assign designated personnel to oversee fundamental areas such as fire safety, ensuring comprehensive coverage.



Safety Production Objectives

In line with the Group's unified deployment, the Company has implemented a red-line control mechanism. By signing safety production target responsibility agreements, safety objectives have been clearly defined and assigned to subsidiaries at all levels. During the Reporting Period, 30 subsidiaries achieved safety production standardization certification, with 1 enterprise attaining Level II certification and 29 enterprises securing Level III certification, achieving full coverage across industrial enterprises.





Work Safety Management

Work Safety Standardization Procedures

The Company places the highest priority on practical and effective safety regulations. In 2024, we further optimized Standard Operating Procedures (SOPs), clearly outlining safety requirements and operational steps. These updates provide clear guidance for employee safety practices, enhancing compliance and ensuring smooth and safe operations.

Screening and Identification of Safety Hazards

The Company has established the *Administrative Measures for the Screening, Identification and Control of Work Safety Hazards (2024 Revision)*. Aligned with the three-year action plan for addressing root causes of safety risks, we focus on eliminating major accident hazards at their source through regular daily inspections, comprehensive screening, seasonal safety reviews, and special holiday and peak-period checks. Simultaneously, we conduct follow-up evaluations to verify the effective implementation of corrective actions for previously identified safety and environmental hazards. Furthermore, subsidiary companies proactively enhance safety through safety behavior observation programs, hazard reporting reward systems, and near-miss incident management to minimize accident occurrence.



Safety Emergency Management

The Company has established emergency organizational structures and rescue teams, supported by documents such as the *Management Measures for Emergency Response Plans for Production Safety Accidents* and the *Headquarters Fire Accident Specialized Emergency Rescue Plan (2024 Revision)*. These frameworks are designed to address diverse emergencies, such as fires, electric shocks, heatstroke, and hazardous chemical leaks, through systematic response plans. To ensure preparedness, the Company conducts regular drills covering fire response, flood prevention, boiler overpressure scenarios, and more, significantly strengthening employees' emergency response and rescue capabilities. During the Reporting Period, subsidiaries conducted a total of 449 emergency drills involving 15,235 participants.



Fire Drill



Machinery Injury Drill

Hazardous Chemicals Management

The company and its subsidiaries at all levels have established a series of documents, including the *Implementation Measures for the Supervision and Management of Hazardous Sources*, *Regulations for the Management of Hazardous Chemicals*, *Safety Management Regulations for Precursor Chemicals, Explosive Chemicals, and Hazardous Chemicals*, and *Chemical Reagent Management Process*. Dedicated management personnel have been appointed to ensure the implementation of safety management tasks. Each production department has established an electronic chemical inventory, dynamically tracking stock levels and flow. Regular screening and identification of hazardous chemicals are conducted to strengthen safety control throughout the entire process, from procurement, storage, to the use of dangerous chemicals. Storage areas are equipped with comprehensive leak-proofing materials and emergency facilities to enhance emergency response capabilities. Professional third-party institutions are entrusted to ensure the compliant disposal of hazardous waste. These measures collectively reinforce our multi-layered safety management framework.

Safety Culture Development

The Company actively enhances the professional competence and expertise of its safety teams, establishing schemes including the *Special Enhancement Program for Model Team Building in Safety Management Standardization* and the *Special Upgrade Program for Electrical Safety Management*. Special enhancement programs and safety knowledge training are conducted to strengthen employees' safety prevention competencies. In 2024, we delivered 1,705 safety production training sessions totaling 140,120 training hours, engaging 70,060 participants across all operations.

Case: Enhancement Activities for Demonstration Teams in Safety Management

In 2024, the Company launched a special initiative for the development of model teams in safety management standardization, with a total of 104 pilot teams participating, involving 2,580 frontline employees. Through this safety management standardization initiative, we enhanced 36 items each in hazard identification registers, system documentation, and risk assessment matrices. We also developed 328 standardized operating procedures for various positions. Through this model team development program, we successfully implemented our all-staff work safety accountability system, significantly improved production team safety competencies, and elevated overall team safety management standards.



Moreover, we have implemented a diversified safety promotion strategy combining online and offline initiatives, including the "Safety Month Series", "119 Fire Safety Awareness Month" and safety pledge ceremonies, to foster a robust safety culture. These comprehensive activities are designed to systematically strengthen employee safety awareness through various approaches.

"Safety Month" Activities

In June 2024, the Company organized its subsidiaries to conduct a series of "Safety Month" activities with the theme "Safety Awareness and Emergency Preparedness for All—Ensuring Unobstructed Life Channels".

The Company conducted a total of 176 activities, including "Work Safety Discussions," "Pre-shift Meetings," and "Legal Education through Case Study," with a total participation of 4,893 person-times.

176 activities
total participation
4,893 person-times



Pre-shift meeting at Jiangxi Yifang



Pre-shift meeting at Shandong Yifang



Pre-shift meeting at Shandong Zhongping



Screen Session at Shandong Yifang

The Company organized 102 screening sessions of the "Safety Month" promotional video and "Safety for All" open courses, with total participation reaching 12,310 person-times.

102 activities
total participation
12,310 person-times

Occupational Health Protection



In the Reporting Period,
14 subsidiary enterprises
achieved ISO 45001 certification for
their Occupational Health and Safety
Management Systems

3,802 employees
completed occupational health
examinations

100%
compliance with mandatory
screening requirements



During the Reporting Period,
the Company conducted thematic
awareness events
105 times
organized occupational safety seminars
113 times

distributed copies of educational
materials
4,473 copies

produced instructional videos
45 videos

reaching
8,363 participants

To ensure the health of employees, the Company has all subsidiaries arrange occupational health examinations for their employees annually in compliance with regulatory requirements. We maintain detailed medical records to enable prompt response and continuous monitoring of changes in employees' health status. During the reporting period, 14 subsidiary enterprises achieved ISO 45001 certification for their Occupational Health and Safety Management Systems, and all 3,802 required employees completed occupational health examinations, maintaining 100% compliance with mandatory screening requirements.

Aligned with the "Prevention First, Protect Occupational Health" initiative, the Company coordinated subsidiaries in conducting comprehensive awareness activities, including regulatory compliance training, occupational disease case studies, professional health lectures, safety knowledge competitions, and more. These programs significantly strengthened workforce awareness of occupational disease prevention. During the Reporting Period, the Company conducted 105 thematic awareness events, organized 113 occupational safety seminars, distributed 4,473 copies of educational materials, and produced 45 instructional videos, reaching 8,363 participants in total.



Fengliaoxing Pharmaceutical is conducting training on occupational hazard prevention and personal protection



Jiangxi Yifang is organizing a special lecture on the prevention of occupational hazards and personal protection



04

Green Ecology, Safeguarding the Source of Traditional Chinese Medicine

We integrate green development principles across all operations, comply with environmental protection regulations, enhance environmental management systems, and advance green factory initiatives with high-efficiency resource utilization. Coupled with the "Dual Carbon" initiative (carbon peak and carbon neutrality), biodiversity conservation programs, and sustainable operational practices, we systematically mitigate environmental impacts across production activities, thereby fostering sustainable growth in the TCM sector.

Material Topics Covered in this Chapter

- Energy management
- Water resources management
- Emission and discharge management
- Response to climate change
- Biodiversity protection


UN SDGs Addressed in this Chapter





Environment Management

We strictly adhere to laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, and the *Regulations on the Administration of Construction Project Environmental Protection*. In line with our business operations, we have formulated the *Management Measures for Energy Conservation and Ecological Environmental Protection* to regulate energy-saving and environmental conservation requirements.



During the Reporting Period, we allocated RMB

17.0344

million to environmental initiatives

No material environmental incidents or related public controversies occurring throughout our operations

Environmental Management System

We have established a three-tier environmental management system encompassing "strategic decision-making, execution control, and local implementation". The Energy Conservation and Environmental Protection Leadership Group, chaired by the Chairman, serves as the supreme governing body responsible for coordinating the top-level design. An independent Safety and Environmental Protection Department oversees daily operational management, while subsidiary-level counterparts operate under a dual-reporting mechanism to both China TCM HQ and subsidiary-level leadership groups.

In 2024, the Safety and Environmental Protection Department enhanced the systematic hazard identification and resolution framework through a dual-track approach: implementing closed-loop corrective actions and strengthening root-cause prevention measures. This was complemented by scenario-based training programs to elevate organization-wide ecological security awareness, thereby solidifying the foundation for sustainable development.

