康哲药业
CHINA MEDICAL SYSTEM

康哲®

2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHINA MEDICAL SYSTEM HOLDINGS LIMITED
(STOCK CODE: Hong Kong: 867, Singapore: 8A8)



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ABOUT THE REPORT

The Report is the tenth Environmental, Social and Governance ("ESG") Report of China Medical System Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "CMS"). This is an annual report, which covers the fiscal year from January 1, 2025 to December 31, 2025 (the "Reporting Period") with some additional related information incorporated that may have occurred outside the Reporting Period.

Basis of Preparation

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

Scope of the Report

The Report discloses the Group's risk management initiatives and operational performance in ESG domains conforming to the principles of "Materiality", "Quantitative", "Balance" and "Consistency" mentioned in the *Environmental, Social and Governance Reporting Code*. Unless otherwise indicated, the scope of the Report is the same as that of the *2025 Annual Report* of the Group, and includes the Company, its wholly-owned subsidiaries and majority-owned subsidiaries.

Data Sources and Reliability Statement

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

Obtaining the Report

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

CHAIRMAN'S MESSAGE



Steady progress delivers lasting impact. CMS will continue to uphold its mission of "providing competitive products and services to meet unmet healthcare needs". Working in close partnership with our stakeholders, we will continue to move forward on the shared path of protecting human health and advancing planetary sustainability-together building a future that is healthier, more inclusive, and truly sustainable.

Dear stakeholders and readers,

Time brings renewed brilliance. In 2025, the global landscape experienced profound adjustments, geopolitical realignments, accelerating technological revolutions, escalating climate risks, and rapid transformation amid multiple changes in regulation, payment, and innovation competition across the pharmaceutical industry. The United Nations 2030 Agenda for Sustainable Development has also entered a critical phase of overcoming challenges and breaking through bottlenecks. Against this evolving backdrop, the Group takes "high-quality sustainable development" as its core, and deeply embeds ESG principles into its corporate strategy and operations. Guided by a long-term perspective, the Group actively fulfills its responsibilities as a corporate citizen, maintains strategic resolve amid uncertainty, and demonstrates its commitments through concrete actions.

We advance to realize "health for all". Driven by the dual engines of "product strength and commercialization," we deepen the global collaborative R&D network and strengthen the in-house R&D system, continuously increasing R&D expenditure in advanced therapies, rare diseases, and areas of unmet medical need, promoting faster translation of innovative achievements into clinically accessible treatment practices. At the same time, upholding the principle of inclusive benefit, we actively promote equitable access to medical resources through initiatives such as reasonable pricing practices, drug assistance programs, and public health education. These efforts are designed to overcome geographic and economic barriers, strengthen healthcare delivery capacity in less-developed regions, and meaningfully fulfill our responsibilities in advancing public health. We also give back to society and jointly build resilient communities through public welfare actions, and promote social inclusion and common development through projects such as disaster relief, rural revitalization, care for vulnerable groups, and investment in education.

CHAIRMAN'S MESSAGE- continued

Guided by high standards of corporate governance, operational management, and business ethics, CMS embeds compliant operations and risk management and control into key processes including R&D, manufacturing, sales, human resources, finance, supply chain, and information security, improves forward-looking risk identification, early warning, and emergency response coordination mechanisms, strictly safeguards the bottom lines of integrity, anti-fraud, and data compliance, and continuously enhances transparency and accountability. We leverage digitalization and AI to drive process online enablement and lean management, improve operational efficiency and decision-making quality, and strengthen organizational resilience. We continue to strengthen our talent development framework and organizational support systems, strengthen competency and pipeline building for key positions, advance training empowerment and occupational health and safety management, and foster a workplace culture that inspires creativity, respects diversity, and cares for well-being, sharing development achievements with employees. At the same time, we have built a synergistic mechanism spanning the entire value chain, from innovation incubation to commercialization, while enforcing rigorous quality and safety controls at every stage and systematically managing environmental and social risks across our supply chain. In close partnership with industry stakeholders, we actively promote the development of a responsible, transparent, and resilient collaborative ecosystem, continuously creating shared value.

We deeply recognize that climate change has become a key issue for the shared future of humanity. The Group proactively addresses climate risks, strives to improve the efficiency of energy and resource use, strengthens carbon emissions and water-use management, and continuously upgrades our mechanisms for identifying, assessing, and managing climate-related risks. At the same time, we actively explore synergistic pathways for the integrated development of environmental protection and the healthcare industry, contributing to a sustainable future in which people and nature coexist in harmony.

Steady progress delivers lasting impact. CMS will continue to uphold its mission of "providing competitive products and services to meet unmet healthcare needs". We will accelerate innovation and industrial upgrading through the development of new quality productive forces, advance compliant growth under high-standard corporate governance, respond proactively to climate challenges through green transformation, and extend the warmth of health through inclusive and public welfare action. Working in close partnership with our stakeholders, we will continue to move forward on the shared path of protecting human health and advancing planetary sustainability-together building a future that is healthier, more inclusive, and truly sustainable.

Chairman
Lam Kong
Hong Kong, China

ABOUT CMS

Company Profile

CMS (stock code: 0867.HK, 8A8.SG) is a platform company linking pharmaceutical innovation and commercialization with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

The Group focuses on unmet clinical needs and drives innovation through a dual approach of "collaborative R&D and inhouse R&D". We build an innovative pipeline centered on first-in-class (FIC) and best-in-class (BIC) products, delivering more breakthrough disease solutions for patients. As of 16 March, 2026, the Group's differentiated innovative pipeline has expanded to approximately 50 products, with a total of 7 innovative drugs and 2 orphan drugs approved for marketing in China to address unmet medical needs, of which 4 innovative drugs and 2 orphan drugs have been included in China's National Reimbursement Drug List and achieved large-scale clinical application, thus enhancing the affordability and accessibility of the innovative products and safeguarding the lives and health of more patients.

Focusing on such fields of specialty diseases as Cardiovascular-Kidney-Metabolic(CKM), central nervous system, gastroenterology, ophthalmology, and skin health business, the Group has adhered to responsible business operations with high ethical standards. It has built a differentiated product portfolio with academic value and high-quality standards. Through its influential academic platform and network, the Group provides professional products and services that empower the continuous translation of scientific research into clinical diagnosis and treatment practices. The Group is also actively advancing the "industrial internationalization" strategy, leveraging Singapore as a hub for emerging markets to build an efficient, end-to-end value chain with strong "R&D - manufacturing - commercialization" synergies. Following our secondary listing in Singapore, we have further strengthened strategic recognition and connectivity to resources in international market, enabling new avenues for high-quality, sustainable growth.

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

ESG Awards

The Group's efforts and results in ESG governance have been widely recognized[1].

S&P Global	恒生指數 HANG SENG INDEXES	Wind ESG
66	**A-**	**AA**
S&P Global CSA Score	**Hang Seng Indexes ESG Rating**	**Wind ESG Rating**
商道融绿 SynTao Green Finance	上海华证指数信息服务有限公司 Sino-Securities Index Information Service (Shanghai) Co.Ltd	绿色信评
A	**AA**	**AA+ pi**
SynTao Green Finance ESG Rating	**Sino-Securities Index ESG Rating**	**Green Credit ESG Rating**

In addition, the Group has received a number of ESG-related awards[2], including:

- Being included in the S&P Global Sustainability Yearbook for 2 consecutive years
- Being included in the S&P Global Sustainability Yearbook (China Edition) for 3 consecutive years
- 2025 Biopharmaceutical Sustainable Business Pioneer Award from the Healthcare Executive
- Outstanding ESG Listed Company at the 4th International Green Zero-Carbon Festival and ESG Leaders Summit 2025
- 2025 ESG Crystal Ball Award for Listed Companies from the Weekly on Stock

1 The ESG ratings presented in the Report are as of December 31, 2025.
2 The ESG-related awards set out in this Report were received during the period from January 1, 2025 to March 16, 2026.



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Statement of the Board of Directors

As the highest leadership and decision-making body for ESG-related matters, the Board of Directors of the Company places great importance on sustainable development, continuously strengthens the ESG governance framework, and promotes the integration of its own operations, ESG strategy, and social and environmental harmony, with the objective of creating long-term sustainable value for stakeholders.

The Company has formed a three-tier ESG governance framework consisting of the Board of Directors, the ESG Committee and the ESG Working Group. The Board of Directors of the Company is the highest-level supervisory body for ESG strategy, management and execution, and is responsible for overall supervision, direction and review. The ESG Committee is chaired by the executive director of the Company, who leads the ESG management work, and three independent non-executive directors are appointed as committee members, among which Ms. Luo Ying was appointed as a member of the ESG Committee on March 16, 2026. The organization-wide ESG Working Group is responsible for comprehensively promoting and implementing ESG-related work.

In active response to the SDGs, the Board of Directors of the Company has developed a comprehensive ESG strategy and targets in line with the Group's business practices, vision, and mission, and has set phased targets in areas such as healthcare accessibility, innovation and R&D, business ethics, product quality, employee training and development, employee diversity, occupational health and safety, greenhouse gas (GHG) emissions, use of resources, and solid waste. During the Reporting Period, the Board of Directors convened four ESG Committee meetings to oversee and review the latest progress in healthcare accessibility, business ethics, product quality, employee training and development, ESG targets, and corresponding work plans.

Meanwhile, the Group also values two-way communication with internal and external stakeholders and has established a systematic and regular communication mechanism. It continuously collects and analyzes the expectations and suggestions of stakeholders, and incorporates them into the decision-making process for strategic planning and operational optimization to enhance the adaptability and sustainability of business development.

During the Reporting Period, the Group systematically assessed the materiality and priority of ESG issues through questionnaires, expert consultations, and other methods. The Group conducts assessments and impact analyses of ESG risks for issues with double materiality and financial materiality. Based on factors such as the probability of risk occurrence and the magnitude of impact, it develops response strategies and considers incorporating relevant issues into the Group's overall risk management framework. The Board of Directors of the Company recognizes the significance of climate change impacts, and reviews the analysis results on climate change risks and opportunities, as well as climate-related financial disclosures. In addition, the Board members continually update their knowledge of the latest climate change policies and industry trends.

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

ESG Strategy

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

Group's Mission

Providing competitive products and services to meet unmet healthcare needs

Group's Vision

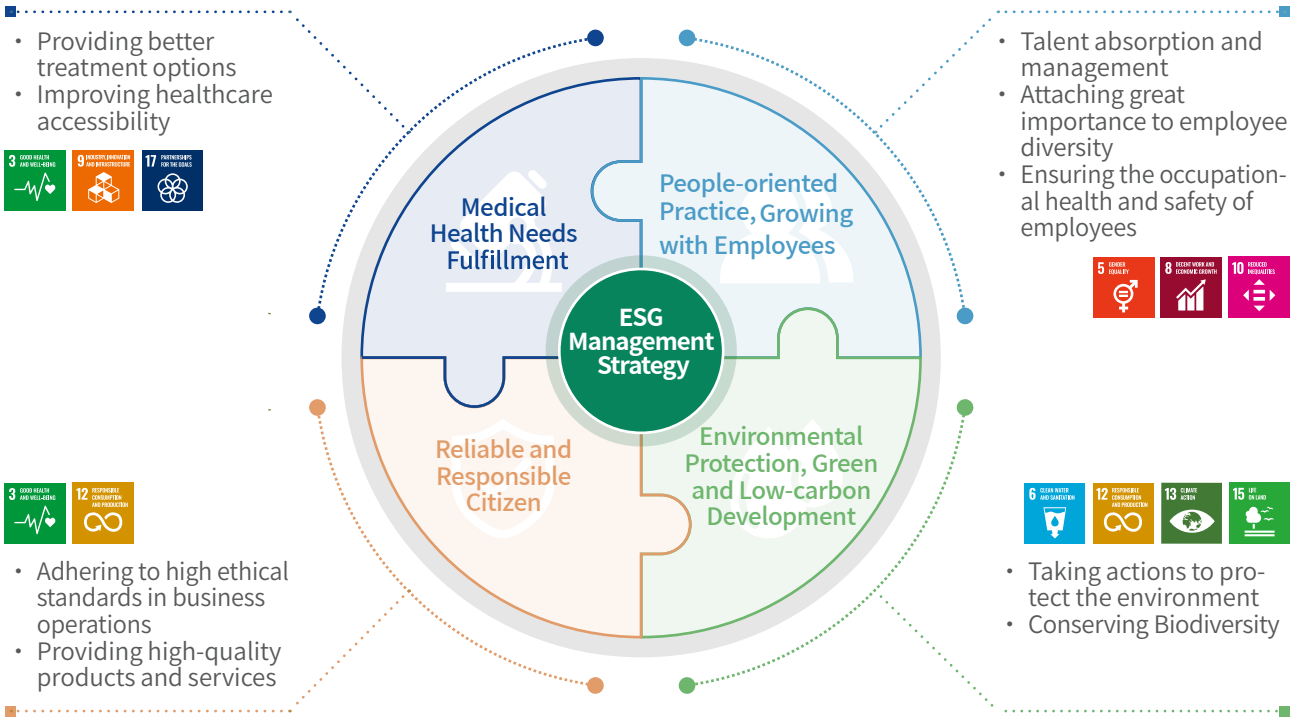
Becoming an innovation-leading, trustworthy specialty pharma

ESG Vision

Becoming a world-leading sustainable pharmaceutical enterprise

ESG Strategy

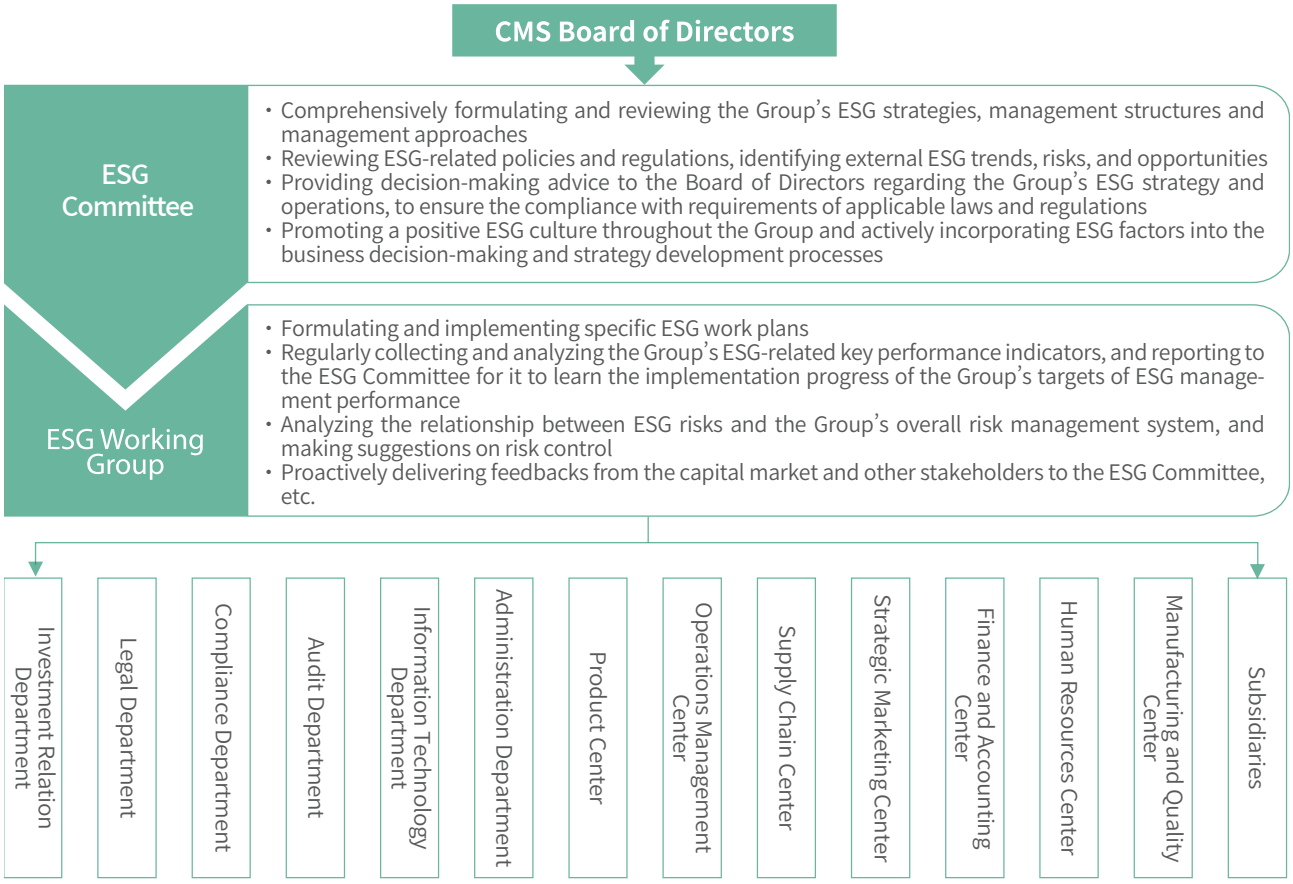
Developing differentiated innovative products through collaborative R&D and in-house R&D to meet clinical needs and benefit patients; promoting healthy, harmonious and sustainable development of the society and environment with responsible development.



CMS's ESG Strategy

Structure and Process of ESG Governance

The Company has formed a three-tier ESG governance framework consisting of the Board of Directors, the ESG Committee and the ESG Working Group to systematically advance the decision-making, execution, and supervision of ESG strategy from top to bottom. The ESG Committee consists of four directors, with Ms. Chen Yanling, Executive Director, Chief Financial Officer, and Vice President of the Group, serving as Chair of the Committee, among which Ms. Luo Ying was appointed as a member of the ESG Committee on March 16, 2026. The ESG Working Group is composed of ESG representatives from various departments and is responsible for implementing and reporting on specific ESG initiatives. The scope of authority at each tier, reporting procedures, and other details are comprehensively disclosed in the *CMS Environmental, Social and Governance Committee Terms of Reference*, which has been published on the Group's official website for all stakeholders' reference.