Environmental Management Structure



We have established an energy conservation and environmental protection assessment system in accordance with the *Management Measures for Energy Conservation and Ecological Environmental Protection*, implementing reward and penalty mechanisms for subsidiaries to effectively advance related initiatives. We integrate energy conservation and environmental protection performance into the operational evaluation system for subsidiary leaders, directly linking it to their remuneration. Annually, we sign the *Energy Conservation and Environmental Protection Target Responsibility Agreements* with subsidiaries to update and implement yearly targets and responsibilities, followed by year-end closed-loop assessments.

In 2024, we continued advancing environmental management system development across subsidiaries, with four additional subsidiaries (Fengliaoqing Material & Slices, Guizhou Great Health, Yunan Tianjiang Yifang, and Sichuan Sinopharm Tianjiang) obtaining ISO 14001 certificates.

As of the Reporting Period, 23 companies have obtained ISO 14001 certificates, achieving nearly 70% coverage rate across our manufacturing facilities.



Environmental management system certificates of some subsidiaries



Guizhou Great Health



Yunan Tianjiang Yifang



Sichuan Sinopharm Tianjiang



Tongjitang Pharmaceutical



We continue to advance green factory initiatives, with one new nationally-certified green factory (Anhui Fengliaoqing) and three provincially-certified green factories (Hunan Yifang, Shandong Yifang, Guangxi Yifang) added in the Reporting Period. As of the Reporting Period, we now operate six nationally-certified and three provincially-certified green factories.



National Green Factory of Anhui Fengliaoqing



National Green Factory of Tongjitang Pharmaceutical

* The national-level green factory is recommended by the provincial-level industrial and information technology authorities, evaluated by experts, and ultimately selected by the Ministry of Industry and Information Technology. It is the highest-level award in the category of green development projects nationwide and represents a comprehensive demonstration of energy conservation, emission reduction, and clean production by enterprises.

Environmental Risk Management

We prioritize environmental risk control through systematic identification of environmental factors and potential hazards. This proactive approach enables effective risk mitigation throughout our production operations, significantly reducing incident probabilities.



During the Reporting Period, we identified a total of **1,480** environmental factors across our operations

comprising **1,301** general factors

179 material factors

All factors were effectively controlled through technical and management measures.

We have strengthened environmental risk identification and mitigation through special inspections, routine checks, and corporate self-assessments. Identified issues undergo rigorous corrective actions to achieve closed-loop management. Our multi-tiered environmental audit system, encompassing internal audits, external audits, third-party audits (including government audits), and special audits, ensures compliance and advances sustainable development objectives.

Environmental Education and Advocacy

China TCM has intensified environmental protection training to enhance employees' environmental protection knowledge and skills. Through diversified training programs and awareness campaigns, we actively promote green development principles and encourage broader social participation in environmental initiatives. During the Reporting Period, we steadily advanced our "Dual Carbon Action" initiative by organizing 108 internal energy conservation training sessions for 9,357 employees. We also implemented special programs on energy development trends and practical dual-carbon experience, with all participating employees obtaining certification through assessments. These efforts have significantly enhanced both professional competencies and job performance across our employees.



During the Reporting Period, we steadily advanced our "Dual Carbon Action" initiative, by organizing

108

internal energy conservation training sessions

9,357

employees covered



Our subsidiaries received multiple local recognitions for environmental management in 2024:

Zhonglian Pharmaceutical was designated as a municipal-level "Zero-Waste Factory".

Tianxiang Pharmaceutical was recognized as a municipal-level "Ecological Conservation Supporter".

Dezhong Pharmaceutical was recognized as "Guangdong-Hong Kong Cleaner Production Excellent Partner (Pharmaceutical)".



Green Operations

China TCM has formulated and implemented the *Management Measures for Energy Conservation and the Ecological Environmental Protection* to regulate the management and use of energy, water resources, packaging materials, and raw materials, optimizing their effective allocation. We conduct strict compliance monitoring of wastewater, waste gas, and waste disposal across our subsidiaries to minimize the environmental impact of operations and protect ecosystems to the greatest extent possible.

Use of Resources



During the Reporting Period, we fully met our annual targets, maintaining a comprehensive energy consumption intensity of

0.0446

tons of standard coal per RMB10,000 in output value.

Energy Management

We developed the 2024 "Dual Carbon Action" Work Plan and actively supported subsidiaries in establishing corresponding policies and initiatives to promote the implementation of energy-saving and environmentally friendly technologies, processes, materials, and equipment. Through these efforts, we strive to drive technological advancements in energy conservation and advance continuous optimization and upgrades of energy consumption systems, thereby enhancing the recycling efficiency of energy resources.

In 2024, two additional subsidiaries, Guangdong Yifang and Tongjitang Pharmaceutical, obtained ISO 50001 Energy Management System certificates. As of the Reporting Period, a total of seven subsidiaries have achieved this certification. During the Reporting Period, we fully met our annual targets, maintaining a comprehensive energy consumption intensity of 0.0446 tons of standard coal per RMB10,000 in output value.

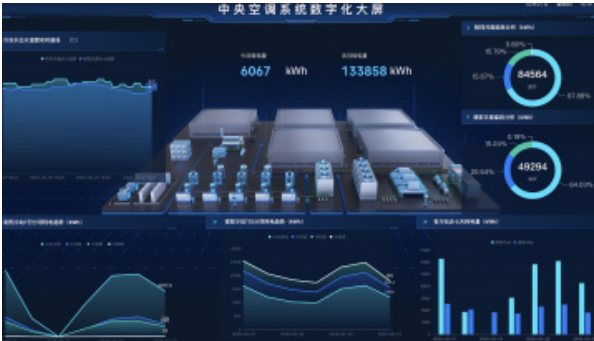


Energy Management System Certification obtained by Guangdong Yifang



Energy Management System Certification obtained by Tongjitang Pharmaceutical

China TCM maintains sustained progress in building digital energy management systems to enable precision energy management. By leveraging advanced technologies including big data, IoT, and edge computing, we have achieved intelligent equipment management and optimization, significantly improving both energy efficiency and production management standards. In 2024, we implemented the intelligent management system at one additional subsidiary, with eight subsidiaries now operating with fully digital energy management systems group-wide.



Intelligent Management System of Guangdong Yifang



Integrated Energy Service Platform of Guangdong Medi-World

Over the past two years, we have vigorously developed photovoltaic (PV) projects to promote clean energy use. As of the end of the Reporting Period, we have put PV power plants into operation at eight subsidiaries, achieving a total installed PV capacity of approximately 7.4MW, a twofold increase compared with 2023. In 2024, our annual PV power generation reached 6.5947 million kWh, equivalent to reducing carbon dioxide emissions by 6,574 tons.

Case: Solar greenhouse — maximizing solar energy for herbal drying



Our solar greenhouse for herbal drying represents an innovative facility that combines greenhouse effects with renewable energy utilization. By efficiently harnessing solar energy and implementing intelligent management systems, it significantly enhances herb quality and production efficiency while dramatically reducing carbon emissions compared to traditional drying methods.

- **Energy savings:** the solar greenhouse primarily relies on solar energy, reducing energy consumption by over 70% compared to coal/electric drying systems.
- **Emission reductions:** (1) replacement of carbon-intensive drying: the solar greenhouse achieves near-zero direct emissions, compared to traditional coal drying which emits 150-200kg CO₂ per ton of herbs.
(2) reduced carbon emissions from transportation and warehousing: lower spoilage rates cut supply chain carbon emissions from avoided replanting, reprocessing and transport.

Indicators	Unit	2022	2023	2024
Total energy consumption	MWh	827,694.8	746,110.8	644,676.5
Energy consumption density	kWh/RMB1,000 of operating revenue	57.9	41.2	39.1
Natural gas	Cubic meters	22,077,276.7	23,491,993.4	18,930,996.5
Coal	Ton	36,066.5	26,555.7	28,008.9
Purchased electricity	kWh	175,290,038.3	164,487,176.8	137,159,390.6
Purchased steam	million kJ	729,885.5	620,342.6	541,766.1
Renewable energy	kWh	/	/	6,594,700.0



Water Resources Management

We have established and implemented a comprehensive set of water conservation regulations, including the *Measures and Procedures for Water Conservation Management*, the *Inspection and Maintenance Management System for Water-saving Equipment*, the *Water Metering Regulations*, the *Quota and Incentive/Penalty Policies for Water Conservation Management* and the *Water Conservation and Consumption Statistics System*. These institutional measures have systematically enhanced our water resource cyclic utilization through waste heat/ pressure recovery, reclaimed water reuse, wastewater treatment/ reuse, and condensate water, while accelerating the application of key circular economy technologies.

As of the Reporting Period, five of our subsidiaries have obtained water efficiency certificates: Jingfang Pharmaceutical, Anhui Tianxiang, Anhui Fengliaoxing, Zhejiang Yifang, and Tongjitang Pharmaceutical.

Indicators	Unit	2022	2023	2024
Freshwater consumption	Ton	3,876,991.7	3,996,813.9	4,057,155.0
Water consumption intensity	Tonne/RMB1,000 of operating revenue	0.27	0.22	0.25

Extensive water-saving projects have been carried out across all subsidiaries, significantly improving water use efficiency and substantially reducing water consumption through a series of technological transformation measures.

Case: Water conservation through technological transformation measures



Reverse osmosis concentrate water utilization project at Shandong Yifang Pharmaceutical Co., Ltd.: Reverse osmosis wastewater is discharged into storage tanks and then redirected for landscaping irrigation through flow control valves, achieving annual savings of approximately 100 tons in landscaping water usage.

Condensate water recycling system for process circulation pumps at Anhui Tianxiang: Cooled water is recycled through existing process circulation pumps back to the industrial cooling towers for reuse. This modification effectively saves 15,353 tons of water annually.

Material Management

China TCM is committed to sustainable development principles, actively engaging in packaging material reduction initiatives. Through technological innovation and streamlined packaging, we achieve both cost efficiency and environmental benefits, advancing our plastic reduction and decarbonization goals.

Emission Compliance

In strict accordance with the *Integrated Emission Standard of Air Pollutants*, the *Integrated Wastewater Discharge Standard*, and the *Emission Standard of Air Pollutants for Boiler*, we enforce emission compliance across all subsidiaries by requiring them to strictly implement the pollutant discharge permit system, to establish tailored management systems, and to implement effective control measures for waste gases, wastewater, solid waste, noise, vibration, and radiation generated during production. In 2024, all subsidiaries have achieved their targets for legal disposal and discharge of pollutants.

Wastewater Management

In accordance with relevant national laws and regulations, the Company urges subsidiaries to establish comprehensive wastewater management systems, including: the *Wastewater Monitoring and Management System*, *Water Pollution Control System*, and the *Management Procedures for Stormwater and Sewage Drainage System*. All major industrial and domestic wastewater undergoes primary treatment at on-site facilities to meet standards before being discharged to external treatment plants or released.

Indicators	Unit	2022	2023	2024
Chemical oxygen demand (COD)	Ton	189.0	102.1	108.5
Ammonia nitrogen	Ton	12.0	2.4	2.2

Measures to reduce wastewater discharge



Implemented pipeline network upgrades to channel stormwater through open drains into municipal pipelines; directed production wastewater through dedicated pipelines to treatment facilities; commissioned new treatment facilities operating alongside existing ones; Total treatment capacity: 1,400 m³/d.



Upgraded treatment facilities by adding hydraulic recirculation in collection tanks and installing aeration mixing in alkali storage tanks; Achieved more stable and controllable pH adjustment and significant improvement in treatment system stability.





Waste Gas Management

In strict compliance with national environmental laws and regulations, we have mandated all subsidiaries to implement comprehensive waste gas management systems, including the *Management and Control Procedures for Waste Gas Emissions*, the *Regulations on Waste Gas Management*, and the *Monitoring and Management Regulations on Waste Gas*, to strictly control emissions from production. Our primary emissions, consisting of boiler flue gas (from coal/ natural gas combustion) and process waste gas (containing particulate matter and odors), undergo complete treatment through desulfurization, denitrification, dust removal, and odor elimination processes before being discharged upon full compliance with all emission standards.

Indicators	Unit	2022	2023	2024
Nitrogen oxide	Ton	173.2	80.4	68.6
Sulfur oxides	Ton	59.2	45.2	35.1
Suspended particle	Ton	9.2	7.9	6.6

Measures to reduce waste gas emissions

Reduction in nitrogen oxide (NOx) emissions:

In 2024, Guangdong Yifang and Qifeng Health completed low-nitrogen boiler upgrades, now fully complying with the special emission limits specified in Guangdong’s Emission Standard of Air Pollutants for Boiler. The NOx emission concentration has been reduced to below 50mg/m³, representing a 50% reduction in NOx emissions.

Reduction in particulate emissions

- (1) Dust collection system upgrade at Fengliaoqing Material & Slices: improved dust collection efficiency by installing cyclone separators on color sorters;
- (2) Spray dryer upgrade at Jiangyin Tianjiang: reduced dust collector clogging and improved powder recovery by adjusting pressure differentials in large/ small cyclones and installing cyclone vibration and discharge devices;
- (3) Odor control installation at Zhonglian Pharmaceutical: added six activated carbon deodorization units on comprehensive workshop rooftops to adsorb emitted waste gas, reducing odors caused by unorganized waste gas emissions; completed expansion/ renovation of waste gas treatment facilities (now operational) in the herbal pieces workshop.



Waste Management

Guided by the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and the *National Catalogue of Hazardous Waste*, we have established a robust waste management framework. We also require subsidiaries to develop specific rules aligned with operational realities such as the *Management Regulations on Waste Disposal*, the *Processing Procedures for Herbal Residues*, and the *Hazardous Waste Management Policy*. All production waste is processed through compliant channels strictly following the principles of "reduction", "harmlessness" and "recycling".

China TCM firmly adheres to the notion of green development and actively implements green disposal practice by taking full use of and adapting environmental disposal methods for herbal residues generated during production.. We primarily collaborate with third-party eco-agricultural partners to transform herbal residues into organic fertilizer and feed additives through various biomass valorization. Residues rich in cellulose, lignin, and residual medicinal components are fermented into high-quality compost and organic fertilizers for soil improvement and organic content enhancement, contributing to sustainable agriculture. Selected non-toxic and nutrient-rich residues (such as Mongolian milkvetch root and licorice residue) are carefully processed through drying and sterilization to serve as livestock feed supplements after rigorous toxicity risk screening, effectively enhancing animal immunity. These green disposal methods prevent environmental pollution from random dumping or traditional landfilling of herbal residues while reducing land occupation and potential ecological impacts, thereby achieving recycling of resources, creating new value for agricultural and livestock industries, and promoting harmonious coexistence between enterprises and the environment.

Indicators	Unit	2022	2023	2024
Hazardous waste				
Total hazardous waste	Ton	293.3	144.3	182.6
Intensity of hazardous waste	kg/RMB1,000 of operating revenue	0.02	0.008	0.011
Non-Hazardous waste				
Total non-hazardous waste	Ton	86,198.8	84,017.3	83,510.8
Intensity of non-hazardous waste	kg/RMB1,000 of operating revenue	6.0	4.6	5.1
Coal cinder, coal ash	Ton	/	/	8,519.5
Sludge	Ton	/	/	4,017.5
Medicine residues	Ton	/	/	70,525.6
Other	Ton	/	/	448.2
Non-hazardous waste disposal				
Third-party recycling	Ton	17,480.0	13,630.1	12,440.9
Landfill disposal	Ton	3,892.0	1,943.5	544.3
Internal incineration	Ton	9,752.5	4,740.0	3,273.6
Internal fertilizer	Ton	4.34	0	0
External harmless treatment	Ton	68,797.7	63,703.8	66,716.8



Response to Climate Change

Confronting the growing challenges of climate change, China TCM actively implements China's "Dual Carbon" strategy by establishing a carbon peak and neutrality working group under the leadership of the headquarters' Energy Conservation and Environmental Protection Leadership Group. We have formulated a *Carbon Peak and Carbon Neutrality Action Plan* to systematically advance the green and low-carbon transition across five critical dimensions: green and low-carbon energy transition, resource conservation and high-efficiency utilization, green and low-carbon circular economy transformation, digitalization and intelligentization enhancement, and green and low-carbon capacity building. In 2024, we successfully implemented 33 key energy-saving and environmental protection projects.

Climate Risk Response

To address escalating climate risks, China TCM has strengthened climate risk identification and prevention efforts to minimize potential impacts from extreme weather on operations. We have integrated natural disaster prevention into annual priority tasks, conducting seasonal risk analyses and ensuring comprehensive preparation of contingency plans and emergency supplies. Our effective early warning and response system has demonstrated robust performance during sudden climate events. Additionally, we have established standardized reporting channels for flood preparedness across all subsidiaries to monitor preparedness and damage assessment in real-time.

In 2024, we completed thorough assessments of physical risks, transition risks and opportunities, identifying their potential impacts on operations and developing corresponding mitigation strategies. These measures significantly enhance our organizational resilience against climate change challenges.