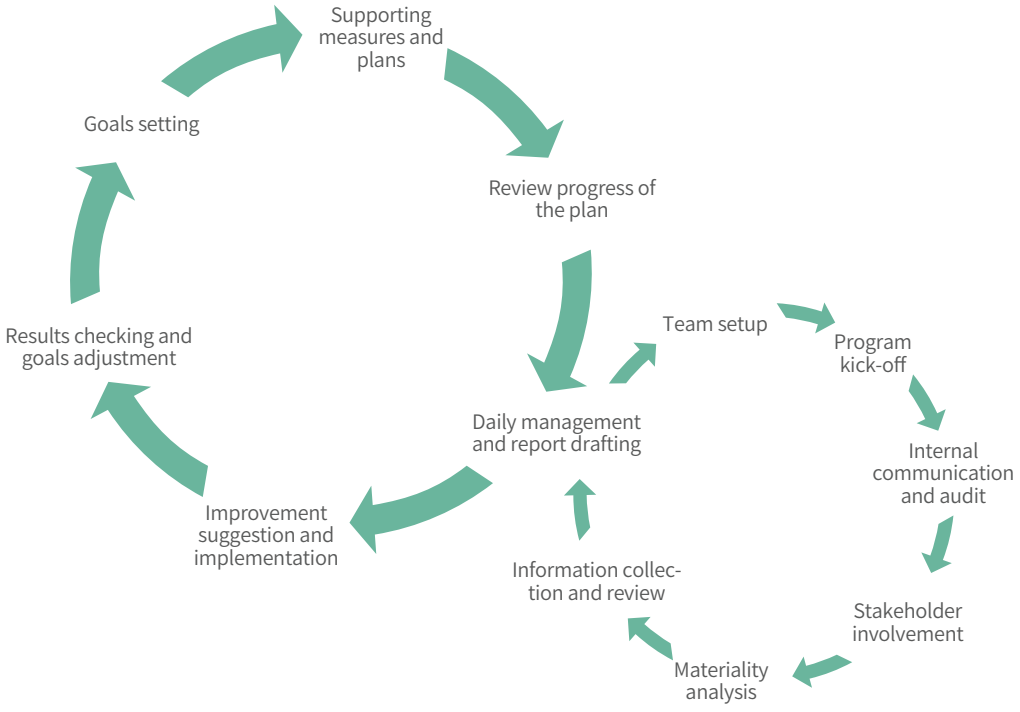
CMS's ESG Governance Structure

Linking ESG Indicators to Management Performance

To further integrate ESG governance with the incentive system, the Group has formally established the *CMS Non-financial Key Performance Indicators and Management Remuneration Linkage Mechanism*. The mechanism incorporates key ESG indicators such as business ethics, product quality and safety, and climate change into the performance evaluation system for executive directors, senior management, and relevant management personnel, explicitly linking ESG indicators to 10% of the year-end bonus. This initiative aims to extend ESG targets from the strategic level of the Board of Directors to the front line of business implementation, promoting the management to comprehensively fulfill sustainability responsibilities while pursuing business performance. By directly linking ESG performance to remuneration incentives, the Group not only strengthens the execution of ESG initiatives, but also helps achieve an organic balance between long-term sustainable value and short-term operational performance, providing an institutional safeguard for its high-quality and responsible development.

Closed-loop ESG Management Mechanism

- Reviewing the progress of ESG management goals of the previous year, and proposing and implementing improvement solutions to the issues existing in ESG management through internal audit, ESG best practices benchmarking, professional third-party recommendation, etc.;
- Reviewing and, as appropriate, adjusting or establishing new ESG management goals based on the Group's latest internal and external environment while integrating improvement plans;
- Breaking down the ESG management goals and formulating corresponding ESG management supporting measures and plans;
- Supervising the implementation of the measures through daily ESG management and dynamic monitoring of ESG information, and regularly reviewing the progress of the plan implementation;
- Preparing the annual ESG report according to the current state of ESG management with reference to the results of the stakeholder survey analysis;
- Reviewing and assessing the results of ESG governance at the end of the year.



CMS's ESG Management Process

ESG Communication with Stakeholders

The Group has established a systematic stakeholder engagement and communication mechanism. Through various forms such as regular meetings, thematic research, surveys, and public platform interactions, the Group maintains continuous and transparent two-way communication with all stakeholders, including employees, customers, investors, partners, government and regulatory authorities, communities and others. The Group values and promptly responds to the concerns of all parties, incorporating feedback into governance and decision-making processes to promote the solid implementation of sustainable development goals. The Group's main communication channels and corresponding communication methods are shown in the table below.

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

ESG Material Issues

The identification of material issues is a crucial step in building a sustainable development management system for enterprises. It helps clarify critical areas of responsibility and promotes the deep integration of ESG practices with strategic development. During the Reporting Period, the Group systematically reviewed sustainability-related issues by considering industry attributes, business characteristics, and changes in internal and external environments, and conducted the materiality assessment from two dimensions: "impact on CMS' s finance and operations" (financial materiality) and "impact on the economy, society, and environment" (impact materiality).

Double Materiality Assessment Process

- Combining the current situation and the background of CMS

  Based on the current operational status and development background of the Group, the Group reviewed business operations, value chain, and geographical distribution, identified relevant laws, regulations, and industry standards, analyzed the impact of its business on stakeholders, and systematically clarified the foundational environment for its sustainable development.

- Establishing an issues list

  Based on the requirements of sustainability-related disclosure standards and guidelines, capital market-related rating requirements, benchmarking analyses of peer disclosure practices, and taking into account the Group' s operational circumstances, a final list of 23 issues was established.

- Conducting materiality assessment

  The double materiality assessment this year was conducted through multiple approaches, including questionnaire and expert evaluations. During the Reporting Period, the Group engaged with stakeholders such as internal management, customers, suppliers, government authorities, and industry associations to thoroughly gather evaluations on the materiality of various ESG issues from both internal and external perspectives. A comprehensive analysis was conducted incorporating opinions from internal and external ESG experts.

  - Impact materiality assessment: Comprehensively considering both positive and negative impacts, actual and potential impacts, the Group assessed whether its performance on ESG-related issues would have significant impacts on the environment, economy, and society from dimensions such as impact scale, impact scope, probability of occurrence, and irreparability.

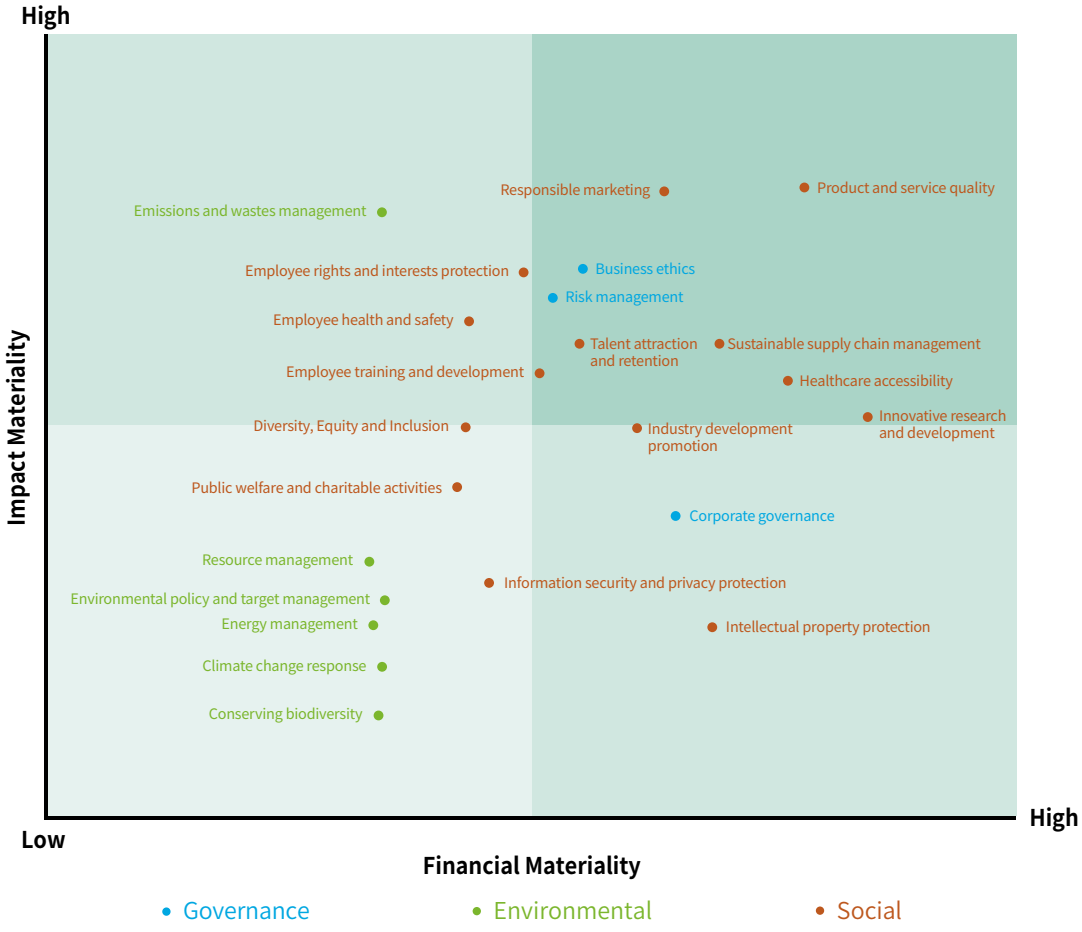
  - Financial materiality assessment: Considering the short-, medium-, and long-term time cycle, the Group comprehensively assessed the probability of occurrence and the degree of financial impact. By integrating aspects such as business continuity and relational dependency, the Group thoroughly evaluated the impact of relevant issues on the Group' s business model, business operations, financial condition, and other financial indicators across different cycles.

- Reviewing and confirming issues

  The Board of Directors of the Company reviewed the double materiality assessment process and examined and confirmed its results.

Materiality Assessment Results

The identification results of issues with double materiality are shown in the matrix below. As identified, among the 23 assessed issues, 12 were with financial materiality and 12 with impact materiality, and 9 were with double materiality.



CMS's 2025 ESG Double Materiality Matrix

Issues with financial materiality	Issues with impact materiality	Issues with double materiality
• Innovative research and development • Product and service quality • Healthcare accessibility • Intellectual property protection • Sustainable supply chain management • Corporate governance • Responsible marketing • Industry development promotion • Business ethics • Talent attraction and retention • Risk management • Employee training and development	• Product and service quality • Responsible marketing • Emissions and wastes management • Business ethics • Employee rights and interests protection • Risk management • Employee health and safety • Employee training and development • Talent attraction and retention • Sustainable supply chain management • Healthcare accessibility • Innovative research and development	• Product and service quality • Responsible marketing • Healthcare accessibility • Sustainable supply chain management • Innovative research and development • Business ethics • Talent attraction and retention • Risk management • Employee training and development

Material Issues-Value Chain Mapping

Issue category	Material issue	Responding section	Upstream of the value chain	Business operations	Downstream of the value chain
Governance	Corporate governance	ESG governance strategy		●	
	Risk management	Risk control	●	●	●
	Business ethics	Business ethics	●	●	●
Environmental	Emissions and wastes management	Emissions and wastes management		●	
	Energy management	Energy conservation	●	●	
	Environmental policy and target management	Taking actions to protect the environment		●	
	Resource management	Resource management	●	●	
	Climate change response	Climate change response	●	●	●
	Conserving biodiversity	Conserving biodiversity		●	
Social	Diversity, Equity and Inclusion	Attaching great importance to employee diversity		●	
	Talent attraction and retention	Talent absorption and management		●	
	Employee rights and interests protection	Protection of employees' rights and interests		●	
	Employee training and development	Training and development		●	
	Employee health and safety	Ensuring the occupational health and safety of employees		●	
	Sustainable supply chain management	Supply chain management/ Sustainable development of the supply chain	●	●	●
	Public welfare and charitable activities	Undertaking community responsibility			●
	Healthcare accessibility	Improving healthcare accessibility			●
	Intellectual property protection	Intellectual property protection	●	●	
	Information security and privacy protection	Privacy protection and information security		●	●
	Industry development promotion	Support for Pharmaceutical Industry Development	●	●	●
	Innovative research and development	Innovative R&D		●	●
	Product and service quality	Providing high-quality products and services	●	●	●
	Responsible marketing	Responsible marketing		●	●

Risks and Response Strategies for Issues with Financial Materiality

Issues with financial materiality	Risks	Opportunities	Response strategies
Corporate governance	Unclear responsibilities or poor communication may lead to delays in addressing critical issues, impacting decision-making efficiency and external perceptions.	A sound governance system helps enhance transparency and trust, supporting long-term, stable development.	With the Board of Directors as the highest decision-making and supervisory body, the Company has established an internal governance structure with clearly defined responsibilities and authorities. It defines strategic vision and drives implementation through regular meetings, establishes stakeholder communication mechanisms, conducts issue assessments, and progressively integrates risks into the overall management system.
Risk management	Inadequate risk control mechanisms or ineffective implementation of the "three lines of defense" may lead to compliance incidents, corruption, or audit deficiencies, resulting in financial losses.	Enhancing risk management helps prevent operational risks, improve compliance capabilities, and boost corporate credibility.	With the Board of Directors as the highest decision-making body, the Company has established a well-defined organizational structure and reinforced the "three lines of defense" framework, strengthening controls through internal and external audits and a closed-loop "audit - feedback – improvement" process. Centered on business ethics, the Group has improved its anti-corruption policies, implemented full-coverage employee training, and established multi-department monitoring mechanisms, integrating risk management into the overall risk control system.
Business ethics	Bribery, fraud, and other violations may lead to regulatory penalties, termination of cooperation, and reputational crises, directly affecting operational stability.	Strict adherence to ethical standards helps reduce improper expenditures, solidify cooperative relationships, and enhance recognition in the capital market.	The Group has established a four-dimensional control system comprising a policy framework, multi-level supervisory organizations, comprehensive training and communication, and routine monitoring and assessment. Through policy updates, training and evaluations, internal and external audits, and accountability measures, the Group comprehensively mitigates related risks.
Talent attraction and retention	Insufficient talent reserves, lack of competitive remuneration, or limited career development opportunities may lead to vacancies in key positions, affecting business advancement.	Establishing systematic mechanisms helps attract and retain core talent, stimulating organizational vitality.	The Group regards talent as a core driver and has established a human resources management framework. It attracts talent through compliant employment practices, diversified recruitment, talent reviews, and team construction; retains talent by providing fair incentives, competitive remuneration and benefits, employee care, and clear promotion pathways; safeguards human rights, and conducts regular internal and external audits.
Employee training and development	A disconnect between training and strategy or uneven resource allocation may lead to capability gaps, affecting business implementation and talent team construction.	Improving the training system helps enhance professional and leadership skills, achieving mutual growth between individuals and the Company.	Focusing on strategy and employee needs, the Group has established a training system that builds a diverse framework of "online + offline" and "internal + external" courses, covering occupational skills, professional skills, leadership, and general force. Through needs assessment, resource optimization, and digital empowerment, combined with a promotion mechanism, the Group ensures the effective implementation of training.
Sustainable supply chain management	Supplier disqualification, unstable quality, or logistics disruptions may lead to product safety issues or production halts.	Establishing an efficient supply chain system helps ensure supply stability, control costs, and enhance operational resilience.	The Group has constructed an end-to-end management system, and builds a resilient and sustainable supply chain leveraging dedicated policies, tiered supplier assessments, differentiated risk control and mitigation measures, together with risk management, integrity and compliance initiatives, and supplier training.

Issues with financial materiality	Risks	Opportunities	Response strategies
Healthcare accessibility	Unreasonable pricing, insufficient supply at the grassroots level, or slow implementation of innovative drugs may lead to increased patient burden, affecting social image.	Enhancing accessibility helps expand market coverage, increase public recognition, and explore emerging market opportunities.	The Company has established a governance and control system centered on the Board of Directors and enhances medical accessibility and affordability comprehensively through fair pricing, promoting the inclusion of products in the NRDL, multi-level supply chain building, acceleration of innovative drug launches, expansion of emerging markets, nonprofit science education initiatives and drug donation activities, and the supportive training of healthcare professionals.
Intellectual property protection	Infringement or mismanagement of intellectual property rights may lead to legal disputes, asset loss, and impact R&D progress and competitive advantage.	Strengthening end-to-end lifecycle management helps protect innovation outcomes and unlocks the commercial value of R&D.	The Group has established a specialized management system, a comprehensive process control system, a regular prevention and control mechanism, specialized training, and diverse monitoring and reporting channels for systematic intellectual property protection and risk management.
Industry development promotion	Failure to keep pace with clinical needs or guideline updates may lead to insufficient product recognition, affecting market promotion.	Deep participation in the development of guidelines and academic consensus helps enhance product credibility through authoritative validation and market competitiveness.	The Group has leveraged its role as a bridge within the pharmaceutical industry to support the inclusion of core products in authoritative domestic and international treatment guidelines and expert consensus. It has actively participated in academic exchanges and deepened industry–academia–research collaborations, contributing to high-quality industry development through clinical standardization, academic co-construction, and talent cultivation.
Innovative research and development	High R&D investment and long cycles may lead to unrecoverable costs if clinical trials fail or approvals are delayed, affecting long-term performance.	Continued investment in innovation and strategic focus on the fields of specialty and rare diseases helps enrich the product line and drive long-term growth.	Focusing on patient needs, the Group continuously increases investment through independent R&D, industrial investment, and strategic cooperation, establishes a end-to-end lifecycle R&D system, concentrates on advantageous areas, efficiently advances clinical development and commercialization, and simultaneously strengthens intellectual property protection.
Product and service quality	Unstable material quality, production or storage lapses may lead to drug safety issues, resulting in recalls and reputational damage.	Establishing a full value chain quality system helps ensure drug safety and shapes a professional and reliable brand image.	The Group has established a comprehensive quality system covering the entire process of source control, production and operation, storage and transportation, traceability management, and complaint handling, ensuring the quality of products and services through internal and external audits, system optimization, personnel assessment, and closed-loop rectification.
Responsible marketing	False marketing content, non-compliant information, or inadequate cost control could lead to regulatory penalties and legal risks, damaging brand reputation.	Establishing a compliant marketing mechanism helps build a professional image and gain the trust of medical institutions and regulatory authorities.	The Group has established a closed-loop management mechanism of "policy - implementation - monitoring – feedback". Leveraging dedicated policies, end-to-end review of promotional materials, regular training for all employees, multi-level monitoring and assessment, and a whistleblower protection system, the Group comprehensively manages related risks.



MEDICAL HEALTH NEEDS FULFILLMENT

The Group focuses on unmet clinical needs. Relying on its specialty-focused innovation R&D platform and commercialization platform, the Group constantly empowers the efficient transformation of innovative research achievements into diagnosis and treatment practices, offers better choices for disease treatment, and strives to further promote accessibility and affordability of pharmaceutical products.

Providing Better Treatment Options 19
- Innovative R&D
- Orphan Drugs
- Support for Pharmaceutical Industry Development

Improving Healthcare Accessibility 25
- Improving Drug Affordability
- Improving Drug Accessibility in Emerging Markets
- Multi-Pathway Empowerment of Public Health



KEY TARGETS AND PROGRESS

	Targets for Year 2030:	Progress in Year 2025:
Providing better treatment options	• Increasing R&D investment in differentiated innovative drugs for serious diseases/ chronic diseases.	• Continuously promoted deployment, R&D, registration and market access of innovative products for serious diseases and chronic diseases as well as rare diseases. Total R&D expenditures (including both capitalised and expensed amounts) of the Group increased by 40.5% to RMB 1,058.4 million in Year 2025 compared to Year 2024. In the case that all medicines were directly sold by the Group, total R&D expenditures as a percentage of turnover increased by 2.6 percentage points to 11.3% in Year 2025 comparing to Year 2024.
Improving healthcare accessibility	• Improving healthcare accessibility in China and other developing countries.	• As of the last practicable date, the Group's 7 innovative drugs and 2 orphan drugs have been approved for marketing. Among these drugs, 4 innovative drugs and 2 orphan drugs were included in the National Reimbursement Drug List ("NRDL"), which significantly improved the accessibility and affordability of products. • Together with Chinese various industry associations, public welfare foundations and domestic and overseas medical experts, the Group proactively promoted activities such as leading diagnosis and treatment practices exchange, disease knowledge popularization and education, patient care programs, drug donations, and free medical consultations, enhancing public health awareness and reducing patients' financial burdens, while improving access to standardized treatment. • Steadfastly implemented the fully integrated "R&D-Manufacturing-Commercialization" industry chain development strategy in emerging markets including Southeast Asia, the Middle East, and North Africa, the Group continuously introduced differentiated pipelines that meet local clinical needs, advanced product registration, marketing application, and commercialization, and acquired an equity stake in a one-stop pharmaceutical CDMO platform to comprehensively empower pharmaceutical R&D, manufacturing, and supply in emerging markets and enhance local access to high-quality pharmaceutical products.