Risk type	Risk name	Risk impact	Response measure
Physical risk	Acute risks	Extreme weather events including heavy precipitation and tropical cyclones may directly impact cultivation of medicinal herbs, raw material and product transportation, operational disruptions, and employee commuting.	We have implemented comprehensive flood preparedness measures, including real-time meteorological monitoring and emergency response plans, to ensure employee safety.
	Chronic risks	Chronic risks, such as rising sea levels, sustained warming trends, and increasing aridity, may alter the growing environments for medicinal herbs, potentially compromising their quality standards and reducing yields. These environmental shifts could consequently disrupt our production operations.	Through regular hazard identification and mitigation programs, we systematically address these latent risks to minimize long-term impacts.
Transition risks	Policy risks	Increasing environmental requirements for existing products may lead to asset stranding risks and higher costs for low-carbon investments.	We have formulated the 'Double Carbon Action' work plan to effectively implement new energy-saving and environmental protection technologies, processes, materials and equipment to meet the requirements of the environmental policy.
	Technological risks	Failure to achieve low-carbon technology transformation may result in diminished product market competitiveness, while investments in new technologies could increase production costs.	We have made substantial progress in intelligent and digital transformation, continuously improving energy efficiency and production management capabilities.
	Market risks	Climate change may drive rising raw material costs and supply shortages, leading to increased production costs.	We are proactively advancing technological innovation to ensure sustainable medicinal resource supply by conducting in-situ conservation of wild populations of rare and endangered medicinal herbs, implementing artificial breeding programs, and developing substitute materials.
	Reputational risks	Stakeholders' growing focus on ESG performance and potential negative feedback could impact corporate reputation and revenue.	We disclose climate-related risks and opportunities through ESG reports and have established energy consumption and carbon emission targets, thereby continuously enhancing ESG governance standards.

Risk type	Risk name	Risk impact	Response measure
Transition opportunities	Resource efficiency	Through carbon footprint reduction and waste recycling initiatives, we achieve dual improvements in resource efficiency and production capacity, thereby increasing revenue.	We develop valorization of herbal residues and enhance resource efficiency per unit through technological innovations.
	Energy substitution	We are actively advancing energy substitution initiatives to increase the proportion of renewable energy usage, thereby reducing greenhouse gas emissions.	We have vigorously developed PV projects to promote clean energy use, while implementing solar greenhouse drying systems to replace conventional energy sources.
	Market demand	Climate change is projected to significantly influence public health, potentially increasing pharmaceutical demand and creating new market opportunities.	We maintain market demand tracking while focusing on key therapeutic specialties. To strengthen product competitiveness, we implement systematic initiatives including establishing collaborative partnerships and engaging in industry symposiums.

Case: Response to climate change risks

Since April 2024, intensified extreme weather events, such as torrential rains, gale-force winds, lightning strikes, have heightened compound safety risks nationwide. On April 26, 2024, we issued the *Notice on Flood Prevention Preparations for 2024*, directing subsidiaries to implement comprehensive flood preparedness measures to ensure production safety during the rainy season. This included: closely monitoring meteorological updates to enhance emergency response readiness; conducting special safety inspections focusing on flood control, wind resistance, and lightning protection systems; and strengthening risk assessment, approval and supervision for special operations, alongside intensified oversight of critical areas such as construction sites and aging buildings.

As winter approached, the risks of low temperatures, snow, and ice-related disasters increased. On 30 December, 2024, we released the *Special Action Plan for Safety Production and Natural Disaster Hazard Identification & Remediation*, organizing efforts to identify and address potential natural disaster risks. Preparations were made to counter major hazards such as winter ice jams, freezing rain, snowstorms, and typhoons.

GHG Emissions

To effectively advance carbon peak and carbon neutrality efforts and actively implement the system for carbon emissions (both total volume and intensity), China TCM formulated the "Dual Carbon Action" Work Plan for 2024, defining clear objectives and tasks to guide subsidiaries in achieving carbon peak and neutrality goals while controlling GHG emissions.

2024 GHG reduction targets		Actual performance	Achievement status	
Carbon dioxide emissions per RMB10,000 of output value to be controlled within 0.1603 tCO ₂ e/RMB 10,000		Carbon dioxide emissions per RMB10,000 of output value (comparable price): 0.1298 tCO ₂ e/ RMB10,000	Achieved	
Indicators	Unit	2022	2023	2024
Direct emission (Scope 1)	tCO ₂ e	122,799.1	106,562.2	104,425.2
Indirect emission (Scope 2)	tCO ₂ e	255,051.6	232,231.4	133,194.0
GHG emissions (Scope 1 + Scope 2)	tCO ₂ e	377,850.7	338,793.6	237,619.2
GHG emission density	tCO ₂ e/ RMB1,000 of operating revenue	0.026	0.019	0.014



Biodiversity Protection

China TCM strictly complies with national laws and regulations, including the *Wildlife Protection Law of the People's Republic of China* and the *Regulation of the People's Republic of China on Wild Plants Protection*, and actively protects wild medicinal resources. We resolutely oppose illegal harvesting, trading, purchasing, or processing of state-protected wild plants, as well as any actions that damage their natural habitats. In accordance with the *Drug Administration Law of the People's Republic of China* and the *Law of the People's Republic of China on Traditional Chinese Medicine*, China TCM actively engages in the conservation, breeding, and research of rare and endangered medicinal wildlife and plants. Additionally, we have established a multi-dimensional ecological cultivation system tailored to local conditions.

Artificial Cultivation of Resource-Based Varieties



We carried out wild-simulated ecological planting by establishing

30

mu of understory Cibotium barometz cultivation in Guilin base

and

20

mu of cultivation in Xincheng base.

Responding to the Announcement on Supporting the *R&D on Alternatives to Traditional Chinese Medicine (TCM) Materials Derived from Rare and Endangered Plants and Animals* jointly issued by the National Medical Products Administration and the National Administration of Traditional Chinese Medicine, China TCM conducts wild cultivation, artificial breeding, and substitute research for rare and endangered medicinal materials. These efforts aim to address the scarcity of wild medicinal resources and ensure a sustainable supply for clinical use in TCM.

Case: Research and application of artificial cultivation techniques for endangered and wild medicinal materials such as cibotium barometz



Cibotium barometz, as a rare and endangered medicinal material, faces difficulties in artificial breeding, which constrain the sustainable development of the TCM industry. In 2024, we completed the registration for artificial cultivation of this key protected wild plant species and conducted research on artificial planting and domestication techniques. In this regard, we tested various factors in the artificial cultivation process including base fertilizer application, planting density, transplanting season, and transplanting treatment methods. Simultaneously, we carried out wild-simulated ecological planting by establishing 30 mu of understory Cibotium barometz cultivation in Guilin base and 20 mu of cultivation in Xincheng base.



Cibotium Barometz

Ecological Planting



Patchouli seedling survival rates from the traditional

30%~50%

to an impressive

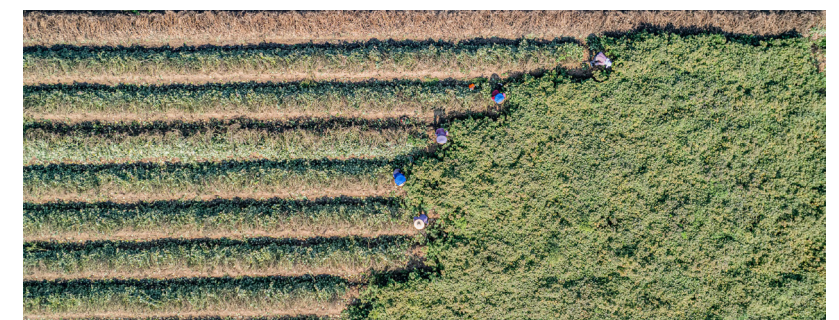
95%

In the context of China's "non-grain conversion" policy in 2024, China TCM proactively planned various ecological planting models in advance. Based on the characteristics of land use for TCM planting bases, we classified ecological planting into three models: wild-simulated cultivation, intercropping with crops, and wild cultivation. Currently, China TCM has 49 TCM varieties suitable for cultivation under ecological models. Meanwhile, in accordance with the *Ecological Product Catalog (2024 Edition)* jointly issued by the National Forestry and Grassland Administration and other departments, we compiled the 2025 Ecological Planting Base Varieties Catalog to guide subsidiaries in making early preparations for new planting models and technical reserves of TCM materials, thereby strengthening the on-site reserve capacity of TCM materials.

Case: Integrated grain-medicine-food production through patchouli-rice rotation and grain-medicine intercropping systems



The innovative patchouli cultivation model, featuring a "six-month patchouli plus three-month rice" rotation system combined with maize canopy intercropping, has successfully addressed two major agricultural challenges: continuous cropping obstacles and heat stress damage. By regulating rhizosphere microbial communities through crop rotation and utilizing maize canopies as natural temperature regulators, this integrated approach has dramatically improved patchouli seedling survival rates from the traditional 30-50% to an impressive 95%. During the 2023-2024 period, this breakthrough model not only resolved the persistent issue of continuous cropping limitations for patchouli but also significantly enhanced land productivity, achieving more than double the yield per mu while simultaneously producing 80 tons of wet rice grains and 100,000 cans of maize juice. This successful implementation has established a comprehensive agricultural production system that ensures stable grain output, increases medicinal herb production, and creates diversified income sources through multiple agricultural products.



05

Cultural Inheritance, Co-Creating a Better Society

China TCM fulfills the corporate responsibility through concrete actions by deeply integrating rural revitalization with TCM industry development. We implement multi-dimensional assistance programs while promoting TCM culture transmission and community education initiatives. These efforts collectively enhance public health literacy and create shared value through high-quality development, thereby ensuring TCM's enduring contributions to social wellbeing.

Material Topics Covered in this Chapter

- Public Welfare and Development

UN SDGs Addressed in this Chapter





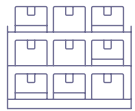
Rural Revitalization

We prioritize rural revitalization by leveraging our unique strengths in TCM to drive comprehensive rural development. Our integrated approach combines industrial empowerment, talent cultivation, and consumption support. By establishing TCM planting bases, enhancing product value, providing technical training, and facilitating agricultural product sales, we create sustainable rural economic growth. In 2024, we invested RMB28.1522 million across multiple provinces including Jilin, Xinjiang, Xizang, Qinghai and Sichuan. Our initiative "Leveraging Unique Advantages in TCM Cultivation to Build a Rural Revitalization through TCM Model" was successfully selected as a "Typical Case of Social Responsibility in the Rural Revitalization Empowerment Program", establishing a rural revitalization approach with distinctive TCM characteristics.

Assistance through Empowering Industries

We utilize our industrial expertise to advance TCM material planting and processing. Through production base development, production base building, branding and targeted assistance, we foster rural industrial transformation. In 2024, we expanded TCM production bases nationwide, increasing farmers' income while promoting high-quality development of localized TCM industrial chains through production-marketing connectivity, standardized planting, and brand empowerment initiatives.

Assistance through Establishing Bases



TCM production bases

165

Varieties of Chinese Medicine Herbs

108

Base Area

47.08 10,000 mu

fresh medicinal materials yielded

56,747 Tons

In 2024, we co-built 165 TCM production bases across 22 provinces (autonomous regions/ municipalities), involving 108 TCM varieties with a total area exceeding 470,800 mu. Our bases yielded 56,747 tons of fresh medicinal materials and 13,090 tons of dried products, benefiting approximately 4,700 farming households. Our annual purchase volume reached 370.62 tons with a 21.06% purchase rate, a record high. We also assisted Xincheng County (a poverty-stricken region) in selling over 200 tons of mulberry branches, effectively alleviating local environmental pressure while creating additional income channels for sericulture farmers. Furthermore, we hosted industry conferences to establish direct production-marketing platforms connecting growers with purchasers.

Case: China TCM establishes direct production-marketing platform connecting growers with purchasers

On April 12, 2024, China TCM hosted the "Authentic Medicinals Initiative: Premium Cultivation Bases Partnering with China TCM to Advance Rural Revitalization" event in Foshan, Guangdong, creating a crucial exchange platform for exchanges and cooperation between TCM planting and breeding companies and China TCM. This initiative helps strengthen connections between TCM material growers and TCM manufacturers, promotes standardized development of the TCM materials industry, improves the quality of TCM materials, drives high-quality development of the TCM industry, and contributes to rural revitalization.

Assistance through Empowering Production Bases

We deepen assistance to authentic medicinal material production areas through a whole industry chain empowerment model, focusing on six core production areas including Xihe, Gansu (pinellia ternata) and Jiangyou, Sichuan (aconitum carmichaelii). We have established a three-dimensional linkage mechanism combining "base development + brand empowerment + industry planning" by building standardized planting demonstration bases, implementing brand value enhancement initiatives, and conducting strategic research on the TCM materials industry. Focusing on characteristic varieties such as pinellia ternata, aconitum carmichaelii, rhizoma atracylodes, patchouli and panax ginseng, we have developed full industry chain solutions to help regions create specialized industry clusters with county-specific development strategies.

Targeted Assistance

We allocated special funds of RMB500,000 to Jingyu County (Jilin Province) to support the construction of projects including Jing'an Village Party building, Zhichun Cooperative, and TCM resource gardens. Through initiating a TCM materials procurement program, we promoted guaranteed purchase of RMB two million worth of TCM materials from Jingyu County.

Talent Assistance

China TCM prioritizes talent cultivation for rural revitalization by enhancing technical training and professional empowerment. Specifically, we conduct rural revitalization training programs, promote planting techniques for TCM materials, and develop customized TCM industry upgrading plans, all designed to deliver intellectual support and sustainable development impetus for rural revitalization efforts.

Case: Jingyu (Jilin): Talent technical training session for rural revitalization

At the invitation of People's Government of Jingyu County, we conducted the "Talent Technical Training Session for Rural Revitalization", which brought together over 120 rural cadres and technicians, aiming to train technical cadres and planting professionals. During this event, technicians traveled to various villages and towns to conduct face-to-face discussions with growers, promptly and effectively solving TCM planting issues of concern to growers.

Assistance through Promoting Consumption

As a central state-owned enterprise, we actively leverage our consumption assistance capabilities to support the sales of distinctive rural agricultural products and promote local economic growth. In 2024, we purchased RMB224,600 worth of supported agricultural products, participated in the "Xinjiang Assistance Through Work Uniform Procurement" program with procurement reaching RMB420,000. These consumption assistance measures continuously expand market channels for rural products to support sustainable rural economic growth.



In 2024, the Company procured supported agricultural products

22.46 RMB 10,000

Actively participated in the Xinjiang Assistance Through Work Uniform Procurement initiative, with a procurement amount of.

42 RMB 10,000





Community Care

China TCM has proactively built the "Colorful TCM" volunteer service brand, establishing specialized teams including the "Colorful TCM" volunteer education service team and "Colorful TCM" teaching support team. These initiatives effectively guide employees to participate in diverse volunteer activities, translating corporate social responsibility into concrete actions.

Volunteer Services



Participation in Volunteer Services

1,965 person-times

Total Hours of Volunteer Service

2,651 Hours

China TCM encourages and supports employee engagement in social volunteer work through establishing long-term volunteer mechanisms, maintaining stable volunteer service teams, and organizing varied charitable activities including tree planting, free medical consultations, and donations. During the Reporting Period, cumulative volunteer participation reached 1,965 person-times, with total service hours amounting to 2,651.

Case: Learn from Lei Feng & tree planting initiative activities

In March 2024, China TCM carried out a series of diverse activities combining Lei Feng's spirit with environmental protection, including green space renovation, free appliance repairs, community medical consultations for elderly residents, visits to retired employees, book donations, charity runs, and tree planting campaigns.



Social Welfare

China TCM actively fulfills corporate social responsibility by promoting TCM culture and community education. Through diverse public education activities, cultural exhibitions, and educational programs, we facilitate TCM knowledge transmission and enhance public health literacy.

TCM Culture Promotion

Through exhibitions, museums, and modern technology, we deepen TCM cultural transmission while preserving classical wisdom and fostering innovation. Interactive experiences and thematic activities strengthen social recognition of TCM's value, contributing to cultural confidence.

China TCM partnered with the China Health Culture Association to organize the "Safeguarding Tradition, Upholding Authenticity and Innovation" TCM Classics Calligraphy Exhibition (Foshan), which focused on thematic sharing sessions, symposiums, and calligraphy/ painting appreciation activities to promote the innovative development and cultural inheritance of TCM. Nearly 500 employees from both the headquarters and Foshan-based subsidiaries participated in the exchange activities.

Beijing Huamiao established the Chinese Crude Drug Processing Technology Museum showcasing TCM materials, preparations, and classical texts. Using VR, holography, and dual-screen technologies, it creates immersive displays of traditional processing methods. In 2024, the museum was designated as "Central SOE Patriotism Education Base".



Beijing Huayao — Beijing Chinese Crude Drug Processing Technology Museum

Community Education Support

China TCM leverages resources to build TCM education bases, promoting study tour programs and community education outreach. Collaborative initiatives with various stakeholders enhance TCM knowledge transmission and public health awareness.

Zhonglian Pharmaceutical has established a comprehensive TCM promotion and education base, featuring a dedicated cultural zone for preserving Chinese crude drug processing techniques and a specimen room displaying over 400 types of commonly used TCM materials and prepared herbal slices. This forms an integrated cultural display zone that combines TCM education with cultural popularization.