Providing Better Treatment Options

Adhering to the original aspiration, the Group remains dedicated to addressing unmet needs. It upholds on the mission of "providing competitive products and services to meet unmet medical needs", and is committed to offering patients with more and better treatment options.

Innovative R&D

Committed to the innovation development strategy and guided by patient needs, the Group continues to increase R&D investment in drugs for serious diseases, chronic diseases, and rare diseases, continuously optimizes its innovation system and enriches its pipeline portfolio.

With the specialty-focused innovation R&D platform, the Group rapidly introduces global new and good drugs into China and other Asia-Pacific markets through multiple approaches, including industrial investment, strategic cooperation and in-house R&D, etc. The Group also efficiently promotes clinical development and commercialization, improves the accessibility of cutting-edge global therapies, and provides better treatment options to patients, thereby realizing the clinical and social value of its products.



During the Reporting Period, the Group had a turnover of RMB 9,385.6 million in the case that all medicines were directly sold by the Group, its total R&D expenditures (including both capitalised and expensed amounts) increased by 40.5% to RMB 1,058.4 million in 2025 compared to last year, and its total R&D expenditures as a percentage of turnover increased by 2.6 percentage points to 11.3% in 2025 comparing to last year. With the expansion of innovative products, the Group has developed a pipeline of approximately 50 short-, medium- and long-term innovative products with a relatively high level of innovation and differentiated clinical advantages. The Group's R&D capabilities have earned recognition from third-party institutions. During the Reporting Period, the Group's Shenzhen subsidiary was selected in "2025 Top 100 Chinese Pharmaceutical Enterprises in Chemical Drug R&D" by Yaozh.com.

During the Reporting Period, the Group added 5 quality innovative pipeline products:

- In October, the Group obtained the exclusive rights to import, distribute, sell, and promote the next-generation anti-VEGF drug Brolucizumab Injection (BEOVU) for the treatment of diabetic macular edema (DME) in Mainland China. Leveraging its innovative advantages in ultra-small molecular and high concentration, it is anticipated to help more DME patients gain visual improvement and alleviate treatment burden.

- In September, the Group obtained exclusive commercialization rights for two Class I innovative biologics, Silevimig Injection (passive immunization against rabies) and Vecantoxatug Injection (passive immunization against tetanus) in Mainland China and exclusive licensing rights for the rest of the Asia-Pacific region, the Middle East and North Africa. These products are expected to provide new preventive and therapeutic options of passive immunization for patients following tetanus and rabies exposure.

- In January, the Group obtained the co-development rights (excluding AD) and exclusive commercialization rights in Mainland China, Hong Kong, Macau, Taiwan, and Singapore for the innovative long-acting anti-IL-4Rα humanized monoclonal antibody, Comekibart Injection (MG-K10), for the treatment of type 2 inflammatory diseases such as atopic dermatitis (AD), prurigo nodularis, asthma, and seasonal allergic rhinitis. The product enables a four-week dosing frequency, which is expected to improve patient adherence.

- In January, the Group obtained exclusive right to develop, register, manufacture, import, export, and commercialize the improved new drug Benzgalantamine Gluconate Enteric-coated Tablets (ZUNVEYL) in Asia (excluding Japan and the Middle East region), Australia, and New Zealand. It is indicated for the treatment of mild to moderate dementia of the Alzheimer's type. It demonstrates a potentially better gastrointestinal safety profile to improve compliance of patients.

  As of the last practicable date[3], the Group already had 7 differentiated innovative drugs approved for marketing in China. Among which, ruxolitinib phosphate cream (vitiligo indication) was approved for marketing in China in January 2026, and Desidustat Tablets was approved for marketing in China in March 2026. In addition, 4 innovative drugs (VELPHORO, ILUMETRI, VALTOCO, and METOJECT) had been included in the NRDL, comprehensively enhancing drug accessibility and benefiting more patients in China.

3 The last practicable date was March 16, 2026.

Product Names	Product Introduction
Desidustat Tablets	A novel oral HIF-PHI for treating anaemia in non-dialysis adult CKD patients.
Lumirix ruxolitinib phosphate cream	The first topical JAK inhibitor approved in China for vitiligo.
ILUMETRI Tildrakizumab Injection	A monoclonal antibody specifically targeting to the p19 subunit of IL-23, requires only 4 administrations per year during its maintenance period for the treatment of psoriasis, which may lead to higher patient compliance.
VELPHORO Sucroferric Oxyhydroxide Chewable Tablets	China's first iron-based, non-calcium phosphate binder, providing efficient phosphorus reduction with lower tablet burden, and improving patients' nutritional status.
METOJECT Methotrexate Injection	China's first pre-filled MTX injection for subcutaneous administration for the treatment of RA and psoriasis. Previously, it has been included in the Urgently Needed Drugs List in China as an urgently needed clinical drug with short supply.
VALTOCO Diazepam Nasal Spray	The first Diazepam Nasal Spray approved for marketing in China, which can be administered at anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy.
LUMEBLUE Methylthioninium Chloride Enteric-coated Sustained-release Tablets	The first Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China, providing a convenient solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy.

CMS's Marketed Innovative Drugs

The Group also made significant progress in multiple innovative pipeline products under development. As of the last practicable date, 6 innovative drugs were under review for the New Drug Application (NDA) in China , including Loberamisal for Injection (Y-3 for Injection), Silevimig Injection, Vecantoxatug Injection, Benzgalantamine Gluconate Enteric-coated Tablets (ZUNVEYL), Comekibart Injection (MG-K10) for atopic dermatitis (AD) indication, and ruxolitinib phosphate cream for AD indication. Since 2025, the Group has newly granted 10 approvals for Investigational New Drug ("IND") in China, and has efficiently advanced the clinical development of multiple innovative products.

Meanwhile, leveraging its efficient R&D and management system for the full product lifecycle of innovative products, the Group continues to enhance its in-house R&D capabilities, focusing on new targets and cutting-edge technologies in advantageous specialty areas, including CKM, central nervous system, gastroenterology, ophthalmology, and skin health, with the aim of improving patients' quality of life. As of the last practicable date, the Group has steadily advanced about 6 in-house R&D projects with worldwide proprietary intellectual property into the clinical stage, including TYK2 Inhibitor CMS-D001 Tablets (intended for psoriasis, Atopic Dermatitis), GnRH Receptor Antagonist CMS-D002 Capsules (intended for uterine fibroids), GLP-1R/GCGR Dual Agonist CMS-D005 Injection (intended for obesity/overweight), Cardiac Myosin Inhibitor CMS-D003 Capsules (intended for hypertrophic cardiomyopathy), Complement Factor B Inhibitor CMS-D017 Capsules(intended for paroxysmal nocturnal hemoglobinuria and complement-mediated renal diseases) and a siRNA therapy targeting and inhibiting INHBE CMS-D008(intended for overweight/obesity). In addition, the Group's in-house R&D pipeline also comprises more than 20 candidate products at the preclinical research stage.

Orphan Drugs

As one of the major medical challenges posed to global human health, the improvement in treatment capabilities of rare diseases has attracted widespread attention. The Group pays close attention to the treatment needs of patients with rare diseases, providing this special group with better quality and more diversified treatment options. In January 2026, the Group's self-developed innovative drug Complement Factor B Inhibitor CMS-D017 Capsules obtained IND approval in China. The product has demonstrated excellent efficacy and safety in preclinical studies and is being developed for clinical use in the treatment of a rare disease, paroxysmal nocturnal hemoglobinuria.

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

- Ursofalk (Ursodeoxycholic Acid Oral Suspension) was approved for marketing in China in July 2024 and was included in the Category B of NRDL in December 2025. Among its approved indications, one is a rare disease (for the treatment of liver disease associated with a condition called cystic fibrosis in children aged 1 month to 18 years), making it the first approved drug for this indication in China. Moreover, the product is an oral suspension that further meets clinical medication needs of patients with rare diseases and pediatric diseases due to its unique new variety, dosage form and specification as a pediatric drug, which is in line with the physiological characteristics of children.

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

Support for Pharmaceutical Industry Development

The Group fully supports the development of the pharmaceutical industry, fully leveraging its pivotal role as a bridge between cutting-edge scientific research and clinical practice. It actively promotes the development of various guidelines/expert consensuses and provides high-quality research support, thereby enhancing clinical attention to relevant diseases and advancing the scientific and refined development of diagnostic and treatment protocols to ensure that innovative therapies reach patients more rapidly and effectively, and contributing CMS's efforts to the improvement of the overall healthcare quality. During the Reporting Period, multiple innovative drugs and core marketed products of the Group were included in various guidelines and consensuses:

Product Names	Guideline/Consensus Names
VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets)	• Chinese expert consensus on the clinical management of hyperphosphatemia in patients with chronic kidney disease (2025 edition) • Clinical practice guidelines for management of chronic kidney disease during peridialysis in China (2025)
METOJECT (Methotrexate Injection)	• Consensus on early diagnosis and treatment of psoriatic arthritis (2025) • "EULAR Recommendations for the Management of Rheumatoid Arthritis-2025 Update" published by the European Alliance of Associations for Rheumatology (EULAR)
VALTOCO (Diazepam Nasal Spray)	• Expert consensus on the pre-hospital management principles for the emergency termination of seizures (2025 edition) • Chinese guidelines for standardized diagnosis and treatment of convulsive status epilepticus in adults (2025 edition)
Lumirix (ruxolitinib phosphate cream)	• Expert consensus on the treatment of dermatoses with targeted drugs (2025 version) • Guideline on phototherapy for vitiligo (2025 edition) • Canadian consensus guidelines for the management of vitiligo
ILUMETRI (Tildrakizumab Injection)	• Interleukin-23p19 inhibitors for the treatment of moderate-to-severe psoriasis: an expert opinion of real-world evidence studies in Europe • Expert consensus on the treatment of dermatoses with targeted drugs (2025 version) • EuroGuiDerm guideline for the systemic treatment of psoriasis vulgaris, 2025 Updated • German S3 Guideline for the treatment of psoriasis vulgaris (2025 Edition)
BEOVU (Brolucizumab Injection)	• Diabetic retinopathy preferred practice pattern®
BIOFLOR (Saccharomyces Boulardii Sachets)	• Expert consensus on the clinical application of microecological regulators in China (2025 Edition)
COMBIZYM (Oryz-aspergillus Enzyme and Pancreatin Tablets)	• Expert consensus on integrated traditional Chinese and western medicine diagnosis and treatment of cholecystitis (2025) • Expert consensus on diagnosis and treatment of chronic non-atrophic gastritis with the integrated traditional Chinese and western medicine (2025) • Expert consensus on clinical and home use of digestive enzyme supplements • Expert recommendations on rational administration of medications for dyspepsia in Chinese families (science popularization practice edition)
HIRUDOID (Mucopolysaccharide Polysulfate Cream)	• Expert consensus on the diagnosis and treatment of childhood vitiligo • Expert consensus on the diagnosis, treatment, and rehabilitation of pruritus in the elderly (2025 Edition)
EyeOP1 Glaucoma Treatment Device	• Chinese expert consensus on the diagnosis and treatment of primary angle-closure glaucoma (2025)

Inclusion of Innovative Drugs and Core Marketed Products in Guideline Recommendations in 2025

The Group actively joins various industry associations and participates in industry forums, academic seminars, and other academic exchange activities, engaging in academic interactions with experts and peers both domestically and internationally at all levels. It engages in discussions and shares practical experiences on the latest diagnostic and therapeutic technologies, as well as new drug development progress, in the fields of CKM, central nervous system, gastroenterology, ophthalmology, and skin health. Working together with industry participants, the Group coordinates efforts to support the high-quality development of the healthcare industry in China and other developing countries.

To encourage the implementation of scientific research projects and the exploration of clinical applications, the Group actively responds to national initiatives and closely cooperates with renowned domestic universities, medical institutions, and charitable foundations in improving its scientific research system, cultivating scientific research talents, and accelerating the translation of medical innovation achievements, thereby promoting the sustainable development of clinical research in China across multiple dimensions. During the Reporting Period, the Group further deepened school-enterprise cooperation and strengthened the integrated interaction and convergence of industry, university, and research in the healthcare sector. The Group also made donations to the education foundations of several renowned universities to support discipline development, scientific research, talent cultivation, and the development of affiliated hospitals of medical schools.

Improving Healthcare Accessibility

The Board of Directors of the Company is the highest responsible body for matters related to improving healthcare accessibility. It is responsible for formulating relevant strategies and targets, and overseeing the implementation of the Company's full value-chain medical programs, covering product R&D, service systems and capacity building, and the development of the industry ecosystem. The ESG Committee under the Board of Directors regularly reviews and continuously oversees the implementation of relevant strategies, policies, and works on an annual basis to ensure that initiatives are effectively implemented. The Group is committed to continuously improving the accessibility and affordability of pharmaceutical products through systematic management and practices, promoting the development of inclusive healthcare through concrete actions, and fulfilling the social responsibilities of a pharmaceutical company.

The Group has acknowledged resistance to antibiotics as one of the public health threats worldwide. To halt the global spread of antibiotic resistance and its impact on medical progress, the Group attaches great importance to the scientific and prudent use of antibiotic drugs, calls for enhanced management of relevant prescription drugs, and supports R&D and industry exchange addressing antibiotic resistance.

Improving Drug Affordability

The Group firmly supports fair drug pricing mechanisms and attaches great importance to improving the affordability of pharmaceutical products in China and other developing-country markets. The major marketed products of the Group are supported by robust evidence-based medical evidence, enjoy a strong brand reputation, and offer relatively low daily treatment costs.

China Market

In the product pricing process, the Group strictly follows domestic laws, regulations, and regulatory policies related to drug prices, initiates pharmacoeconomic studies, and fully considers the actual costs and clinical value of drugs, and conducts fair pricing through standardized tendering procedures, to ensure the rationality and fairness of drug prices.

Meanwhile, the Group proactively promotes the inclusion of its innovative products in the NRDL through medical insurance negotiations to alleviate patients' financial burden and reduce pressure on medical insurance payments. As of the last practicable date, among the Group's core marketed products, over 65% of them were included in the NRDL, and approximately 10% of them were included in the National Essential Drug List.

During the Reporting Period, 2 products of the Group, BEOVU (Brolucizumab Injection) and Ursofalk (Ursodeoxycholic Acid Oral Suspension), were newly included in the *National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2025 Version)* ("the 2025 NRDL"). The Group's marketed product, XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection) has been included in the NRDL for consecutive years and was adjusted to the general list this time. Multiple innovative drugs (VELPHORO, ILUMETRI, and VALTOCO) successfully completed the NRDL renewal to consistently benefit patients.

The prices of the Group's major marketed products can be found on the official websites of the National Healthcare Security Administration or drug procurement centers of different provinces.

Other Developing Country Markets

The Group attaches great importance to the affordability of its products in developing country markets such as Southeast Asia and the Middle East. It complies with local government pricing policies and fully takes into account the level of economic and industry development across different countries and different regions within a country. It conducts comprehensive assessments of the following factors to formulate fair pricing strategies suited to local conditions: local economic growth rate, per capita disposable income level, healthcare system quality, product production and supply conditions, medical insurance affordability, and competitor pricing. Meanwhile, the Group actively participates in local government tenders, striving to reduce the economic burden of medication for patients in developing countries and contributing to the development of local medical and health security systems.

Improving Drug Accessibility in Emerging Markets

The Group collaborates with global pharmaceutical innovation partners, striving to bring high-quality and affordable pharmaceutical products to more patients in China and other developing countries, thereby contributing to improving healthcare standards in countries/regions primarily in Asia-Pacific emerging markets. The Group supports the *Doha Declaration on TRIPS Agreement and Public Health*, recognizing its significance in helping underdeveloped countries in need to gain access to medicines under certain circumstances. The Group recognizes and supports reasonable generic competition and makes its best efforts to improve healthcare accessibility across different geographies, especially in underdeveloped countries, contributing to the sustainable development of global healthcare.

China Market

The Group has been deeply engaged in the China market, continuously enriching the product pipeline layout and expanding indication coverage in therapeutic areas including CKM, central nervous system, gastroenterology, ophthalmology, and skin health, to meet the needs of various disease patients in China for safe, effective, and affordable medicines.

The Group has established a synergistic and complementary channels across public hospitals, non-public healthcare institutions, dual-channel pharmacies, chain drugstores, and e-commerce networks, thereby building a multi-tiered pharmaceutical supply system. Meanwhile, the Group is committed to eliminating health disparities for residents in underdeveloped regions, and actively promotes the expansion and penetration of the county-level and lower-tier markets, as well as economically backward areas, to provide communities with high-quality products at affordable prices. As of the end of the Reporting Period, the Group's marketed products have achieved extensive coverage in hospitals/medical institutions/drugstores in China, significantly improving the accessibility of the products.



In order to improve the efficiency of the pharmaceutical supply, the Group supplies the pharmaceutical products to the local distributors, and provides reasonable packaging planning in advance for the delivery and transportation of pharmaceutical products. The Group also offers suggestions on the optimal transportation solutions to maximize the efficiency of the supply chain, so as to ensure the timeliness of pharmaceutical supply. The Group is also committed to using digital tools to address pharmaceutical supply issues in remote areas and community healthcare institutions. Leveraging its experience in building and applying digital management systems, it has provided long-term public welfare assistance to Nenang Ecological and Cultural Conservation Center in Doilungdeqen District, Lhasa, Tibet, and led the establishment of a fully digitalized and visual inventory management system for pharmaceutical supplies in the Center's clinic, improving pharmaceutical supply efficiency, significantly shortening emergency response time, and enhancing the accessibility of medicines across geographic and time dimensions.

In addition, the Group is dedicated to shortening the time lag for Chinese patients to access innovative drugs, thereby accelerating the availability of innovative therapies to benefit more patients.

- The innovative drug ruxolitinib phosphate cream (vitiligo indication) successively commenced pilot use under China's policy for the importation of clinically urgent medicines at designated medical institutions in the Hainan Boao Lecheng International Medical Tourism Pilot Zone, the Guangdong Province (Greater Bay Area), and the Beijing and Tianjin Free Trade Zones. As of the end of the Reporting Period, Boao Super Hospital has prescribed the product to near 7,500 patients with non-segmental vitiligo, and a total of approximately 25 hospitals in Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen, Huizhou, Beijing, and Tianjin have provided prescription services for the product, reducing the time gap for Chinese vitiligo patients to access innovative drugs. Moreover, the localization technology transfer of the product is being orderly advanced, which may further improve the accessibility and affordability of global quality innovative drugs in China.

- The innovative oral JAK1 inhibitor, povorcitinib, was included in the list of Breakthrough Therapeutic Drugs by the Center for Drug Evaluation of the NMPA in December 2025. This certification has the potential to accelerate the development and review process of the product in China, enabling patients with vitiligo in China to benefit from globally innovative therapies at an earlier date.