Zhonglian Pharmaceutical — Chinese Crude Drug Processing Heritage Zone

Fengliaoqing Material & Slices has made solid progress in the second-phase construction of its corporate culture exhibition hall, which has been officially designated as the "Primary and Secondary School Research and Practice Education Base in Chancheng District of Foshan". The company has actively collaborated with Foshan Municipal Committee of the Chinese People's Political Consultative Conference and Foshan Television Station to produce the documentary *Traditional Chinese Medicine Stories in Foshan: Fragrance of Foshan Medicines*, dedicated to effectively communicating the value of TCM.

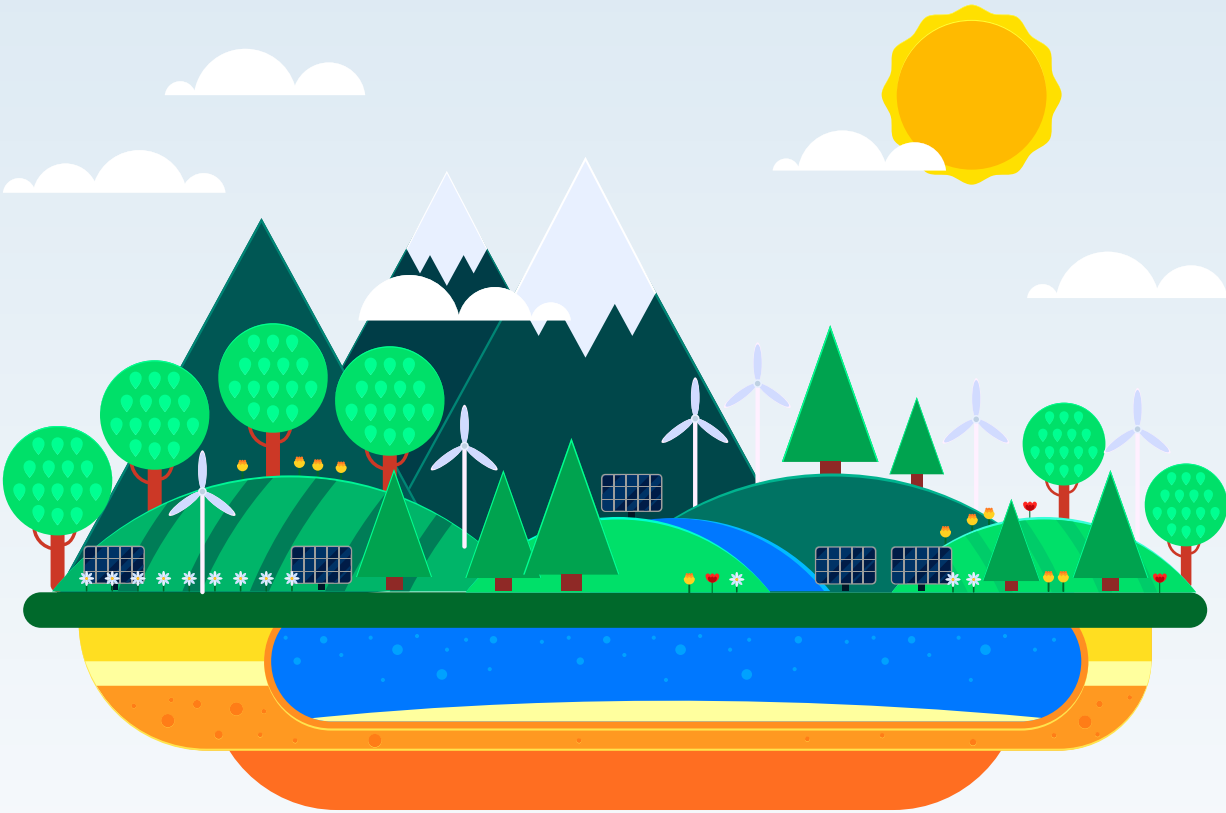


Fengliaoqing Material & Slices — Corporate Culture Exhibition



2025 Outlook

At this critical transitional phase of China's 14th Five-Year Plan period, China TCM will formulate our development strategy from a more elevated perspective, advancing with unwavering determination and courage. We will further improve our ESG governance system, deepen green transformation anchored to the dual-carbon goals, and establish a comprehensive low-carbon system covering the whole chain from ecological planting to clean production. We will continue to enhance the evidence-based medicine system, promote deeper integration of classical prescriptions with modern healthcare to demonstrate the scientific value of TCM to the world. We will maintain people-first philosophy, provide development platforms for our employees, and join hands with partners on the path to sustainable development. By refining our industrial assistance model, we will make the TCM industry a green engine for common prosperity. Consistently guided by the Healthy China Initiative, we will fulfill our responsibilities as a central enterprise and contribute TCM wisdom to health governance.



Laws and Regulations

For different sustainability aspects, China TCM strictly complies with applicable national laws and regulations, which are listed in the table below:

Aspects	Applicable laws and regulations	Compliance Statement
Emissions	<i>Atmospheric Pollution Prevention and Control Law of the People's Republic of China</i> <i>Water Pollution Prevention and Control Law of the People's Republic of China</i> <i>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes</i> <i>Law of the People's Republic of China on Prevention and Control of Soil Contamination</i> <i>Law of the People's Republic of China on Promoting Clean Production</i> <i>Directory of National Hazardous Wastes Integrated Emission Standard of Air Pollutants Integrated Wastewater Discharge Standard</i> <i>Standard for Pollution Control on Hazardous Waste Storage</i> <i>Emission Standard of Air Pollutants for Boiler</i>	During the Reporting Period, we confirm there were no known of any violations of relevant laws and regulations concerning emissions (including waste gas and GHG gases), discharges into water or land, or generation of hazardous/ non-hazardous waste that would have significant impact on our operations.
Use of Resources	<i>Energy Conservation Law of the People's Republic of China</i> <i>Circular Economy Promotion Law of the People's Republic of China</i>	
Environmental and Natural Resources	<i>Environmental Protection Law of the People's Republic of China</i>	
Employment	<i>Labor Law of the People's Republic of China</i> <i>Labor Contract Law of the People's Republic of China</i> <i>Provisions on the Prohibition of Using Child Labor</i> <i>Law of the People's Republic of China on the Protection of Minors</i> <i>Hong Kong Employment Ordinance</i>	During the Reporting Period, we confirm there were no known violations of relevant laws and regulations concerning compensation and termination, recruitment and promotion, working hours and leave entitlements, equal opportunity, anti-discrimination, prevention of child/ forced labor, other employment terms and benefits that materially impacted our operations.



Aspects	Applicable laws and regulations	Compliance Statement
Health and Safety	<i>Work Safety Law of the People's Republic of China</i> <i>Labor Law of the People's Republic of China</i> <i>Special Equipment Safety Law of the People's Republic of China</i> <i>Fire Protection Law of the People's Republic of China</i> <i>Regulation on Work-Related Injury Insurances</i> <i>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</i>	During the Reporting Period, we confirm there were no known violations of relevant occupational health and safety regulations concerning the provision of safe working environments and protection of employees against workplace hazards that materially impacted our operations. Additionally, there were no reported cases of work-related fatalities or occupational diseases.
Labor standards	<i>Provisions on the Prohibition of Using Child Labor</i> <i>Law of the People's Republic of China on the Protection of Minors</i>	During the Reporting Period, we confirm there were no reported cases related to child labor and forced labor.
Product Responsibility	<i>Good Supply Practice for Drugs</i> <i>Good Manufacturing Practice for Drugs</i> <i>Product Quality Law of the People's Republic of China</i> <i>Drug Administration Law of the People's Republic of China</i> <i>Guideline on Good Pharmacovigilance Practices</i> <i>Regulation on the Administration of Annual Reports on Drugs</i> <i>Administrative Measures for Drug Recalls</i> <i>Good Agricultural Practice for Chinese Crude Drugs</i> <i>Patent Law of the People's Republic of China</i> <i>Trademark Law of the People's Republic of China</i> <i>Copyright Law of the People's Republic of China</i> <i>The Civil Code of the People's Republic of China</i>	During the Reporting Period, we confirm there were no known violations of laws or regulations concerning product/ service health and safety, advertising, labeling, privacy matters, or remediation methods that materially impacted our operations.
Anti-corruption	<i>Criminal Law of the People's Republic of China</i> <i>Anti-Unfair Competition Law of the People's Republic of China</i> <i>Hong Kong Prevention of Bribery Ordinance</i> <i>Law of the People's Republic of China on Supervision</i> <i>Administrative Penalty Law for Public Officials of the People's Republic of China</i>	During the Reporting Period, we confirm there were no known violations of laws or regulations concerning bribery, extortion, fraud, or money laundering that materially impacted our operations, nor were there any reported cases of corruption.