- The improved new drug ZUNVEYL is the second oral therapy approved by the U.S. Food and Drug Administration (FDA) for the treatment of Alzheimer's disease in more than a decade. Leveraging its efficient allocation of resources and robust capabilities in registration promotion, the Group submitted the NDA in China for the product in July 2025, around six months after obtaining the rights of the product, enabling Chinese patients to benefit from an innovative Alzheimer's therapy with a potentially better gastrointestinal safety profile at an earlier date.

Other Developing Country Markets

The Group is advancing its "industrial internationalization" development strategy by extending the high-quality pipeline and mature commercialization capabilities accumulated in the China market to other developing country markets such as Southeast Asia and the Middle East. With a focus on addressing unmet local clinical needs, the Group leverages the established R&D system "CMS R&D", manufacturing system "PharmaGend", and commercialization system "Rxilient" in a coordinated manner to comprehensively drive the full ecosystem development integrated R&D, manufacturing, and commercialization of the pharmaceutical industry in emerging markets, and enhance the accessibility of healthcare products and services locally.

Headquartered in Singapore as the Group's base for its Asia-Pacific emerging market business, Rxilient has established subsidiaries or offices in Hong Kong, Taiwan Region, Malaysia, Vietnam, the Philippines, Indonesia, Thailand, and the United Arab Emirates. It employs local talents to run the business, providing employment opportunities and positions for local people.

Leveraging its rich industry resources, the Group supports Rxilient to reach collaborations with global pharmaceutical enterprises or biotech companies in developing markets such as Southeast Asia and the Middle East. During the Reporting Period, Rxilient continued to enrich its differentiated innovative product pipeline:

- Obtained exclusive right to develop, register, manufacture, import, export, and commercialize the improved new drug, ZUNVEYL (for Alzheimer's disease), in Asia (excluding Mainland China, Japan, and the Middle East region);

- Obtained the exclusive licensing rights for the Class I innovative biologics, Silevimig Injection (for passive immunization against rabies) and Vecantoxatug Injection (for passive immunization against tetanus), in the rest of the Asia-Pacific region outside Mainland China, the Middle East and North Africa;

- Obtained exclusive licensing rights for Class 1 innovative drug, Y-3 for Injection (for acute ischemic stroke), in Hong Kong, Macau, Taiwan, Singapore, Malaysia, Thailand, the Philippines, Vietnam, in the Middle East and North Africa;

- Obtained the co-development rights (excluding AD) and exclusive commercialization rights in Hong Kong, Macau, Taiwan, and Singapore for the Class 1 innovative drug, MG-K10 (for atopic dermatitis, asthma, and seasonal allergic rhinitis).

Rxilient also actively promotes the registration, and commercialization of high-quality pharmaceutical products. As of the end of the Reporting Period, it had cumulatively submitted nearly 20 registration applications for pharmaceutical products and medical devices in the Asia-Pacific and the Middle East regions, establishing a diversified product portfolio covering CKM, central nervous system, autoimmune, ophthalmology, dermatology, and oncology. Among these, core innovative pipeline products have progressively achieved positive progress:

- Ruxolitinib phosphate cream for vitiligo has officially launched sales in Hong Kong and Macau, and registration applications have been submitted in Singapore and Taiwan region;

- Sucroferric Oxyhydroxide Chewable Tablets has been approved for marketing in Hong Kong and Macau and included under the category of "Special Drug" on the Hong Kong Hospital Authority Drug Formulary, and the registration application has been submitted in Taiwan region;

- Tildrakizumab Injection has been approved for marketing in Hong Kong, and the registration application has been submitted in Taiwan region;

- The registration applications for ZUNVEYL have been submitted in Malaysia, Indonesia, the Philippines, Thailand, Vietnam, and the Macau and Taiwan regions;

- The registration applications for Diazepam Nasal Spray have been submitted in Hong Kong and Taiwan regions, and it was approved for marketing in Singapore in January 2026.

Moreover, Rxilient accelerated the progress of the NPP (Named Patient Program) for innovative drugs in urgent clinical need in certain countries in Southeast Asia, allowing relevant patients to get drug therapies earlier before the product is formally approved for marketing to shorten the waiting time for Southeast Asian patients to use international quality innovative drugs. As of the end of the Reporting Period, the NPP for ruxolitinib phosphate cream for vitiligo has been implemented in Singapore and Malaysia.

The Group also promotes the re-education of local healthcare professionals in Southeast Asia. By organizing or participating in interactive exchanges and academic events for healthcare professionals, it facilitates discussions on cutting-edge medical technologies and outstanding clinical practices, empowering the competence building of local healthcare professionals. During the Reporting Period, Rxilient attended the 2025 European Society for Medical Oncology Asia Congress (ESMO Asia 2025), sharing with local oncology practitioners in the Philippines its experience in the treatment and management of recurrent metastatic nasopharyngeal carcinoma (RM-NPC) using an innovative anti-PD-1 immunotherapy. Through mentor-led re-education, it enhanced the oncology diagnostic and treatment capabilities of local healthcare professionals.

In addition, PharmaGend, an associate company of the Group based in Singapore, has gradually developed into an international one-stop pharmaceutical CDMO platform with high-standard drug manufacturing capabilities, empowering global pharmaceutical companies to rapidly enter emerging markets. As of the end of the Reporting Period, PharmaGend has established a manufacturing site of 30,000 square meters, has obtained a drug manufacturing license issued by the Health Sciences Authority (HSA) of Singapore, and has received multiple international certifications, including GMP (Good Manufacturing Practice) from HSA, Current Good Manufacturing Practice (cGMP) certification from the U.S. FDA, and the audits by Swiss Qualified Person (QP). The annual capacity of its oral solid dosage (OSD) has reached 1.5 billion units, while capacity expansion for the construction of new production lines for nasal sprays, creams, and injectables, as well as a packaging center, is progressing smoothly. These efforts are expected to improve local drug manufacturing and supply capabilities and, to some extent, contribute to the advancement of the regional pharmaceutical industrialization level. Meanwhile, Rxilient and PharmaGend have actively collaborated to jointly advance the localization technology transfer of key products, with a view to achieving localized production as soon as possible and improving access to Global high-quality products in emerging markets. In addition, Rxilient also allows local distributors to supply products directly to the Southeast Asian market, enhancing the timeliness of drug distribution in developing countries and benefiting more patients.

Multi-Pathway Empowerment of Public Health

By actively cooperating with industry associations and public welfare foundations in the relevant disease fields, and through diversified initiatives including patient caring programs, knowledge promotion events, drug donations and charity clinics, the Group enhances the popularization and publicity of disease and health knowledge, and raises public health awareness.

Knowledge popularization column on WeChat

The Group initiated a disease knowledge popularization section "CMS Sees" on its WeChat official account to further promote the popularization of disease knowledge. During the Reporting Period, the Group published a number of articles on its WeChat official account to disseminate the knowledge of kidney diseases, glaucoma, vitiligo, epilepsy, and psoriasis to the public in an easy-to-understand format.

Epilepsy public welfare and drug donation programs

To standardize emergency treatment for epilepsy and improve patients' ability to provide out-of-hospital emergency for epilepsy, the Group has assisted China Association Against Epilepsy (CAAE) in advancing diverse caring programs for epilepsy patients for two consecutive years, covering a wide geographic area. Moreover, the Group also supports several public welfare organizations in carrying out various epilepsy public education activities. These activities primarily comprise offline initiatives such as science popularization lectures, mutual assistance and communication between doctors and patients, and distribution of educational handbooks. They are also disseminated online through channels such as wechat articles, comics, and animated videos, thereby delivering scientific and easy-to-understand epilepsy emergency knowledge to a broad range of epilepsy patients and their families, primary-level medical staffs, and the general public through multiple dimensions and channels.

Additionally, the Group has partnered with foundation to implement the "Escort With Love" drug donation program, aimed at alleviating the long-term treatment costs for patients experiencing recurrent and frequent seizures, improving drug accessibility, fulfilling the social responsibility of a pharmaceutical company, and contributing to enhancing the quality of life for epilepsy patients in China.

Rheumatoid arthritis and psoriasis drug donation and popularization programs

For two consecutive years, the Group donated its products to patients with autoimmune diseases, such as rheumatoid arthritis and psoriasis, for free via foundation to help them receive continuous and standardized treatment, relieve their financial burden, and improve their life quality and drug accessibility. At the same time, the Group also participated in the "Journeying Together, Caring Along the Way" program, as well as the "China Rheumatoid Arthritis Public Welfare Campaign" to offer authoritative disease education, rehabilitation guidance, and psychological support, while raising public awareness of autoimmune disease patients, combating social stigma, and helping patients regain confidence in their daily lives.

Public lectures on inflammatory bowel disease (IBD) and drug donation programs

The Group has supported the large-scale public lectures named Salofalk "World IBD Day (19 May)" for ten consecutive years, to raise IBD patients' cognition about the disease through consistent disease knowledge popularization. During the Reporting Period, the lecture's online livestream received over 1.79 million views, effectively raising public awareness of IBD. The Group also actively initiated the dedicated charity initiative, the "Healthy China - Medical Academic Exchange and IBD Patient Caring Program", to help more IBD patients improve their quality of life and develop healthy lifestyle habits in diet, exercise, and emotional management. Additionally, the Group launched the "Care for IBD Patients Program", through which drugs were donated to IBD patients via a public welfare foundation, effectively reducing their financial burden and improving both the accessibility and continuity of standardized treatment.

Public-welfare science popularization on hyperphosphatemia

The Group joined hands with the foundation to organize the public popularization program, "AI-Powered Nephrology Education, Safeguarding Kidney Health". By combining offline popularization and Q&A sessions led by doctors with an online AI-powered intelligent Q&A platform, the program promoted doctors' education for patients' disease management, enhanced chronic kidney disease patients' ognition of hyperphosphatemia, strengthened patients' attention to achieving blood phosphorus level targets, and improved awareness of phosphorus control.

Public lectures on vitiligo

The Group, in collaboration with multiple authoritative hospitals and DXY.cn, successfully held a series of public lectures on vitiligo themed "Beautiful Confession - Public Lecture on Vitiligo", helping patients enhance their cognition of vitiligo, learn about cutting-edge innovative therapies, and establish the concept of long-term disease management. All lecture livestreams were well organized and made available in DXY.cn's "Patient Education" section, forming a structured public education resource library for patients to review.



RELIABLE AND RESPONSIBLE CITIZEN

CMS remains committed to the principle of “Compliance First”, carries out responsible business operations with high business ethics standards, constantly improves internal governance and operational efficiency, and is devoted to providing stakeholders with high-quality and professional products and services.

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	Targets for Year 2030:	Progress in Year 2025:
Adhering to high ethical standards in business operations	• Maintain 100% employee coverage of business ethics training every year.	• The Group provided all employees (including interns) with *Integrity and Self-discipline Training* courses covering anti-bribery, conflict of interests, trade secrets, and whistleblowing management, etc., achieving 100% employee coverage. • The Group required all employees (including interns) to sign the *CMS Integrity and Self-discipline Commitment.*
Providing high-quality products and services	• Continuously improve quality management throughout the entire product life cycle.	• Product quality and safety training covered 95% employees (including interns). • The Group conducted internal and external audits related to the quality of products and services, and accordingly optimized the internal quality management system and measures. • The Group's manufacturing subsidiary obtained the GB/T 19001-2016/ISO 9001:2015 quality management system certification.

Adhering to High Ethical Standards in Business Operations

Risk Management

The Group attaches great importance to risk management and internal controls and has established a risk management structure with clear roles and responsibilities. The Board of Directors is the highest decision-making body for the Company' s comprehensive risk management. Each year, the Group reports the annual audit work plan, audit findings, risk warnings, improvement measures, and progress updates to the Company' s Board of Directors. The Audit Committee under the Company' s Board of Directors is responsible for reviewing the work plans and results of internal and external audits, in order to ensure sufficient assistance to the Board in supervising and reviewing the effectiveness of the Group' s risk management and internal control system and to timely identify significant risks that may affect the Group' s operations.

The Group has established the Management Committee composed of executive directors and senior management. The Committee reviews the identification of significant risks and determines the response priorities, as well as oversees the implementation of the Group' s risk management. During the Reporting Period, through monthly Management Committee meetings, it systematically reviewed the status of compliance and risk management, focusing on developing response measures for potential risk issues in business operations. Meanwhile, the Compliance Department of the Group regularly shared industry compliance developments and reported the potential risks regarding compliance management and the progress of internal control directly to the executive directors and senior management, to further strengthen the prevention and control of internal systemic risks.

The Group continues to consolidate the "three lines of defense" risk management and control system, clearly defining responsibilities at all levels to effectively carry out risk identification, assessment, response, and supervision, thereby consolidating the foundation of internal risk management.

First Line of Defense	Respective business departments of investment, R&D, production, sales, and procurement	• Establish clear and specific business objectives and plans; • Set up rules and processes for business management; • Implement execution and supervision relying on information systems.
Second Line of Defense	A risk management system collaboratively operated by multiple departments, including the Legal Department, Compliance Department, Operation Management Department, and Finance and Accounting Center.	• Legal Department: Responsible for the management and control of risks in external cooperation such as contract signing and product introduction; • Compliance Department: Responsible for the improvement and supervision of the compliance system; • Operation Management Department: Responsible for the supervision and control of the business activities of each operating unit; • Finance and Accounting Center: Responsible for conducting overall control through management tools such as budgeting and fund management.
Third Line of Defense	Audit Department	• Focuses on the Group's key operations, conducts independent evaluations of the management at the Group headquarters and its subsidiaries, oversees the risk management of each operating entity.

Risk Prevention and Control Management Framework of CMS

The Group continuously optimizes its risk management system, policies, and work procedures to comprehensively identify and control potential risks. According to internal actual needs, internal audit work is carried out, and the Group's audit plan covers all operating entities and major business segments at least annually. During the Reporting Period, the Group conducted 11 internal audits, covering areas such as expenses, procurement, and compliance risk inspections. During the audit process, the Group applied data analysis to identify potential risks at key control points and propose optimization suggestions. All audit results are based on the *CMS Internal Audit Policy*, forming special reports submitted for management review. The corrective actions and rectification progress of the audited units are dynamically tracked, creating an "audit-feedback-improvement" closed-loop management process to continuously enhance the level of risk prevention and control.

During the Reporting Period, based on internal risk identification and management, the Group also emphasized the control of risks related to sustainable development. The Group has initially conducted assessments and impact analyses of the risks and opportunities associated with material ESG issues and is considering gradually integrating relevant ESG risks into the Company's overall risk management system to enhance the ability to respond to ESG risks.

Business Ethics

CMS consistently places compliant operations and business ethics at the core of corporate development, considering them as the cornerstone of sustainable growth. The Group strictly complies with the laws and regulations of the People's Republic of China and other countries and regions where it operates and invests. The Group focuses on establishing a scientific and systematic risk identification and control system to comprehensively monitor, prevent, and manage compliance and business ethics-related risks that may arise in different operational segments. This provides a solid guarantee for the Group's long-term stable and healthy development.

Anti-corruption Management

Anti-corruption management is a core component of the Group's compliance management system. The Group has established and implemented internal regulations to build a cross-departmental anti-corruption supervision system, supplemented by systematic control systems and employee training mechanisms, to comprehensively strengthen the Group's anti-corruption risk defense through closed-loop management.

Regulations and Policies

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

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

Education and Training

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

The Group also actively provides training and publicity related to anti-corruption and business ethics to all employees and has established a comprehensive training system.

Executive directors and mid-level and senior management

- During the monthly meetings of the Management Committee, the Group's Compliance Department provides training on anti-corruption and business ethics to the executive directors and mid-level and senior management team, and conveys the latest compliance requirements of the industry and the regulatory authorities.

All employees

- Based on the CMS Academy, the Group offers online video training courses for all employees, including business ethics training, system revision/policy updates, or system control function launches.
- Since 2019, the Group has organized education and training on policies related to anti-corruption and business ethics for all employees for seven consecutive years.

New employees

- The new employee onboarding training covers anti-corruption-related content

Employees of key departments

- The Group incorporates compliance knowledge examinations into the training of marketing and sales promotion staff, and links the examination results to team performance evaluations to strengthen employees' emphasis on compliance.

While systematically conducting business ethics training, the Group continuously deepens the promotion of a compliance culture. The Group regularly disseminates policy interpretations and compliance updates to all employees on a monthly basis, while simultaneously updating the "I want to ask a compliance question" online section. Through monthly meetings of the regional compliance team, the Group focuses on communicating compliance matters and providing targeted responses to feedback from the business frontline. In addition, the Group utilizes AI technology to embed a compliance knowledge base within the internal digital platform, supporting employees with instant access to guidance through various training resources such as videos and documents. Additionally, it features an intelligent Q&A function, facilitating all employees in querying and learning compliance knowledge, thereby building a compliance culture ecosystem characterized by full participation, end-to-end coverage, and real-time response.

During the Reporting Period, the Group organized training on anti-corruption and business ethics 1 time, covering compliance policy interpretation, work regulations, and compliance Q&As and guidance, to embed compliance principles. The Group also conducted integrity and self-discipline training for all employees, continuously fostering an atmosphere of integrity and efficiency within the organization.



100% Employees (including interns)
Coverage of Ethic and Anti-corruption Training

Monitoring and Assessment

The Group has established a business ethics and anti-corruption monitoring system that covers all aspects of business operations. The Company's Board of Directors is responsible for overseeing the effectiveness of the compliance risk control procedures, as well as directing, supervising and approving the relevant work on anti-corruption and business ethics of the Group. During the Reporting Period, the Board of Directors has reviewed and evaluated the internal and external audit results, improvement measures, and progress related to business ethics and anti-corruption.

The Group has a well-established cross-departmental coordination system to comprehensively monitor and prevent anti-corruption risks, ensuring the effective implementation of all policies.

The Compliance Department

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

The Legal Department

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

The Finance and Accounting Center

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

The Audit Department

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

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



7 Internal Audits Related to Business Ethics and Anti-corruption

The Group's Audit Department is responsible for the internal audit work of the Group and its subsidiaries, including audits on business ethics and anti-corruption. When issues involve corruption, fraud, and other violations of business ethics, the Group will conduct investigations and handle them in accordance with the *CMS Anti-Fraud Management Policy*. Additionally, during the Reporting Period, the Group underwent regular annual compliance special audits conducted by international partners. Based on the internal and external audit results, the Group has continuously refined its internal audit plans and procedures, and further enhanced the Group's compliance management system to ensure the operational process strictly adheres to the code of business ethics.

During the Reporting Period, no significant risks related to business ethics and anti-corruption were identified in the internal or external audits aforementioned. The Group did not report any concluded legal cases related to corruption. In terms of prevention of bribery, extortion, fraud, and money laundering, and against unfair competition, the Group also did not violate any relevant laws and regulations that would have a significant impact on the Group's business operations.

If an employee is suspected of improper conduct in business activities, such as corruption, bribery, etc., following investigation and confirmation, the Group will issue a warning to the employee and impose appropriate disciplinary action according to the severity of the conduct. The punishment may impact the employee's promotion, and in severe cases, the employment relationship may be terminated. If the conduct constitutes a crime, the employee will be referred to the judicial authorities for criminal liability in accordance with the law. The Group has organized the study and signing of the *CMS Integrity and Self-discipline Commitment* by all employees for six consecutive years to reinforce their awareness of improper commercial conduct and enhance vigilance against such behavior. During the Reporting Period, the signing rate of the *CMS Integrity and Self-discipline Commitment* was 100%.

Abstract of the *CMS Integrity and Self-discipline Commitment*

Employees' commitment:

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

Responsible Marketing

The Group has established a systematic, end-to-end responsible marketing management mechanism, using specialized policies and operational guidelines as the institutional foundation, combined with regular training and case education to enhance compliance awareness among all employees. Through the integration of routine monitoring and quantitative assessments into business processes, the Group ensures that marketing activities are legal, compliant, truthful, and transparent. At the same time, the Group has established and facilitated internal and external feedback channels to promptly respond to and verify relevant complaints, forming a dynamic closed-loop management cycle of "system-execution-oversight-feedback" to maintain the Group's reputation and public trust.

Regulations and Policies

On the basis of strictly abiding by the laws related to compliant promotion in each place of business operation, the Group has implemented policies such as the *CMS Compliance Management Policy*, the *CMS Responsible Marketing Policy*, etc., which are applicable to all employees (including the Board members, the management, and general employees) of the Group and its subsidiaries, such as the full-time and part-time employees, interns, as well as contractors. During the Reporting Period, the Group introduced new marketing promotion standards for subsidiaries. The documents explicitly prohibit any marketing and promotion with exaggerated, deceptive, false and misleading content or using commercial bribery or other illegal means.

The Group is committed to presenting product efficacy in an objective, accurate, and truthful manner, and requires that all promotional activities and related materials be subject to internal compliance review to ensure consistency with applicable laws and regulations and the approval information issued by the national drug regulatory authority. Approved materials are uniformly coded, archived and incorporated into a dedicated resource library for centralized management. The Group also requires that all advertisements and promotions of prescription drugs are subject to application for advertisement approval from relevant government departments, which can only be published in the professional publications jointly designated by the Ministry of Health and the National Medical Products Administration (NMPA) after approval is granted.

Education and Training

The Group has deeply integrated the concept of responsible marketing into the development of organizational capabilities, establishing a systematic and regular training system to ensure that all employees fully understand the compliance requirements in academic promotion, marketing, and advertising and adhere to relevant laws, regulations, and ethical standards, striving to strengthen a culture of responsible marketing.



41 Times
Responsible Marketing Related Training



100%
Coverage of Responsible Marketing Related Training for Promotion Business Employees

During the Reporting Period, the Group conducted responsible marketing-related education and training activities through various forms such as regular training, specialized development, daily support, and process control:

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

Monitoring and Assessment

The Group has established a multi-level, cross-departmental coordinated system for responsible marketing monitoring and assessment, forming a responsible marketing management framework from strategic planning, process control to post-audit.

The Group's Operation Management Center carries out control and early warning of operation objectives, product strategies and business progress of each operation responsibility center of the Group. The Compliance Department supervises the entire process of marketing activities. In terms of expense control, the Group has established a strict system for application, payment, and reimbursement, with the Compliance Department, Finance and Accounting Department, and Legal Department jointly reviewing contracts, invoices, and on-site materials.

After the completion of the marketing and promotion activities, the Compliance Department of the Group generates the monthly analysis, review and assessment report based on the monthly routine monitoring, targeted spot checks and compliance KPI assessments. These reports are then submitted to the management based on the importance of the issues or risk levels. Each year, the Audit Department audits the compliance, authenticity and integrity of marketing and promotion expenses of all operation responsibility centers and subsidiaries in marketing and promotion business. In addition, the Group engages an independent third-party organization annually to conduct special audits to ensure the Group continues to operate with high standards of compliance requirements.

Building on its oversight governance structure, the Group has established a comprehensive responsible marketing monitoring and assessment process covering the entire "pre-event, in-event, and post-event" workflow. Through a combination of internal and external approaches, the Group ensures continuous compliance in operations:

Internal Control	**Pre-event control:** • Developing IT system functionalities for compliance policy revision points and anomaly detection; • Conducting due diligence on medical institutions and suppliers. **In-event control:** • Regular unannounced inspections; • Compliance review of meetings. **Post-event control:** • Conducting reviews of cooperative partners; • Compliance KPI assessment.
External Monitoring	• Participating in due diligence on participating partners; • Regularly holding compliance communication meetings with partners.

During the Reporting Period, no significant risks related to responsible marketing practices were identified within the Group according to the related unannounced inspections and audits. The Group was not subject to any lawsuits alleging excessive promotion, misleading claims, or consumer deception.



In addition, the Group conducts monthly assessments of compliance and responsible marketing for employees engaged in marketing and promotion business, and the assessment results are incorporated into the overall performance assessment of these employees and are linked to their performance bonuses and promotions. In case an employee is proven to have non-compliant behavior, the Group will take graded actions based on the severity of the situation: minor issues may affect the employee's bonus and result in a warning sanction which may affect his/her promotion, while severe cases may lead to termination of employment. To implement the principle of "education-oriented guidance and positive incentives", all deductions resulting from compliance issues are transferred to a special incentive pool, to reward teams and individuals who excel in compliance practices and responsible marketing, thereby establishing a positive mechanism that rewards excellence and penalizes shortcomings. To ensure the fairness and transparency of the assessment process, all employees who have concerns about the assessment results can appeal through the Group's employee grievance mechanism or request a review by the Compliance Committee.

Whistleblowing Management

The Group follows the relevant content on whistleblowing channels, handling process, and whistleblower protection provisions in the *CMS Anti-Fraud Management Policy*, establishing a whistleblowing mechanism with clear responsibilities and smooth processes to ensure that every whistleblowing case is handled in a timely and proper closed-loop manner. The Group encourages all employees, partners, customers, suppliers, and other stakeholders to monitor and report any suspected illegal and improper business practices by any personnel.

Whistleblowing Channels

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

Whistleblowing Process

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

Acceptance	Conduct a detailed intake registration, and securely retain the whistleblowing materials and all forms of evidence.
Handling	Verification of information: After whistleblowing is accepted, the content of the whistleblowing and information will be verified and evaluated. Case investigation: If the report meets the criteria for case filing and investigation, a case will be opened and an investigation will be initiated. The investigation team will be designated at the appropriate level based on the position of the person being reported, and the investigation results will be documented. Based on the principle of avoidance, the person being reported shall not participate in the antifraud investigation against him/her as an investigator. If the person being reported is a member of senior management, the Board of Directors will directly designate a department/person or set up an investigation team to conduct the investigation. Approval of results: After verification, the investigation records will be submitted to the management or the Board of Directors of the Group for review. The whistleblowing case will be handled strictly in accordance with the evaluation results, and will be announced within the Group.

Result Notification	Within 3 working days after the completion of the handling, the handling department will proactively provide feedback to the whistleblower orally or in writing, or in other proper forms.
Archive Management	After the conclusion of the whistleblowing review or investigation, the relevant whistleblowing materials shall be filed by the investigator in charge, and archived as confidential documents.
Remedial Measures	After the process is completed, remedial measures are taken in a timely manner to reassess the situation of the affected business unit, and implement corresponding improvement measures.

Whistleblower Protection

The Group has established a strict whistleblower protection mechanism, committed to safeguarding the legitimate rights and interests of whistleblowers. Anonymous whistleblowings are accepted, and the whistleblower's personal information and whistleblowing content will be kept confidential throughout the entire process. The whistleblower's identity will not be disclosed without the whistleblower's consent.

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

Privacy Protection and Information Security

The Group strictly adheres to the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, and other relevant laws and regulations. The Group continuously improves the management systems, strengthens technical safeguards, enhances personnel training, and improves risk prevention capabilities to protect data privacy and security. At the same time, the Group actively embraces the rapid development of digital transformation and artificial intelligence (AI) technology. In the vigorous promotion of AI technology application and innovation, the Group places great emphasis on data governance and ethical compliance construction related to it. The Group continuously strengthens the full-process supervision of AI system data usage and output results, ensuring that technology applications operate within a compliance framework, comprehensively safeguarding the data privacy rights of both internal and third-party entities. During the Reporting Period, the Group did not experience any incidents of customer information and privacy breaches.

Institutional System

The Group has established a systematic information security management framework and formulated internal management systems such as the *CMS Regulations on Data Security Management* and the *CMS Rules on Data Access Management*, specifying requirements for data classification and grading, access control, and emergency response. During the Reporting Period, the management regulations for the application of emerging technologies such as AI were updated in the *CMS Regulations on Personal Information Protection*, providing a solid foundation for comprehensively strengthening the defense of information security and privacy protection.

During the Reporting Period, the Group updated the Cybersecurity Classified Protection Level 3 certification of the Group's official website. The internal information system has initiated the Cybersecurity Classified Protection Level 2 certification and obtained certification in February 2026. The Group will continuously improve its privacy protection and information security management system by gradually referring to the ISO 27001 standard for information security management systems.

Management Structure

The Group's privacy protection and information security work is implemented under a tiered governance structure led by the Board of Directors. The Board of Directors, as the highest supervisory body, is responsible for overseeing the Group s privacy protection and information security management and implementation matters, including the latest work progress, audit results, risk identification, and improvement situations. During the Reporting Period, the ESG Committee under the Board of Directors of the Company has reviewed the work of the Group related to privacy protection and information security.

At the implementation level, the Group has appointed the head of the IT Department as the person in charge of cybersecurity at the Group level and the IT Department of the Group is responsible for building, maintaining, and implementing the information security management system, and steadily improving regulations on information security management and data access management. Relying on the internal IT service ticket system, the IT Department will be responsible for responding to and handling service tickets submitted by employees and reporting to the person in charge of cybersecurity for overall management. For major information security issues, the person in charge of cybersecurity will report to the Management Committee of the Group.

Management Measures

The Group has systematically established and implemented privacy protection and information security management measures that cover both internal and external collaboration:

Hierarchical Management	The Group has adopted measures such as internal document separation, document encryption, and data classification management, and has established an operating mechanism and rules for review, approval and authorization for access to customer information. Employees are required to strictly access, query and maintain personal and customer data with authorization, and unauthorized employees are not permitted to use, export or copy any customer information.
Access Inspection	The Group regularly inspects the information system access, including but not limited to the authorization mechanism, process, user access, access scope confirmation for in-service employees, and access clearance for departing employees. During the Reporting Period, the Group conducted an annual information system access inspection for internal office system cloud platform to ensure the reasonableness of access settings and security of the relevant data.
Confidentiality Management	The Group signs confidentiality agreements with employees, conveying and emphasizing the importance of confidentiality responsibilities and the legal consequences of breach. Employees are encouraged to prevent, stop, and report all related violations through channels such as telephone, email, and internal work software. For confidential data or personal information, sensitive information is desensitized.
External Collaboration	For suppliers who may have access to private information of consumers, the Group strictly constrains supplier behavior through contractual agreements, to protect customers' rights related to privacy and personal information.

Information Security Audit

The Group has established a regular internal audit mechanism for information security and privacy protection management, conducting periodic self-inspections and special reviews on information security to systematically identify and prevent potential risks. The Group relies on firewall cybersecurity systems and multiple information security risk alert systems to provide real-time detection and effective alerts for network anomalies, data backups, and equipment anomalies, etc. During the Reporting Period, the Group completed the self-inspection on information security risks and the special internal IT audit. Furthermore, the audit scope was extended to the supply chain, conducting an annual audit of network service providers. This comprehensive evaluation of suppliers covered aspects such as information security management standards, data access, cybersecurity, digital management, and hardware configuration, ensuring both internal and external coordination meet the Group's high security standards.

The Group also enhances the reliability of information security and privacy protection through external information security audits. Since 2021, the Group has engaged an independent third party with professional qualifications for five consecutive years to conduct annual audits, including vulnerability scanning and information asset security reviews, and has conducted simulated hacker attack tests to identify information security and privacy protection risks. When selecting the auditing institution, the Group conducts a comprehensive assessment of its technical team, professional certifications, and market ranking. During the Reporting Period, the Group received 4 information security audits from upstream partners.

Based on the results of internal and external audits and reviews, the Group timely formulates the corresponding preventive measures, and implements targeted upgrading for the information security protection system to sufficiently prevent and resist the relevant risks.

AI Governance

The Group has systematically integrated AI governance into the data compliance and information security management system. During the Reporting Period, the Group further incorporated personal information protection requirements in AI applications into the *CMS Regulations on Personal Information Protection*, clarifying internal ethical guidelines and technical specifications. This aims to build a secure, trustworthy, and responsible AI application ecosystem, promoting the coordinated development of technology empowerment and compliance governance.

In the application of AI, the Group consistently adheres to the fundamental principles of "legality, transparency, and trustworthiness," and continuously strengthens AI governance through systematic management initiatives. When deploying AI tools in the business, the Group informs users through clear means such as interface prompts and privacy policy explanations, ensuring their right to be informed and their right to autonomous choice. In terms of data processing, the Group strictly adheres to the principles of purpose limitation and data minimization, and performs de-identification of personal information. For third-party AI tools and services, the Group implements strict access assessments and continuous supervision to ensure their personal information processing activities comply with the Group's compliance requirements and relevant laws and regulations.

The Group adheres to fair, impartial, and non-discriminatory AI ethical standards, regularly reviewing and evaluating the AI tools used to identify and mitigate potential algorithmic biases. This ensures that the Group's AI applications do not produce unjust outcomes based on gender, race, age, health status, religious beliefs, specific identities, and other factors.

Training and Drills

The Group continuously strengthens the security risk awareness and compliance behavior capabilities of all employees through a systematic privacy protection and information security training system. Since 2019, the Group has provided all employees with annual training regarding privacy protection and information security for seven consecutive years. During the Reporting Period, the Group conducted information security training covering topics such as data leakage prevention, privacy confidentiality, and information security practices, supplemented by online tests to reinforce learning outcomes. New employees are also required to complete specialized information security training upon joining to ensure they establish the correct protective awareness. Meanwhile, the Group also actively organizes specialized training for information security related technicians. During the Reporting Period, the Group organized trainings on system development and other professional skills for the employees of the IT Department.



90% Employees (incl. interns)
Coverage of Privacy Protection and Information Security Training

Other than regular training, the Group also issues a monthly information security bulletin to all employees, promptly sharing updates on internal and external policy developments and representative cases. In addition, the Group conducts thematic briefings and communications from time to time on topics such as the ISO 27001 standard and laws and regulations on personal information protection. Through diverse forms and continuous penetration, the Group continuously enhances employees' ability to prevent, identify, and respond to information security incidents, laying a solid foundation for building a robust security culture.

To ensure a rapid and effective response in the event of an information security incident, the Group has established a regular emergency drill mechanism. According to the *CMS Emergency Plan for Information Security Incidents* and other policies, the Group conducts at least one special drill annually to continuously optimize internal risk control and collaborative response capabilities. During the Reporting Period, the Group completed two system recovery drills. By simulating scenarios such as sudden failures of business systems, the Group actually initiated the emergency disaster recovery process to verify system recovery efficiency and business continuity assurance levels, effectively enhancing the team's practical capabilities and strengthening the information security defense line.

Intellectual Property Protection

The Group strictly complies with the relevant laws and regulations on intellectual property protection in the countries and regions where it operates. By formulating the *CMS Intellectual Property Management Policy*, the Group has clearly defined the management requirements for the protection of intellectual property such as trademarks, patents, copyrights, and trade secrets. The Group identifies and assesses intellectual property risks in different business scenarios, integrating control plans with processes, policies, and standards to improve intellectual property management and risk assessment. During the Reporting Period, the Group did not experience any significant intellectual property infringement litigation cases.

Management System

The Group has established an intellectual property management system that encompasses the entire process of product investment, development, registration, promotion, and sales. Through systematic construction and continuous improvement of the internal "Intellectual Property Archive Database," the Group conducts unified filing and dynamic maintenance of assets such as trademarks, patents, and copyrights, laying the foundation for systematic management of intellectual property. The Group matches corresponding legal risk control mechanisms and embeds intellectual property review and compliance checkpoints in each key business process. At the same time, the Group regularly monitors the legal status of intellectual property and the market environment to ensure the continuous effectiveness of assets and prevent potential infringement risks.

Risk Prevention and Control

The Group incorporates intellectual property protection into the scope of internal control system, regularly assesses and identifies the risk points in the acquisition, maintenance and renewal of intellectual property on a yearly basis, and optimizes the management measures accordingly. By actively monitoring industry trends and feedback from business departments on suspected infringement activities, the Group focuses on intellectual property risk situations. The Group's Legal Department conducts rapid assessments of potential risks and initiates response procedures. If infringement is confirmed, the Group will, as appropriate, utilize administrative or judicial avenues to safeguard its legitimate rights and interests. In addition, the Group has initially established a special anti-counterfeiting action plan and will make dynamic adjustments during business operations.

While protecting its own intellectual property rights, the Group also regards respecting others' intellectual property rights as an important component of compliant operations and social responsibility. The Group complies with relevant domestic and international laws and regulations by embedding intellectual property reviews in various business processes to systematically avoid potential infringement risks. To actively accept social supervision, the Group has opened multiple channels of complaint to the public. Any individual or organization that discovers any infringement by the Group can file a complaint or report through email, phone, or the official website. The Group will promptly accept, investigate, and rectify the issue.

Capacity Building

The Group has established a systematic training system focused on key positions. The Group engages external experts to conduct customized courses for the pharmaceutical industry, covering areas such as patent protection for drugs, overseas patent strategy, protection of technical secrets, continuously enhancing the team's professional response capabilities and risk control levels in industry-specific scenarios.

Providing High-quality Products and Services

The Group adheres to the mission of "offering competitive products and services to meet unmet medical needs" , consistently prioritizing patient safety and public health. The Group systematically builds and continuously improves a full-cycle quality management system that covers research and development, production, distribution, and post-market surveillance. The Group ensures product quality through stringent research and development and production controls, safeguarding medication safety with proactive pharmacovigilance and an efficient product recall mechanism, thereby creating sustainable health value for patients and society.

Product Liability

> **CMS quality policy**
>
> **Full-coverage, comprehensive, whole-process, continuous improvement**

The Group strictly complies with the laws and regulations regarding product quality, labeling instructions, complaint response, pharmacovigilance, and product recalls in all operational locations. The Group has established a quality management system that covers the entire process from clinical research and development, registration and evaluation, manufacturing management, marketing authorization, and post-market surveillance. The Group also leverages the digital drug traceability and pharmacovigilance system to comprehensively control the risks related to product quality and safety.

The Group continuously improves its quality assurance mechanism, which covers key aspects such as risk identification and control, safety assessment, complaint management, product recall, change management, deviation management, corrective and preventive action management, and supplier management, through regular internal and external reviews. During the Reporting Period, the Group did not record any material non-compliance with applicable laws or provisions that would significantly impact the Group in product quality and safety, pharmacovigilance, product recall, package inserts and labels management, etc.

95% Employee (incl. interns) Coverage of Product Quality and Safety Related Training

To continuously strengthen the quality culture construction throughout the product life cycle, the Group further optimized the systematic and hierarchical training system during the Reporting Period. Through the internal online learning platform, the Group precisely delivered three batches of quality and safety courses to all employees. The content covered core areas such as *Good Supply Practice for Medical Devices, Good Manufacturing Practice (GMP)*, and *Good Supply Practice for Pharmaceutical Products (GSP)*. At the same time, for employees in key positions such as research and development, registration, production, and sales promotion, the Group organizes specialized quality and safety management training annually. This training focuses on the interpretation of laws and regulations, enhancement of professional capabilities, and learning of management system standards, continuously strengthening the quality risk awareness and compliance fulfillment capabilities of all employees.