Performance Data Summary

Environmental data

Indicator	Unit	2022	2023	2024
Environmental protection				
Total investments in environmental protection	RMB10,000	1,723.8	2,051.5	1,703.4
Waste gas				
Ox	tonne	173.2	80.4	68.6
SOx	tonne	59.2	45.2	35.1
PM	tonne	9.2	7.9	6.6
Wastewater				
COD	tonne	189.0	102.1	108.5
Ammonia nitrogen	tonne	12.0	2.4	2.2
Greenhouse gas emission				
Direct emissions (scope 1)	tonne of CO ₂ e	122,799.1	106,562.2	104,425.2
Indirect emissions (scope 2)	tonne of CO ₂ e	255,051.6	232,231.4	133,194.0
GHG emissions	tonne of CO ₂ e	377,850.7	338,793.6	237,619.2
GHG emissions intensity	tonne of CO ₂ e/ RMB1,000 of operating revenue	0.026	0.019	0.014
Hazardous waste				
Hazardous waste	tonne	293.3	144.3	182.6
Intensity of hazardous waste	kg/RMB1,000 of operating revenue	0.020	0.008	0.011
Non-hazardous waste				
Non-hazardous waste	tonne	86,198.8	84,017.3	83,510.8
Coal cinder, coal ash	tonne	/	/	8,519.5
Sludge	tonne	/	/	4,017.5
Medicine residues	tonne	/	/	70,525.6
Others	tonne	/	/	448.2
Intensity of non-hazardous waste	kg/RMB1,000 of operating revenue	6.0	4.6	5.1



Indicator	Unit	2022	2023	2024
Non-hazardous waste disposal				
Third-party recycling	tonne	17,480.0	13,630.1	12,440.9
Landfill disposal	tonne	3,892.0	1,943.5	544.3
Internal incineration	tonne	9,752.5	4,740.0	3,273.6
Internal fertilizer	tonne	4.3	0	0
External harmless treatment	tonne	68,797.7	63,703.8	66,716.8
Resources usage				
Purchased electricity	kWh	175,290,038.3	164,487,176.8	137,159,390.6
Purchased steam	million kJ	729,885.5	620,342.6	541,766.1
Coal	tonne	36,066.5	26,555.7	28,008.9
Natural gas	m ³	22,077,276.7	23,491,993.4	18,930,996.5
Gasoline	liter	154,738.8	207,337.2	196,690.4
Diesel	liter	174,049.5	167,003.5	201,155.7
Total energy consumption	MWh	827,694.8	746,110.8	644,676.5
Energy intensity	kWh/RMB1,000 of operating revenue	57.9	41.2	39.1
Renewable energy	kWh	/	/	6,594,700.0
Water consumption	tonne	3,876,991.7	3,996,813.9	4,057,155.0
Water consumption intensity	Tonne/RMB1,000 of operating revenue	0.27	0.22	0.25
Packaging material consumption				
Sustainable packaging material	tonne	/	/	10,948.3
Paper products	tonne	5,178.0	9,626.5	12,168.5
Plastic	tonne	3,008.0	2,964.4	4,031.3
Composite membrane	tonne	2,295.0	3,501.6	3,692.3
Glass	tonne	691.0	932.7	1,831.7
Metals	tonne	114.0	369.1	366.9
Others	tonne	18.6	126.3	619.1
Total	tonne	11,308.9	17,520.6	22,709.7
Density of packaging material	kg/RMB1,000 of operating revenue	0.79	0.97	1.38
Recycled packaging material	tonne	/	/	653.8

Employees data

Indicator	Unit	2022	2023	2024
Total number of employees	person	17,662	17,303	16,753
By gender				
Male	person	8,882	8,613	8,481
Female	person	8,780	8,690	8,272
By grade				
Senior managers	person	/	/	203
Middle managers	person	/	/	2,238
General employees	person	/	/	14,312
By region				
Mainland China	person	17,658	17,299	16,749
East China	person	5,347	4,988	4,729
South China	person	4,585	3,849	3,861
North China	person	1,246	951	960
Central China	person	1,738	2,570	2,463
Northwest China	person	1,286	1,447	1,429
Northeast China	person	851	654	621
Southwest China	person	2,605	2,840	2,690
Hong Kong SAR	person	4	4	4
By educational background				
Employees with a bachelor's degree or above	person	9,910	10,657	10,937
Employees with a junior college certificate or below	person	7,752	6,646	5,816
By function				
Marketing personnel	person	6,155	5,811	5,700
Production personnel	person	7,008	6,529	5,982
Management personnel	person	3,236	3,624	3,611
R&D personnel	person	1,263	1,329	1,460



Indicator	Unit	2022	2023	2024
By ethnic group				
Ethnic Han	person	16,835	16,279	15,805
Ethnic minorities	person	827	1,024	948
By employment type				
Full-time	person	/	/	15,835
Part-time	person	/	/	918
By age				
<30	person	5,997	5,311	4,763
30-50	person	10,353	11,031	11,053
>50	person	1,312	961	937
Others				
Number of disabled employees	person	117	117	132
Proportion of female employees in management	%	38.2	38.9	40.68
Interests of employees				
Signing rate of labor contracts	%	/	100	100
Coverage rate of five social insurances and housing provident fund	%	100	100	100
Coverage rate of employee physical examination	%	98.03	100	100
Average paid leave days per person	day	6.2	6.6	8.1
Employee care				
Employee mutual aid fund	RMB10,000	/	48.2	55.1
Person-times of employees-in-need helped	person-time	31	231	123
Input for support of employees-in-need (including in-kind rebate)	RMB10,000	32	69.7	17.3

Employee new hire rate

Indicator	Unit	2022	2023	2024
By gender				
Male	%	26	23.14	15.40
Female	%	26	22.55	14.11
By age				
<30	%	42	43.49	31.49
30-50	%	26	14.87	8.11
>50	%	4	5.72	3.37
By region				
Mainland China	%	26	23.14	14.76
East China	%	26	22.35	14.12
South China	%	50	37.67	17.35
North China	%	6	15.25	12.14
Central China	%	16	18.60	13.19
Northwest China	%	15	12.30	13.70
Northeast China	%	4	14.53	15.84
Southwest China	%	12	19.23	14.90
Hong Kong SAR	%	0	25.00	0



Employee turnover

Indicator	Unit	2022	2023	2024
By gender				
Male	%	24	21.13	18.15
Female	%	24	20.79	18.85
By region				
Mainland China	%	24	20.96	18.81
East China	%	23	22.45	19.97
South China	%	47	31.56	17.72
North China	%	8	17.88	15.28
Central China	%	7	15.80	20.82
Northwest China	%	17	13.41	13.28
Northeast China	%	5	12.54	18.04
Southwest China	%	13	15.49	18.84
Hong Kong SAR	%	0	25	0
By age				
<30	%	34	29.74	24.56
30-50	%	17	16.73	14.06
>50	%	26	21.02	37.93

Employee training

Indicator	Unit	2022	2023	2024
Investments in employee training	RMB10,000	1,065.0	988.4	702.5
Number of employees participating in trainings	person-time	132,384	459,181	148,360
Number of employees trainings	time	3,862	10,212	6,783
Average hours of employees trainings	hour	/	/	18.1

Indicator	Unit	2022	2023	2024
Training coverage by gender ¹				
Male	%	94.07	81.52	52.53
Female	%	93.43	80.04	47.47
Training coverage by grade ²				
Senior managers	%	/	/	1.10
Middle managers	%	/	/	4.75
General employees	%	/	/	94.15
Training coverage by function ³				
Marketing personnel	%	93.60	90.15	27.61
Production personnel	%	97.18	96.31	42.89
Management personnel	%	91.41	87.50	16.33
R&D personnel	%	90.08	81.36	13.17
Average training hours per employee by gender ⁴				
Male	hour	21.7	37.5	14.2
Female	hour	37.8	42.8	17.6
Average training hours per employee by grade				
Senior managers	hour	/	/	12.6
Middle managers	hour	/	/	29
General employees	hour	/	/	16.5
Average training hours per employee by function				
Marketing personnel	hour	20.4	26	29
Production personnel	hour	20.3	25.9	18.2
Management personnel	hour	50.0	85.2	15.6
R&D personnel	hour	31.7	35.1	10.2
Number of employees whose academic qualifications and professional credentials enhancing are supported	person	/	/	409
Number of people participating in leadership training	person-time	/	/	731

¹In 2024, we updated the calculation method: Ratio of the number of male/female employees receiving training in the enterprise to the total number of trained employees.

²In 2024, we updated the calculation method: Ratio of the number of employees of different grade receiving training in the enterprise to the total number of trained employees.

³In 2024, we updated the calculation method: Ratio of the number of employees of different function receiving training in the enterprise to the total number of trained employees.

⁴In 2024, we updated the calculation method: Average training hours of per employee = Total training hours of employees in a specific category / Number of employees in a specific category.



Occupational health and safety

Indicator	Unit	2022	2023	2024
Investment for safety production	RMB10,000	1,427.5	1,541.5	1,104.8
Number of work-related accidents	nos.	2	0	2
Number of work-related injuries	person	5	0	2
Number of work-related fatalities	person	0	0	0
Lost days due to work-related injuries	day	258	0	76
Number of newly added occupational diseases	nos.	0	0	0
Total hours of occupational health and safety training	hour	80,492	89,940	140,120
Coverage of occupational health and safety training	%	100	100	100
Total person-times of occupational health and safety training	time	40,246	44,970	70,060
Number of safety production drills	time	130	207	449
Total person-times of safety production drills	time	38,658	40,368	49,551
Coverage of safety production drills	%	100	100	100

Suppliers

Indicator	Unit	2022	2023	2024
Mainland China	nos.	199	195	191
East China	nos.	56	54	50
South China	nos.	27	24	21
North China	nos.	27	25	28
Central China	nos.	29	27	27
Northwest China	nos.	18	22	22
Northeast China	nos.	9	12	12

Indicator	Unit	2022	2023	2024
Southwest China	nos.	33	31	31
Number of new suppliers	nos.	/	/	38
Number of supplier ESG reviews	nos.	/	27	18
Number of suppliers identified as having actual and potential significant negative social impacts	nos.	/	/	0
Number of suppliers identified as having actual and potential significant negative environmental impacts	nos.	/	/	0
Number of suppliers suspended in cooperation for non-compliance	nos.	/	0	0
Number of potential suppliers rejected for non-compliance	nos.	/	0	0
Number of supplier ESG trainings	time	/	2	18
Hours of supplier ESG training	hour	/	2	9
Coverage of supplier ESG training	%	/	99	100



Product quality

Indicator	Unit	2022	2023	2024
Product recalls				
Number of product recalls	nos.	4	5	6
Percentage of recall due to quality of TCM decoction pieces (in kilograms)	%	0.04	0.017	0.017
Percentage of recall due to safety of TCM decoction pieces (in kilograms)	%	0	0	0
Percentage of recall due to quality of concentrated TCM granules (in packets)	%	0.00006	0.00004	0.00001
Percentage of recall due to safety of concentrated TCM granules (in packets)	%	0	0	0
Percentage of recall due to quality of TCM finished drugs (in boxes)	%	0.00002	0.00042	0.0029
Percentage of recall due to safety of TCM finished drugs (in boxes)	%	0	0	0
Number of product and service complaints received				
Total number	nos.	206	175	277
Regarding quality	nos.	32	28	26
Regarding packaging and appearance	nos.	105	75	125
Regarding product information inconsistency	nos.	1	13	3
Regarding adverse reactions	nos.	30	26	45
Others	nos.	38	33	78
Resolution rate for all customer complaints	%	100	100	100
Internal quality audits				
Number of defects identified by internal quality audit	Piece	393	414	418
Rectification rate of defects identified by internal quality audit	%	100	100	100

Innovation and R&D

Indicator	Unit	2022	2023	2024
Standard formulation				
Number of group standards in which participation in formulation was involved	nos.	11	16	11
Number of national standards in which participation in formulation was involved	nos.	0	36	34
Innovation and R&D				
Number of accidents in clinical trials	time	0	0	0
Expenditure on R&D	RMB100 million	6.12	6.86	5.96
Proportion of R&D expenditure	%	4.8	3.8	3.6
Proportion of R&D personnel	%	7.2	7.1	8.7
Number of innovative drugs that have been launched to the market	nos.	0	0	1
Number of patents granted	nos.	209	185	126

Information security

Indicator	Unit	2022	2023	2024
Number of internal information security audits (or information security risk assessments)	time	1	1	1
Number of third-party information security assessments	time	1	1	1

Community

Indicator	Unit	2022	2023	2024
Investments in rural revitalization	RMB10,000	3,166.3	3,316.8	2,815.2
Investments in public welfare	RMB10,000	1,433.8	1,445.5	1,443.7
Person-times of employees participating in volunteer services	person-time	416	1,823	1,965
Volunteer service time	hour	1,280	1,465	2,651
Proportion of unionized employees (Head Office)	%	/	100	100







Governance

Indicator	Unit	2022	2023	2024
Number of concluded corruption litigation cases brought by the regulatory authorities against the issuer or its employees	nos.	/	/	0
Number of business ethics audits (or economic responsibility audits) (including those of affiliated enterprises)	time	/	/	23
Number of anti-corruption and anti - bribery reporting incidents	time	/	/	0
Number of anti-corruption training sessions	time	14	23	27
Number of employees participated in anti-corruption training sessions	person-time	15,712	14,523	12,427
Number of legal compliance training sessions	time	/	8	678 ³
Number of employees participated in legal compliance training	person-time	/	300	68,825
Hours of legal compliance training	hours	/	/	1,356













³In 2024, the statistical caliber was expanded to cover all levels, resulting in a significant change in the data.

Index of Indicators

The content index of this report includes the United Nations Sustainable Development Goals, the GRI Standards, and the ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

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About China TCM	Company Profile		
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Contents		SDGs	GRI Standard
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Green Ecology, Safeguarding the Source of Traditional Chinese Medicine	Green Operations	    	301
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	Biodiversity Protection		
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Index of indicators of Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules

Issue	Performance Indicator	Page
Mandatory disclosure requirements		
Governance structure		P09
Reporting principle		P02
Reporting scope		P01-02
Comply or explain provision		
Main category A - Environment		
A1 Emission	General Disclosure: Information on the policies; and 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.	P58-60、62、72
	A1.1 The types of emissions and respective emissions data.	P74-75
	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).	P74
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P74
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P74
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	P58-60
	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.	P60
A2 Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	P55、57、72
	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).	P75
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P75
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them. Description of energy use efficiency target(s) set and steps taken to achieve them.	P55-56
	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.	P57
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P75



Issue	Performance Indicator	Page
A3 The Environment and Natural Resources	General Disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	P51、 63
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P54、 63-64
A4 Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P61
	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.	P61-62
Main Category B: Social		
Employment and Labour Practices		
B1 Employment	General Disclosure: Information on the policies; and 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.	P37-38、 40、 72
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	P76-77
	B1.2 Employee turnover rate by gender, age group and geographical region.	P79
B2 Health and Safety	General Disclosure: Information on the policies; and 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.	P43-46
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P81
	B2.2 Lost days due to work injury.	P81
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P45-48
B3 Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P40-42
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P80
	B3.2 The average training hours completed per employee by gender and employee category.	P80
B4 Labour Standards	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P37、 72
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	P37
	B4.2 Description of steps taken to eliminate such practices when discovered.	P37

Issue	Performance Indicator	Page
Operating Practices		
B5 Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.	P34
	B5.1 Number of suppliers by geographical region	P81
	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.	P34
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P34
B6 Product Responsibility	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P34
	General Disclosure: Information on the policies; and 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.	P31-33、 73
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P31、 83
	B6.2 Number of products and service related complaints received and how they are dealt with.	P30、 32-33、 83
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	P26
B7 Anti-corruption	B6.4 Description of quality assurance process and recall procedures.	P28、 31
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P33
	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P18
	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.	P18
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P18-20
	B7.3 Description of anti-corruption training provided to directors and staff.	P19
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.	P67-70
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P67-70
	B8.2 Resources contributed (e.g. money or time) to the focus area.	P67-70



Suggestions and Feedback

Dear readers,

Hello! Thank you for reading the 2024 Environmental, Social and Governance Report of China Traditional Chinese Medicine Holdings Co. Limited. We highly value and look forward to hearing your suggestions and feedback on this report, your comments and suggestions are an important basis for us to continue to promote ESG management and practice. You may copy and fill in the form below and send feedback to us via email or fax. Your valuable suggestions are very welcome and sincerely appreciated!

Multiple choice questions (please place "√" in relevant location)

1. Do you think this report reflects the significant economic, social and environmental impact of China TCM?

☐ Yes ☐ General ☐ No

2. Do you think the analysis of the stakeholders identified in this report and their relationship with China TCM is accurate and comprehensive?

☐ Yes ☐ General ☐ No

3. Do you think the information disclosed in this report is comprehensive?

☐ Yes ☐ General ☐ No

4. Do you think the information disclosed in this report is readable?

☐ Yes ☐ General ☐ No

Open-ended questions

1. What other information do you think you are concerned about is not disclosed in this report?

2. What else do you think can be improved in this report?

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