R&D Quality Management

R&D quality is the foundation of innovation and the basis of safety. On the basis of strict compliance with relevant national laws and regulations and as guided by industry standards such as the *Good Clinical Practice* (GCP), the Group has established a quality control system for research and development, covering clinical trial, quality assurance and pharmacovigilance. This ensures scientific rigor and process reliability, laying a solid foundation for the safe market launch of products.

Policy Building

To improve the internal product research and development quality management system and standard work processes, the Group formulated the *CMS Management Standards for Compliance in Clinical Research*. During the Reporting Period, the Medical Department introduced several internal policies, including the *Clinical Trial Drug Management Procedures*, to continuously optimize the Group's clinical research-related work, including clinical operations, quality assurance, medical strategy, and pharmacovigilance.

The Group continuously enhances its digital management capabilities to empower R&D quality construction. It completes the online approval of clinical trial protocols through internal work platforms and introduces external systems to standardize the collection of key data during the research process. This strengthens the transparency and traceability of project management throughout the entire process, further ensuring the reliability of R&D quality and data.

Management Measures

The Group has established a dual R&D quality assurance mechanism that combines internal process control with external expert supervision. The Group, through its Medical Department, has systematically constructed a comprehensive R&D quality management closed-loop covering product evaluation, trial design, clinical operation, statistical analysis of trial data, and archive management for clinical reports. Based on the type and complexity of clinical trials, the Group develops audit plans for the corresponding projects through prospective risk assessments and performs inspections at different stages of clinical trials, so as to dynamically identify potential risks and implement timely rectification, and to ensure that various clinical trials fully comply with the requirements of national regulations and industry norms.

Moreover, the Group has engaged experts in quality, medicine, and medication safety fields as consultants to review and check the construction of its internal quality system and actively conducted targeted improvements to enhance the effectiveness of quality control over product research and development.

Protection of Rights and Interests of Clinical Trial Subjects

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

Internal and External Inspections

The Group has established a research and development quality inspection system that combines departmental self-inspection, internal audit within the Group, and external inspections, continuously strengthening the ability to prevent and control quality risks. The Group's Medical Department follows the *Operating Procedures for Clinical Trial Inspection*, conducting regular self-inspections of ongoing clinical projects annually, identifying areas for improvement, implementing corrective measures, and producing inspection reports. Meanwhile, the Group also conducts internal audits on clinical research projects, covering research documents, processes, and safety risks, etc., and continuously enhances its ability to prevent and control quality risks in research and development process based on the audit results. In addition, the Group also accepts external inspections from cooperative partners and the National Medical Products Administration on the Group's research and development quality management system and the implementation of product clinical trials.

During the Reporting Period, the Group completed 9 internal audits and 3 external inspections related to clinical trail quality. No significant quality risks in research and development and no serious deficiencies were noted in the relevant internal audits and external inspections.

Special Training

The Group has established a systematic clinical R&D quality-specific training system. Through internal and external collaboration and empowerment, the Group continuously enhances the team's professional capabilities and project execution standards, building an internally and externally coordinated, fully controlled clinical research quality ecosystem.

For internal employees, the Group organizes tiered and categorized training: On one hand, through frequent internal training, the Group conducted over 20 sessions throughout the year on standard operating procedures (SOP), regulations, and project processes, covering all members of the medical team. Additionally, the Group relied on the knowledge base of the Medical Department to achieve centralized management and sharing of standard documents, strengthening the consistency of process implementation. On the other hand, the Group organized employees participating in clinical research projects to complete the GCP training at the Advanced Study Institute of the National Medical Products Administration.

At the same time, the Group has extended R&D quality management training to partners. The project team conducts targeted training for suppliers, covering core standards such as GCP requirements and data integrity, to ensure their operations are in sync with the Company's R&D quality system. During the Reporting Period, the Group conducted 4 R&D quality management training sessions for suppliers.

Product and Service Quality Management

The Group regards product quality and safety as the foundation of corporate sustainable development and has established a quality management system covering the entire value chain. Through an annual system review and dynamic revision mechanism, the Group ensures that the management system consistently complies with the latest regulations and industry requirements. It has formulated the *CMS Management Provisions on the Direct Reporting of Quality Information* to clarify the responsibilities of each business unit and the information reporting procedures, thus forming an efficient and transparent quality risk prevention and communication channel.

In terms of product sourcing and standards control, the drug products promoted and sold by the Group are mainly produced by original manufacturers (suppliers) located in China, Germany, Denmark, the United Kingdom and France, in which the manufacturers are in strict compliance with the production quality management regulations of the countries where the drugs are produced. A small portion of the products are self-produced (during the Reporting Period, the sales contribution from self-produced products accounted for only approximately 0.7 % of the Group's turnover in the case that all medicines were directly sold by the Group). All drugs promoted and sold by the Group have been registered and approved by relevant drug administration authorities (e.g., China NMPA).

To ensure the effective operation of the quality management system, the Group has established a regular internal and external supervision mechanism. In accordance with internal audit regulations such as the *Regulations on Internal Audit of Quality Management System* and the *Operating Procedures for Internal Audit of Quality Management System*, the Group organizes comprehensive internal audits and special inspections covering business and production processes annually. During the Reporting Period, the Group completed 1 special audit and 2 annual audits on quality management among the product operations-related departments, as well as 8 self-inspections of manufacturing-related departments on the production quality management system, to ensure that the quality assurance and risk control procedures of the Group are effectively implemented. Moreover, the Group has formulated corresponding corrective and preventive measures to address the relevant issues, and the correction has been successfully completed as planned. Meanwhile, the Group has accepted and successfully passed the supervisory inspections from external regulatory authorities. During the Reporting Period, the Group accepted and successfully passed 1 supervisory inspection from drug administration authorities, concerning the quality management of drug promotion and sales as well as manufacturing. No major risks or severe defects concerning product quality were identified.

Product Quality and Safety Management

Quality and Safety Management of Self-produced Products

For the self-produced products, the Group's manufacturing subsidiary has established a quality control system covering material supply, product manufacturing, release testing, market release and use, product recall, and other core operational aspects. The Group's manufacturing subsidiary has complied with the GMP, and has obtained the GB/T 19001-2016/ISO 9001:2015 Quality Management System certification.

In terms of source control, the Group has established a strict material selection mechanism. The Group dynamically updates the list of qualified suppliers through implementing hierarchical management, on-site audits, and annual performance reviews of suppliers. For key material suppliers who have significant impacts on drug quality and medication safety, the Group arranges on-site inspections and quality audits on a yearly basis, prioritizing the materials provided by qualified suppliers with high comprehensive scores to ensure the quality of raw materials from the source. In addition, for all incoming materials, the Group conducts strict incoming inspection by checking the appearance of materials and verifying material-related information, etc. The Group also conducts sampling inspection according to the *Sampling Management Procedures,* and releases the materials for production after they are accepted as qualified, with a traceable material information database to refine the material control process.

During the product manufacturing process, the Group performs regular calibration and maintenance of production equipment, and assigns dedicated personnel to monitor and record key process parameters throughout the entire process. The Group thoroughly inspects each batch of products to ensure the products are qualified and well-packed before entering the market. For specific products, samples are taken in strict accordance with national standards to test stability before delivery, to ensure that product quality aligns with national pharmaceutical standards.

The Group has established a regular quality review and improvement mechanism. According to the established *Product Quality Review and Analysis Management Procedure,* the Group summarizes and analyzes all data related to production and quality inspection on a yearly basis, including but not limited to quality training, deviation analysis, product return and recall, complaints and adverse drug reaction reports, etc. Through this mechanism, the Group is able to proactively identify potential trends and risks, take corrective and preventive measures in a timely manner, and drive the quality management system to achieve closed-loop optimization. During the Reporting Period, the Group completed the quality review and analysis for the previous year's self-produced products and confirmed that the key technological parameters were stable and controllable, and the product quality consistently satisfied the standards.

To strengthen the internal awareness of product quality, the Group regards production quality as one of the factors in evaluating the operation targets of production-related departments and conducts quality target assessment at least once a year. According to the *Quality Policy, Target, and Plan Management Regulations*, the Group includes the product qualification rate, the evaluation score for production equipment maintenance, and the quality training completion rate into the annual performance assessment of employees. This ensures a close connection between quality targets and individual performance. A quality management team, composed of heads of production-related departments, inspects the achievement of quality targets of each entity.

In addition, the Group continuously enhances the professional capabilities and sense of responsibility of production personnel by conducting specialized training on quality management standards, operating procedures, and quality awareness. During the Reporting Period, the Group's manufacturing subsidiary conducted quality-related training for employees in accordance with the annual training plan.

Quality and Safety Management of Finished Products

The Group's subsidiaries involved in business operations have all complied with the GSP, and strictly complied with relevant regulations regarding drug promotion and sales and manufacturing to ensure product quality and medication safety.

During the quality admission and acceptance process, the Group strictly inspects finished products in accordance with national product standards or product quality standards approved by the National Medical Products Administration (NMPA). For imported drug products, the Group strictly follows the requirements of national laws and regulations and undergoes stringent inspections by the Institute for Food and Drug Control, including the first batch of imported drugs, biological products, products after standard change or manufacturing process alteration, etc., and may require issuing the Import Inspection Report as necessary. Upon the arrival of the imported and domestic drug products, the Quality Management Department of the corresponding subsidiaries in drug operation business of the Group will conduct batch-by-batch inspections as per GSP requirements, and verify the product inspection reports. In case of any product quality issues, the Group will handle the problematic products by isolating, reporting, returning, or destroying them in accordance with the *Operating Procedures for Reporting and Confirming Unqualified Drugs* and the *Operating Procedures for Destruction of Unqualified Drugs*, ensuring that unqualified products never enter the market. In addition, the Group has established an independent special drug safety management system to implement stricter compliance management controls for specific products.

To safeguard the safety and stability of marketed drugs' quality, the Group has established a regular post-marketing monitoring and review mechanism. The Group regularly conducts post-market evaluations on the safety, efficacy and quality controllability of drugs, proactively identifying and controlling risks. At the same time, according to the *Operating Procedures for Internal Audit of Quality Management System*, the Quality Management Department of relevant responsible subsidiaries of the Group conducts an annual review of the quality safety and supply stability of historical product acceptance, forming an *Annual Product Inbound Quality Review Form*, which shall be reviewed and approved by the designated quality responsible person and then filed for recordkeeping.

Warehousing and Storage of Products

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

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

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

During the transportation process, the Group strictly implements cold chain and temperature-controlled logistics standards. The Group uses professional refrigerated vehicles or insulation equipment and packaging to ensure that products are delivered within the required temperature range.

Product Traceability Management

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

In addition, the Group actively promotes the social collaboration of traceability information and has been enrolled in the "Mashangfangxin Platform" to share drug traceability information with its downstream customers and relevant parties in the industry, thereby enhancing the ability to ensure patient medication safety.

Package Insert and Label Management

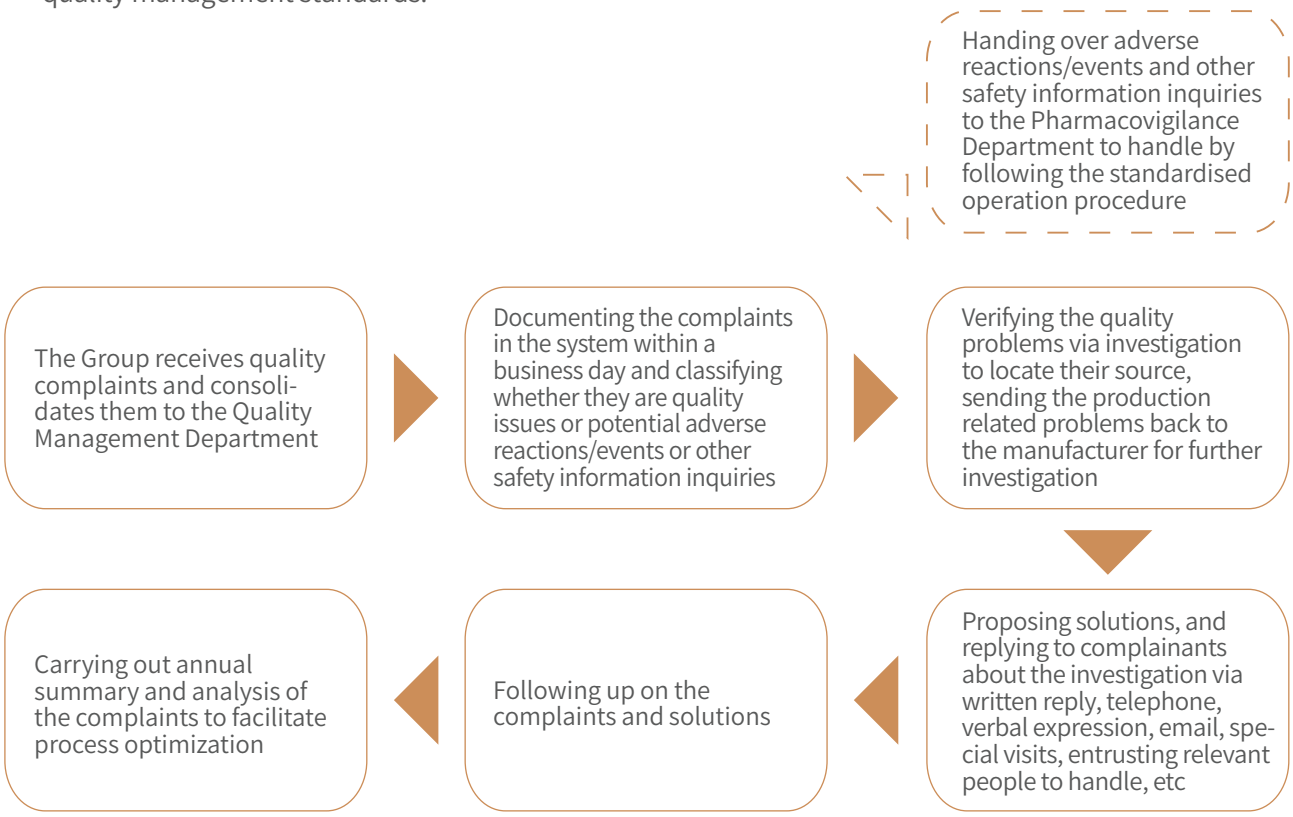
The Group strictly abides by the laws and regulations such as the *Provisions for Package Inserts and Labels* and has established relevant internal management policies and procedures such as the *Procedure for Administration of Drafting/Alteration of Package Inserts and Labels* and *Procedure for Revision, Review, and Approval of Package Inserts and Labels,* so as to clearly define control requirements on drafting, altering, revising, reviewing and approving product package inserts and labels.

The Group's Registration Management Department is responsible for leading the drafting and revision of package inserts and labels. In the event of updates of relevant laws and regulations, approval of drug marketing applications, re-registration and other changes related to package inserts and labels, the Registration Management Department of the Group will evaluate the type of change based on the relevant laws and regulations and initiate the corresponding drafting or revision process accordingly. For changes that require reporting, the Registration Management Department will organize an internal review and submit a supplementary application or filing to the regulatory authorities in accordance with procedures. If any such change only requires submission in the annual report, it will be included in the drug annual report as stipulated. After the supplementary application or filing is approved or publicly announced by the regulatory authorities, the Registration Management Department will complete the corresponding revisions of the package inserts and labels based on the approval or announcement. After review, approval and release by the department head and relevant partners, the revised package inserts and labels will be officially put into use.

Product Complaints Management

The Group has established a systematic, full-process customer complaint handling system. By formulating the *Regulations on the Quality Complaints* and *Operating Procedures for Quality Complaints*, the Group has clarified the responsibilities and standards for the processes of receiving and handling customer complaints, communication and feedback, providing comprehensive guidance for efficient and standardized handling of after-sales complaints.

The Group has established multiple complaint channels, including telephone, email, and official website, to ensure that user feedback can be promptly received. Upon receipt of complaints on product quality, all departments and employees of the Group shall collect materials as many as possible, and forward the complaints to the Quality Management Department of the corresponding subsidiaries in time via internal communication methods. After receiving complaints, the Quality Management Department shall promptly record relevant information into the system, and strictly adhere to the closed-loop process of investigation and evaluation, follow-up handling, timely feedback, subsequent tracking, and archiving and documentation, to continuously improve customer satisfaction and product quality management standards.



Customer Complaint Handling Flowchart

100%

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

Pharmacovigilance and Product Recall

The Group places great emphasis on the medication safety of the public and, guided by risk minimization, it has established a systematic, full-chain pharmacovigilance (PV) management system. The Group strictly complies with laws and regulations, industry guidelines and other requirements, continuously optimizes the pharmacovigilance system covering drug research and development and post-marketing products. Simultaneously, the Group has established and improved product recall management systems, operating procedures, and handling plans, and comprehensively deployed and implemented quality and safety assessment, and risk identification and control throughout the entire product lifecycle from research and development to post-marketing use.

Pharmacovigilance

The Group has established a pharmacovigilance system covering the entire lifecycle of drugs, systematically constructing a safety risk management mechanism from clinical development to post-marketing stages. The Group has established diverse adverse event feedback channels, strictly implements standardized safety event handling procedures, and continuously conducts pharmacovigilance training for all employees, and effectively fulfills corporate responsibility to safeguard patient medication safety.

Institutional System

The Group strictly adheres to the *Good Pharmacovigilance Practice, the Measures for Reporting and Monitoring of Adverse Drug Reactions* and other relevant national laws and regulations, and continuously improves its management system of pre-marketing and post-marketing pharmacovigilance, which includes the *Pharmacovigilance Quality Management Regulations, the Emergency Plan for Drug Safety Incidents, the Operating Procedures for Cluster Adverse Drug Reaction Events*, and other internal regulations.

The Group has established a clear hierarchical pharmacovigilance regulatory framework, covering three types of documents: regulations, responsibilities, and operating procedures. This framework systematically regulates aspects such as system establishment and maintenance, drug risk identification and assessment, adverse reaction monitoring and reporting, training and record-keeping, internal audits and quality management, as well as personnel requirements. The system spans the entire process from drug approval to the cancellation of the approval number. It is continuously optimized through regular internal audits and training mechanisms, forming a closed loop of prevention, identification, control, and communication.

Management Structure

Based on the established the *Drug Safety Committee Management Regulations*, the relevant subsidiaries of the Group have established Drug Safety Committees to oversee the pharmacovigilance of drugs on sale and the effectiveness of the safety risk control system. Through a regular working mechanism, the Drug Safety Committees conduct systematic monitoring and dynamic assessment of drug safety risks, and based on the assessment results, promote the formulation and implementation of risk control measures. In addition to routine duty performance, the Committees hold regular meetings annually to comprehensively review the annual pharmacovigilance work report and the effectiveness of risk control measures. This ensures that the drug safety management system continuously complies with regulatory requirements and business development needs, enabling the Group to effectively fulfill its primary responsibility for drug safety.

Risk Management

The Group has established a systematic drug safety risk management mechanism covering the entire lifecycle of drugs. For products at the clinical development stage, the Group continuously monitors and identifies the safety risks throughout the entire research and development process of drugs and regularly prepares the *R&D Safety Update Report* every year to optimize the clinical medication safety risk prevention and management strategies dynamically. In addition, for commercialized products, the Group prepares the *Periodic Drug Safety Update Report* and the *Pharmacovigilance Plan* for each drug to continuously analyze and proactively prevent potential risks, thereby achieving a closed-loop management process from monitoring, assessment to intervention.

Through regular internal and external audits, the Group continuously improves its drug safety risk management efforts. During the Reporting Period, the Group conducted 1 internal audit on departments in relation to pharmacovigilance, and accepted and successfully passed 2 external audits from product suppliers. The audit results indicated that no significant risks or serious deficiencies related to pharmacovigilance were identified within the Group.

Management of Product Adverse Events

The Group has established diverse channels for collecting information on adverse product events, including telephone, email, official website, and internal communication platforms, etc., so that internal and external stakeholders can provide timely feedback to the Group and contact the relevant personnel in charge when problems arise during the use of drugs. In the meantime, the Group proactively accesses and collects information on suspected adverse drug reactions from the public's spontaneous reports, clinical applications, post-marketing clinical studies, academic literature, etc., to achieve effective monitoring of product safety information.

Upon receipt of suspected adverse reactions/events and other safety information of the products, the pharmacovigilance-related departments of the Group will follow the *Operating Procedures for Post-marketing Individual Case Safety Reports* and the *Operating Procedures for Cluster Adverse Drug Reaction Events* to collect information, conduct investigation, analysis, handling, assessment and summarization on individual adverse reactions/events, and timely and truthfully record the information via the digital pharmacovigilance system, ensuring truthful reporting to regulatory authorities within the stipulated time limit.



100%

Pass Rate of Reported Suspected Product Adverse Reactions/ Events

To effectively address various drug safety risks, the Group has formulated the *Emergency Plan for Drug Safety Incidents* to clarify the emergency response process for safety incidents. Through monitoring, assessment, and identification of potential risks, the Group will take targeted measures to prevent the spread of hazards, and conduct systematic reviews and system optimization afterward.

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

Drug Adverse Reaction/Event Handling Process

Training and Drills

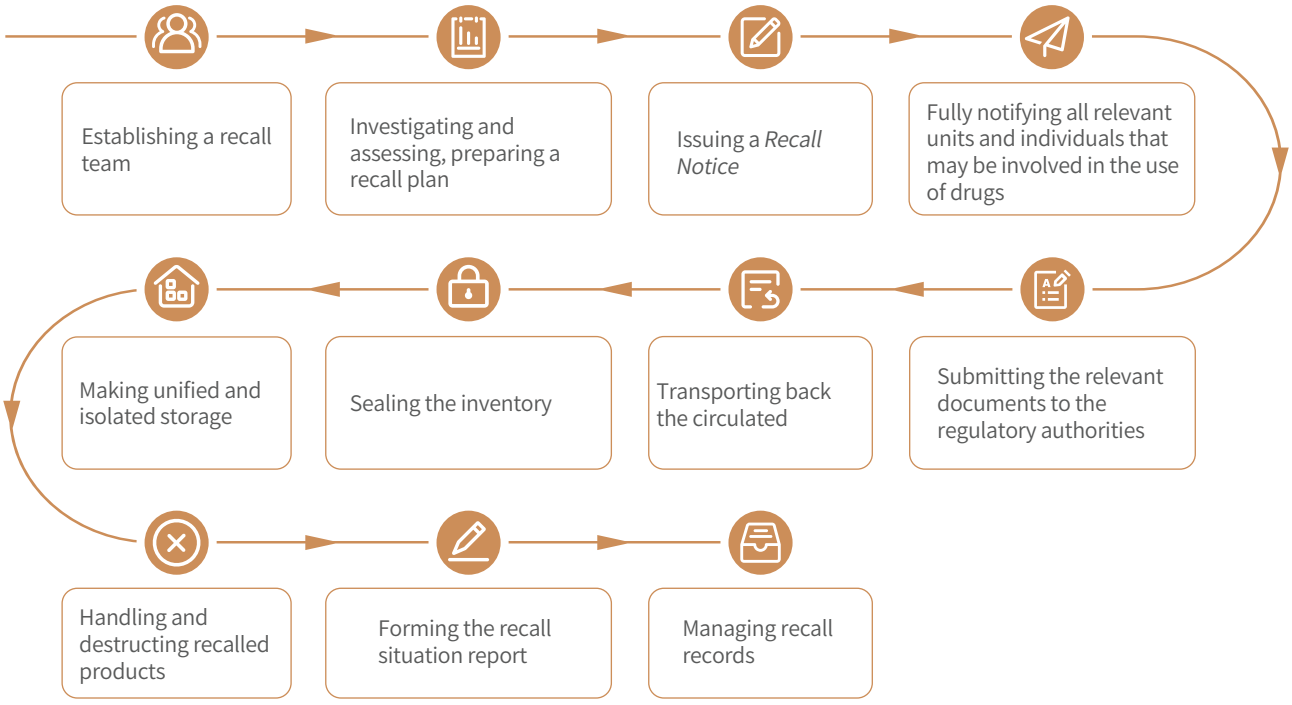
The Group actively promotes pharmacovigilance-related trainings, and has launched relevant courses such as the *Training on Basic Knowledge of Pharmacovigilance* on the CMS Academy. During the Reporting Period, the Group conducted 5 pharmacovigilance-related trainings sessions, covering 100% of the employees related to pharmacovigilance and sales and promotion of drugs, and the training content included but was not limited to the interpretation of pharmacovigilance-related laws and regulations, the enhancement of position-related professional knowledge and the popularization of operation regulations for pharmacovigilance database, etc. In the meantime, the Group integrates pharmacovigilance-related knowledge into the new employee training to ensure that employees are able to collect and report information about adverse reactions when they are aware of such information.

The Group incorporates emergency drills into regular capacity building to continuously strengthen the team's proactive prevention and control, as well as emergency response capabilities, regarding drug safety. The Group regularly conducts emergency drills for drug safety incidents to simulate the whole handling and response process of cluster adverse drug events and/or major safety events, covering information acquisition, reporting, preliminary assessment, risk assessment, establishment of emergency team, formulation of risk control measures, submission of investigation report, event summarization, etc. During the Reporting Period, the Group conducted emergency drills for drug safety incidents.

Product Recall

The Group attaches great importance to the lifecycle management of product and service quality, and has formulated and implemented a series of internal policies such as the *Regulations on Drug Recall* and the *Operating Procedures for Drug Recall*, to ensure that the recall process can be promptly initiated and strictly executed in the event of quality or safety hazards.

To continuously verify and optimize the effectiveness of the recall mechanism, the Group regularly conducts mock drug recall drills. During the Reporting Period, the Group organized a total of 2 mock drug recall drills, and completed the full-process recall drill through efficient cross-departmental collaboration, including investigation, assessment and reporting of an event, drafting of a recall plan, issuance of a recall notice, archiving of recall records, etc. Through this mock drug recall drill, the Group further clarified the division of responsibilities among each business department in the event of drug recalls, and strengthened the response capability from risk identification to action implementation. This ensures that in real situations, product recalls can be completed efficiently and orderly, effectively safeguarding patient medication safety and health.



Drug Recall Process

Cooperation and Mutual Benefit

The Group is acutely aware that an efficient and stable supply chain system is crucial for business development and is consistently committed to continuously optimizing the supply chain management system, systematically identifying, managing, and addressing risks at each stage. At the same time, the Group integrates ESG concepts into supply chain management, engages in supplier communication and empowerment, and strives to create a standardized, transparent, and sustainable supply chain ecosystem to promote mutual benefits and coordinated development within the industrial chain.

Supply Chain Management

The Group strictly complies with relevant laws, regulations and management procedures and has established the *Regulations on Supplier Management, Regulations on Hierarchical Supplier Management,* the *Regulations on First-time Supplier Qualification Review,* the *Provisions for Material Supplier Management* and other internal regulations and policies to achieve full-process risk monitoring and management from admission, cooperation, to eventual exit, by means of admission review, hierarchical management, regular evaluation and assessment, etc., thereby continuously building a more resilient and sustainable industrial ecosystem.

During the Reporting Period, 100% of the Group's finished product and material suppliers were managed in full compliance with the aforementioned standards. There was no significant delay of products or materials from the Group's suppliers. Additionally, the Group's Audit Department conducted 2 targeted audits on the internal control procedures pertaining to finished goods procurement, material procurement, and import/export operations. Neither significant supply chain management risks nor serious deficiencies were noted from the relevant audit work.

Material Supplier Management

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

Admission Management

At the stage of admission of material suppliers, the Group conducts a comprehensive admission review of potential suppliers through transparent and fair bidding, including the suppliers' scales, qualifications, operational status, production capacities, product categories, quality management, reputation history, conditions of transportation, etc., so as to ensure the standardization of supplier admission.

During the preliminary supplier review stage, the Group also collects the *Manufacturer Questionnaire* for more efficient communications and decision-making. Before concluding a cooperation agreement with a supplier, the Quality Management Department of the Group will lead the qualification review and conduct an on-site quality audit, which mainly focuses on materials that have a significant impact on the drug quality and safety. In the meantime, the Group conducts stringent testing on the samples provided by the supplier according to the material procurement management requirements, and conducts a small batch trial production when necessary. After the supplier undergoes a complete review process and is assessed and approved by the Quality Management Department, it will be included in the Group's list of qualified material suppliers.

Hierarchical Management and Risk Assessment

The Group implements hierarchical management for qualified suppliers according to the impact of their materials on product quality and safety. According to the *Provisions for Material Supplier Management* and the relationship between materials and key product quality, suppliers are classified into Grade I (primary/non-primary) suppliers and Grade II suppliers. Among them, Grade I suppliers provide materials that directly affect the key quality of products (such as raw and auxiliary materials, and packaging materials in direct contact with products), while Grade II suppliers provide materials that indirectly affect quality (such as external packaging materials, and testing reagents).

The Quality Management Department of the Group conducts annual quality assessment on key material suppliers regularly, utilizing a comprehensive approach that includes qualification audits, sample testing, on-site audits, and document audits to perform multidimensional evaluations. Special emphasis is placed on conducting on-site quality audits for suppliers of primary raw and auxiliary materials, as well as internal packaging materials. During the Reporting Period, the Group completed on-site audits for 23 material suppliers.

Based on the assessment scores, a comprehensive supplier score is formed to achieve differentiated risk management. Suppliers with a comprehensive material supplier evaluation score of 70 or above, who have completed the rectification of deficiencies identified during the assessment process, may be considered as qualified suppliers for the Company once their rectification documentation or plans are submitted and verified. The higher the comprehensive evaluation score, the longer the supplier assessment cycle may be appropriately extended.

Risk Mitigation and Resilience Building

If a supplier is found to be unqualified during a quality re-inspection, the Group will issue a non-conformity report and inform the supplier in time to return of the unqualified goods. Suppliers who fail to meet the Group's requirements twice in a year will be disqualified. If goods are found with any severe defect or significant quality risks, the Group will suspend procurement from this supplier to prevent and reduce quality risks. In addition, for suppliers with a comprehensive score below 70 points, and who still do not meet the requirements after reassessment following rectification, the Group will also terminate cooperation with them. During the Reporting Period, the Group terminated cooperation with 3 suppliers.

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

Finished Product Supplier Management

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

Admission Management

The Group has formulated a series of internal policies, such as the *Admission and Evaluation System of Suppliers*, and adheres to a stringent admission review mechanism for its suppliers. The review comprehensively covers key dimensions such as company qualification and scale, competitiveness, production status, corporate reputation, product quality management, logistics and transportation capacity, customer service, environmental protection, and social responsibility. Through this mechanism, the Group can systematically screen and introduce high-quality suppliers with legitimate qualifications, excellent quality and social responsibility, ensuring compliance, stability, and sustainability of the supply chain from the source.

Hierarchical Management and Risk Assessment

The Group has newly introduced the *Regulations on Hierarchical Supplier Management*. For new suppliers and stable suppliers, the Group conducts important scoring and hierarchical management according to quantitative indicators such as the annual procurement amount, the proportion of procurement amount to suppliers' revenue as well as suppliers' performance levels. Suppliers are categorized into four types: partner suppliers, key commercial suppliers, prior suppliers and commercial suppliers, achieving differentiated management of suppliers.

The Group regularly conducts comprehensive audits of suppliers. Among them, for partner and key commercial suppliers, the Group conducts a risk assessment once a year. For prior and commercial suppliers, an assessment is conducted every 18 months. The assessment covers the aspects of qualification, operational risk, product pricing, operational procedures and performance, and service quality, etc. If higher risks are identified, the Group will communicate and convene regular meetings with suppliers to actively explore solutions, assist suppliers in developing response plans, and continuously monitor and reduce supply risks.

Risk Mitigation and Resilience Building

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

The Group has established a supply assurance strategy centered on proactive management. Based on scientific supply and demand analysis and a cross-departmental coordination mechanism, the Group forecasts and assesses business objectives to drive the formulation of forward-looking procurement plans, thereby reducing the risk of supply fluctuations. At the same time, the Group has established a dynamic monitoring and rapid response mechanism. In response to market demand fluctuations, changes in production capacity, or external environmental uncertainties, the Group promptly initiates plan adjustment contingencies to continuously support the stable operation of the Group's business.

To enhance supply chain resilience, the Group has established a systematic risk response mechanism:

Establishing Digital Tools	• The Group has established digital tools from the production to the logistics, enabling real-time order tracking and the formulation of relevant mitigation plans;
Dual-Sourcing Strategy	• When product supply capacity gaps are identified in existing suppliers upon assessments, the Group will proactively search for and promptly activate pre-qualified contingency suppliers to prevent or make up for production shortfalls;
Alternative Transportation Options	• The Group sets up alternative international logistics service providers and alternative routes for certain products to mitigate transportation risks;
Building Self-Owned Manufacturing Plant	• The associate company PharmaGend has completed the construction of a 30,000 m^2 manufacturing facility and has obtained a Manufacturer's Licence issued by the HSA of Singapore, and supported by multiple international certifications, including HSA GMP, U.S. FDA cGMP, and Swiss QP audits. Its production capacity for oral solid dosage forms has reached 1.5 billion tablets. The capacity expansion for the nasal spray, cream, and injection production lines, as well as the packaging center, is also progressing steadily.

Sustainable Development of the Supply Chain

The Group deeply integrates the concept of sustainable development into supply chain management, systematically promoting the collaborative development of the industrial chain. The Group considers the environmental and social risks of partners as one of the important factors in cooperation decisions. The Group makes all efforts to identify, monitor and control the environmental and social responsibility risks in different segments of the supply chain, including supplier selection, procurement, production, logistics, import and export, product distribution, etc., so as to continuously promote the development of the supply chain towards a green, low-carbon, and sustainable direction, thereby building a transparent, responsible, and resilient supply chain system.

Code of Conduct for Suppliers

To guide supply chain partners in practicing sustainable development concepts, the Group has officially formulated the *CMS Code of Conduct for Suppliers*, advocating that suppliers adhere to the responsibility standards issued by the Group in aspects such as business ethics, product and service quality, labor rights, occupational health and safety, and environmental protection. The code-related documents and complaint channels for violations are publicly available through the official website and other platforms, facilitating stakeholders to supervise the compliance of the Group and suppliers, and jointly promote compliance, integrity, and sustainable development in the supply chain.

Business Ethics	• Adhering to fair competition and prohibiting illegal commercial activities such as fraudulent practices, corruption, bribery, and any form of improper benefit transfer; • Avoiding direct or indirect conflicts of interest with the Group; • Making reasonable use of and strictly protecting the data and information provided by the Group; • Prohibiting infringement of intellectual property rights and protecting intellectual property from inappropriate use; • Suppliers engaged in outsourced services for animal experiments should be committed to protecting animal welfare.
Product and Service Quality Assurance	• Complying with pharmacovigilance laws, regulations, and agreement requirements to ensure the collection of safety data and reporting of adverse drug reactions in services and activities related to pharmaceutical products; • Meeting recognized quality requirements and standards as well as those stipulated in contracts/agreements, ensuring that products and services provided always meet the needs of the Group and its clients, and can be safely and effectively used for their intended purposes; • Promptly addressing major issues that could adversely affect the quality of products and services; • Conducting regular reviews or accepting compliance-based audits by the Group.
Labor Rights	• Strictly prohibiting child labor, forced labor, and any form of human trafficking, slavery, or servitude; • Upholding the principle of equal opportunity, ensuring that employment, leave and working hours, salary and incentives, training and promotion of employees are not affected by factors such as race, ethnicity, region, gender, age, and disability; • Complying with applicable labor laws and industry standards regarding working hours, and providing compliant remuneration; • Respecting the political rights of employees, including freedom of association, collective bargaining, and free election, etc.
Occupational Health and Safety Management	• Providing a healthy and safe working environment; • Providing necessary safety facilities and establishing an effective safety management system to ensure the safety of employees and visitors; • Timely assessing and identifying potential safety risks, developing comprehensive emergency response plans, and conducting regular drills; • Conducting regular occupational health assessments for employees, implementing employee occupational health monitoring programs, and paying attention to employees' mental health; • Organizing regular occupational health and safety training to enhance employee safety awareness and strengthen the construction of occupational health and safety management culture.
Environmental Protection	• Encouraging the implementation of waste reduction measures, strengthening the management of various pollutants, and properly disposing of non-hazardous and hazardous waste; • Proactively adopting energy conservation and emission reduction measures to improve energy efficiency and reduce GHG emissions; • Conserving biodiversity.

Abstract of the CMS Code of Conduct for Suppliers

Supply Chain ESG Risk Management

The Group systematically integrates sustainable development into supply chain management by identifying and controlling potential social and environmental risks in supplier selection, product procurement and production, and logistics transportation. The Group has established and implemented an ESG risk prevention and control mechanism for the supply chain, promoting suppliers to jointly enhance their sense of responsibility and practice standards, thereby building a resilient and sustainable supply chain system.

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

CMS's Supply Chain ESG Risk Management Initiatives

To continuously identify and manage ESG risks in the supply chain, the Group systematically conducted an ESG questionnaire survey for suppliers during the Reporting Period. The survey content covered multiple dimensions, including business ethics, product and service quality assurance, human rights protection, occupational health and safety, and environmental protection, aiming to assess suppliers' actual conditions in ESG policy formulation, management measure implementation, and risk control. This work helps the Group to more comprehensively grasp the ESG performance of the supply chain and provides a basis for subsequent risk management and collaborative improvement.

Supplier Integrity Management

The Group is committed to promoting integrity and transparency in supply chain management, integrating principles of integrity and compliance into procurement practices. Through a combination of institutional constraints, capacity building, and continuous supervision, the Group systematically builds an ecosystem of honest and transparent business cooperation. The Group explicitly incorporates anti-bribery and anti-corruption clauses in all supplier agreements and requires them to strictly comply with the laws and regulations of their operating locations. At the same time, through signing the *Supplier Initiative Letter*, the Group promotes partners' joint commitment to adhere to regulations regarding business ethics, human rights guidelines, environmental protection, and respect for community culture, etc.

To continuously enhance suppliers' compliance awareness, the Group has also established a regular integrity management mechanism: Continuously collecting suppliers' internal anti-corruption policies and regulations to ensure that suppliers have a comprehensive anti-corruption management system, and actively communicating with each supplier regarding the latest anti-corruption requirements and trends in their respective industries. Each subsidiary of the Group conducts annual compliance training for suppliers and distributors through an online platform. In addition, we incorporate the integrity performance of suppliers into the scope of on-site audits, focusing on examining their implementation of relevant regulations and the fulfillment of relevant initiatives, to ensure that integrity responsibilities effectively extend to all aspects of the supply chain.

The Group has established a transparent anti-corruption whistleblowing and feedback mechanism for upstream and downstream partners. Partners can provide feedback via email, telephone contact, official website, face-to-face communication, etc. In the course of cooperation with the Group, partners may conduct whistleblowing either anonymously or with their real names through the aforesaid channels if they find that any employee is involved in irregular behaviors such as bribery and corruption, unfair competition, disclosure of commercial or technical secrets, and abuse of authority. Upon receipt of a whistleblowing submission, the Group's Supply Management Department will collaborate with the Compliance Department and other relevant units to immediately initiate risk identification, assessment, and investigation procedures within the compliance framework. Special inspections will be conducted as necessary to ensure that all whistleblowing submissions are handled promptly and fairly, thus jointly maintaining a clean and regulated business ecosystem.

Supplier Communication and Training

The Group has established a regular communication mechanism with suppliers, maintaining two-way communication through regular meetings, special topic meetings, and satisfaction surveys across multiple channels. The Group holds regular monthly meetings with core suppliers to promptly summarize cooperation performance and provide feedback on optimization directions. During the Reporting Period, the Group organized themed meetings, such as review meetings, communication meetings and briefing sessions to interact and communicate with suppliers, and clarified the requirements that suppliers should meet in terms of business operations and sustainable development. In addition, the Supply Chain Management Department regularly conducts supplier satisfaction surveys to promote cooperative trust and collaborative improvement with partners.

In terms of training empowerment, the Group has established a systematic training system that covers all suppliers. During the Reporting Period, the Group conducted two rounds of specialized training for all suppliers: First, based on the *CMS Code of Conduct for Suppliers*, the Group conducted training for all suppliers covering ESG governance requirements, and product and service quality assurance, achieving a 100% supplier training coverage rate; second, the Quality Management Department, in collaboration with the Supply Chain Management Department, conducted quality management training based on the latest internal regulations, covering training content such as drug warehousing management, data integrity, and key operational processes, with a view to continuously enhancing suppliers' compliance operations and comprehensive assurance capabilities.

In addition, the Registration Management Department of the Group proactively initiates training such as product quality standards for suppliers in case of any updates to the registration standards and legal and regulatory requirements, to promptly convey policy interpretations and quality requirements, while formulating clear compliance transition plans in collaboration with suppliers. This ensures that the supply chain smoothly adapts to regulatory changes and continues to meet regulatory requirements.

Undertaking Community Responsibility

CMS places great importance on and actively fulfills its social responsibilities, committed to achieving harmonious development between the Company and society. The Group engages in a series of public welfare activities such as disaster relief donations, rural revitalization, caring for vulnerable groups, and supporting education. By doing so, we leverage our influence in the field of social welfare, actively participate in and promote community development, and contribute to building a harmonious society. During the Reporting Period, the Shenzhen subsidiary of the Group was selected in the "2025 Top 100 Enterprises with the Highest Social Contributions of the Shenzhen Top 500".



2.8564
Million RMB

Total Donations for Public Welfare in Communities

In order to optimize the approval process for public welfare donations and ensure standardized and effective donations, the Group has updated the *External Donation Management Policy* to truly play a role in promoting community development:

- Defining the principles, types and recipients of public donations and corresponding approval procedures;
- Requiring that donations and public welfare activities are conducted based on the principles of legality and compliance, sustainability, unified management, honesty and trustworthiness, and continuous tracking;
- Defining the project initiation and approval process for external donations, and establishing corresponding approval standards based on the differences in donation types;
- Clearly dividing the responsibilities of all relevant departments and systematically managing the Group's external donation behaviors.

During the Reporting Period, the Audit Department of the Group included donation matters within the audit scope for relevant audit projects. The compliance, asset delivery integrity, and authenticity of the audited donation matters were verified without error.

Care for People and Assistance with Disaster Relief

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

Common Prosperity and Rural Revitalization

- The Shenzhen subsidiary of the Group contributed to the national strategy for rural revitalization through "Consumption-based Poverty Alleviation" by purchasing gift boxes of local specialty agricultural products from Linquan County in Anhui Province, and the total procurement amount reached RMB 226,800.

- Since 2016, the Hunan subsidiary of the Group has promoted the re-employment of surrounding farmers, employing an average of about 2,500 farmers per year.

Care for Vulnerable Groups

- On Children's Day, the Group donated RMB 45,000 to two rehabilitation centers for special children via the Shenzhen Nanshan District Charity Association. The donation will be used to purchase the various teaching tools and office equipment at the centers as well as teacher training, so as to improve the quality of rehabilitation education and support the cause of caring for special children.

- The Group participated in the SGX Bull Charge Charity Run and donated SGD 10,000 (approximately RMB 54,600) to support vulnerable groups with concrete actions.

Support for Education

- Since 2003, the Hunan subsidiary of the Group and local educational institutions in Li County, Hunan, have carried out long-term education donation activities. As of the end of the Reporting Period, the accumulated donations to the local education bureau and schools were about RMB 1,515,000. Specifically, during the Reporting Period, a total of RMB 30,000 was donated to the education fund, which was used as incentive and funding for outstanding teachers and students in need.

- The Group donated a total of 18 used laptops and desktop computers to the Guangdong Education Foundation to support the construction of the "Green Love Computer Classroom" project, thereby assisting in enhancing the level of educational facilities.

- The Group donated 13 used computers to the Beijing Green & Shine Foundation to support the improvement of teaching conditions in schools in the central and western regions of Henan, Anhui, and Guizhou provinces, assisting teachers and students in enhancing the quality of teaching and learning.



PEOPLE-ORIENTED PRACTICE, GROWING WITH EMPLOYEES

With explicit awareness of employees' vital role in corporate development, the Group upholds the "people-oriented" philosophy, adheres to legal and compliant employment, protects employees' rights and interests, offers comprehensive career development channels and capability improvement opportunities, and actively fosters a culture of diversity and inclusion, to cultivate a warm, friendly and safe working environment and build a high-quality talent team with strong "cohesion".

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- Legal and Compliant Employment
- Protection of Employees' Rights and Interests
- Communication with Employees

Attaching Great Importance to Employee Diversity 89

Ensuring the Occupational Health and Safety of Employees 91
- Production Safety
- Occupational Health
- Mental Health



KEY TARGETS AND PROGRESS

	Targets for Year 2030:	Progress in Year 2025:
Talent absorption and management	• The total employees' training expenditure increases by 40% compared with Year 2022	• Improved internal training systems, integrated external professional training resources, and launched customized training programs for employees at various levels, from different business lines and with various demands for professional skills. The per capita training time of the Group's employees was 25.4 hours, and the total employees' training expenditure reached RMB 9.1 million, representing a year-on-year increase of 89.6% as compared with Year 2022.
Attaching great importance to employee diversity	• No less than 50% females among employees • No less than 30% females among mid-level and senior management • Maintain gender diversity among the Board members	• Promoted the popularization of employee diversity, encouraged employees to speak up or report in real name or anonymously when they suffer from discrimination and unfair treatment, and improved the employee appeal channel and complaint management mechanism to foster an organizational culture of diversity and inclusion. The proportions of females in the workforce, in mid-level and senior management and on the Board members were 56.2%, 42.0%, and 40.0% respectively.
Ensuring the occupational health and safety of employees	• Provide psychological health counselling programs for all employees • Provide annual occupational health check benefits for all employees	• The employee coverage rate of EAP (Employee Assistance Program) maintained at 100%. • The employee coverage rate of occupational health checkups maintained at 100%.

Talent Absorption and Management

The Group regards talent as the core driving force for development, commits to international human rights and labor standards, and strictly complies with the laws and regulations of each operating location. The Group safeguards employees' legitimate rights and interests, provides equal development opportunities, and fosters a diverse, equitable, and caring work environment, striving to achieve a win-win outcome between individual value creation and organizational strategy.

The Group has established a systematic human resources management and oversight framework. The Human Resources Center coordinates and manages human resources, and guides each subsidiary in implementing talent-related policies. At the same time, the Group receives an annual audit of internal control over human resources by external professional auditing organizations, during which all subsidiaries of the Group are covered in the form of sample surveys on human resource management, covering aspects of employee recruitment, contract signing, probation completion/internal transfer, employee attendance, implementation of leave policies, and remuneration and benefits distribution.

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

Legal and Compliant Employment

The Group persists in legal and compliant employment and has established internal regulations, such as the *Human Resource Policy*, and continuously improves the recruitment mechanism. The Group highlights that employment relationships must be based on the principles of legality, fairness, honesty and integrity, mutual consent, and willingness, and follows the procedures for signing, amending, revoking or terminating the labor contracts with all employees, and strictly prohibits any form of discrimination, child labor, and forced labor.

Talent Recruitment

The Group is aware of the importance of a talent pipeline to corporate development and has established internal management policies such as the *CMS Recruitment Management Measures* and *Incentive Policies for Recommending Talents*. The Group continues to enhance its supporting recruitment systems and advance end-to-end digitalization upgrades to ensure that recruitment is carried out efficiently and in an orderly manner.

Talent review and reserve

The Group has established a talent review and reserve mechanism to meet the future strategic business needs for key talent. The Human Resources Center and its teams conduct a Group-wide talent needs assessment semi-annually, develop talent deployment strategies and corresponding recruitment plans in advance based on current staffing plans and talent demand feedback from each department. During the Reporting Period, the Group's Human Resources Center developed role-based competency models for several positions, conducted talent reviews in several subsidiaries, and provided talent management and development recommendations.

To enhance internal succession planning and build a stronger pipeline and strengthen talent reserves for key positions, the Group, through cooperation with professional third-party institutions, has developed a position competency model, conducted talent reviews of prospective candidates, set up a dynamically updated reserve talent pool, and facilitated the movement of pipeline candidates into key roles, to better align talent pipeline development with business growth and needs. At the same time, relying on the school-enterprise cooperation projects, the Group deepens the interaction and cooperation with higher education institutions, and builds sustainable talent pipelines for professional roles.

Talent recruitment channels

The Group actively engages in talent acquisition and places importance on talent planning and ecosystem building. It has established diverse channels for talent acquisition, such as campus recruitment, experienced hiring, and internal recruitment, to continuously expand its talent team.

Campus Recruitment	• The Group regards campus recruitment as a key source of its talent pipeline, and vigorously carries out programs for interns and management trainees. • During the Reporting Period, the Group held about 66 online and in person campus recruitment seminars and 73 campus job fairs, and issued offers to 1,338 excellent graduates.
Experienced Hiring	• In addition to traditional social recruitment channels, such as professional human resource websites and headhunting firms, the Group has established official recruitment accounts on multiple social media and platforms to post the latest recruitment information, which helps attract potential candidates more effectively and assists job seekers in obtaining recruitment information conveniently through diverse channels. • The Group has also developed mechanisms and incentive policies for recommending excellent talents, which motivate all employees and the public to actively recommend talents. • During the Reporting Period, the Group successfully recruited 722 professionals through experienced hiring channels.
Internal Recruitment	• The Group encourages internal transfers and competitive recruitment to broaden the candidate pool for core positions and provide employees with new career development opportunities. • During the Reporting Period, the Group posted 7 internal recruitment notices, and 436 employees completed internal transfers.

Human Rights Protection

The Group aligns with approximately ten United Nations and other international declarations and conventions, such as the *Universal Declaration of Human Rights*, the *Convention on the Rights of Persons with Disabilities*, and the *International Covenant on Economic, Social and Cultural Rights*, and has formulated and implemented the *CMS Human Rights and Employee Diversity Policy* applicable to all operating entities and employees, proactively promoting the protection of its employees' human rights.

The Group has a zero-tolerance stance toward child labor and forced labor, conducts background checks before recruitment, and requires the Human Resources Center to ensure the authenticity and validity of the candidates' identity are verified during the recruitment process through inquiry, verification of identity documents and obtaining signed confirmation from candidates. The Group also encourages employees to report illegal employment cases to superiors in charge for timely investigation and follow-up actions. If any violation, such as child labor or forced labor, is found, employment will be identified as invalid, the employment contract will be immediately terminated, and the salary, benefits and other remuneration prescribed by law will be paid. Meanwhile, the Group has correspondingly established an accountability mechanism, in which relevant personnel responsible will be punished according to the severity of the circumstances to prevent a recurrence of such events. During the Reporting Period, the Group employed no child labor or forced labor.

While ensuring that its employment practices are lawful and compliant, the Group proactively promotes the protection of its employees' human rights in key areas such as recruitment and employment, and requires the Human Resources Center to review the implementation of human rights protection through conducting internal communications and investigations periodically. During the Reporting Period, the Group provided training and promotion of *CMS Human Rights and Employee Diversity Policy* to all employees, including anti-discrimination, anti-harassment, prohibition of forced labor and child labor, respect for employees' freedom of association, diversity, and inclusion, in order to maintain a harmonious and inclusive working environment.

CMS Human Rights Statement:

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

Protection of Employees' Rights and Interests

Remuneration and Benefits

The Group is committed to establishing a fair, competitive, and care-oriented remuneration and benefits mechanism. The Group implements a performance-linked incentive mechanism to ensure fair and transparent remuneration decisions, aiming to attract, motivate, and retain talent. At the same time, the Group offers a diverse range of benefits, including health benefits and employee support, and strictly enforces working hours management regulations. It actively promotes work-life balance, continuously enhancing organizational cohesion and sustainable development momentum.

Performance Evaluation

According to its overarching strategic plan, the Group establishes performance evaluation by breaking down its strategic goals to each subsidiary and relevant departments, clarifies the key tasks and the task completion rating standards, and adopts the detailed key performance indicators as the determination basis for employees' compensation adjustments, promotion and bonus awards, which achieve employee performance evaluation and assessment in a more fair, effective and systematic manner.

Evaluation Method	Evaluation Content	Evaluation Object
360-Degree Evaluations	360-degree evaluations include self-evaluations of employees and feedback from others. Colleagues within and across departments, together with superiors and subordinates, are invited to comprehensively evaluate the appraised employees in aspects such as performance and working competence, with evaluation dimensions covering work attitude, performance, and working competence.	Employees undergoing probation confirmation or grade/position promotion (including mid-level and senior management)
Performance Review Presentation	For Performance Review Presentations, employees' work results and performance are evaluated through systematic performance reviews, job requirements alignment, and combining work reports, communication and Q&A, on-site scoring, etc.	Employees undergoing probation confirmation or grade/position promotion (including mid-level and senior management)
One-on-One Interviews	Senior management or executive directors are invited to have one-on-one interviews with mid-level and senior management to discuss employees' performance.	Mid-level and senior management
Quarterly Performance Appraisals	The performance of employees in the marketing and promotion department is dynamically evaluated and monitored.	Employees in the marketing and promotion department
Regular Communication	The Group also encourages all employees to have regular communication with their superiors regarding their performance, so that employees can receive timely feedback on their performance results.	All employees

CMS Performance Evaluation Methods

Results of performance evaluation will be sent to employees via the Group's online platform in a timely manner. In case of any disagreement regarding the performance evaluation, employees can submit an appeal within 5 working days upon receipt of the results, and the Human Resources Center will initiate an independent review, organize one-on-one interviews to understand the specific situation, comprehensively review relevant evaluation records, and promptly provide feedback to employees on the results of the appeal review.

Compensation and Incentives

The Group provides employees with fair and reasonable remuneration and benefits, ensuring that employee remuneration is not lower than the national and local minimum wage standards. It is committed to paying employees' wages in full and on time, and clearly lists the lawful deductions on pay slips to ensure transparency and fairness in remuneration payments. At the same time, the Group upholds the principle of equal pay for equal work, ensuring that male and female employees receive equal remuneration and all employees get fair and reasonable remuneration for their roles.

The Group adopts flexible remuneration policies and allows compensation discussions depending on local living costs and needs. Meanwhile, it conducts annual remuneration reviews and adjustments for all employees, as well as refinement of qualification standards and job-fit assessment presentations to maintain a fair and effective remuneration evaluation mechanism and adjustment rules of the Group. The Group also engages an external human resource consulting firm annually to conduct market compensation benchmarking and comprehensively reviews internal remuneration levels through the analysis of role-based pay competitiveness to ensure that employees receive competitive benefits and remuneration in the market.

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

Short- to mid-term incentives	Quarterly/annual performance bonuses, incentive remuneration adjustments for outstanding employees, annual strategic project bonus incentive plans, etc.
Long-term incentives	Equity incentive scheme, key employee benefits plan

CMS Employee Incentive System

Benefits and Care

The Group provides various benefits in compliance with the statutory rights requirements for employment in each operating location. For example, in mainland China, the Group provides employees with five statutory social insurance programs (basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance) and the housing provident fund. In Hong Kong, it contributes to the Mandatory Provident Fund (MPF) and Employees' Compensation Insurance for eligible employees. Besides, the Group continuously optimizes its employee relationship management by providing further caring benefits and actively planning employee activities to enhance organizational cohesion.

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

Category of Major Benefits	Description of Major Benefits
Work-life Balance	• Setting up an employee gym, a yoga room and a table tennis room for free use, to support employees' physical fitness and well-being; • Setting up an employee book bar, and subscribing to newspapers and books for free reading; • Establishing a culture and sports association including basketball and badminton branches, organizing employees to participate in external competitions, and cooperating with large-scale stadiums to ensure activity venues and professional support; • Regularly organizing diverse activities, such as oil painting workshops and intangible cultural heritage experiences, to enrich employees' leisure and cultural life; • Appropriating special funds for team-building activities, supporting the departments to organize team-building activities, and strengthening team cohesion.
Employee Care	• Providing fresh graduates with dormitories for a certain period to help new employees better adapt to the work environment and challenges; • Providing accident insurance to all employees (including interns) to provide employees with extra peace of mind; • Providing high-quality health checks to help employees understand their health status; • Providing EAP (Employee Assistance Program), providing psychological counseling and stress relief channels for employees; • Setting up mother-and-infant rooms to provide convenience for female employees with breastfeeding needs; • Providing a variety of afternoon refreshments and overtime dinners; • Providing festival gifts for all employees (including interns).

Working Hours and Work-Life Balance

The Group strictly complies with labor-related laws and regulations and firmly prohibits any form of forced labor. The Group implements standard statutory working hours, on that basis, offers flexible work arrangements into practice to enable employees to reasonably schedule work and leisure time according to responsibilities and department demands, thereby facilitating a better work-life balance. In the context of overtime culture not being advocated, employees who need to work overtime due to work arrangements should submit overtime requests to department heads for evaluation and approval. Upon completion of overtime work, the employees will be provided with compensatory leave or overtime pay for work performed on national statutory holidays according to regulations.

In addition, the Group ensures that all employees are entitled to statutory public holidays and paid leave according to law. In mainland China, these holidays and leave include paid annual leave, marriage leave, maternity leave, paternity leave, nursing leave, funeral leave, parental leave. Overseas, the holiday and leave principle is adapted and implemented in accordance with local laws and policies. During employees' statutory leave, the Group guarantees 100% job retention,fully respecting and protecting employees' rights and interests.

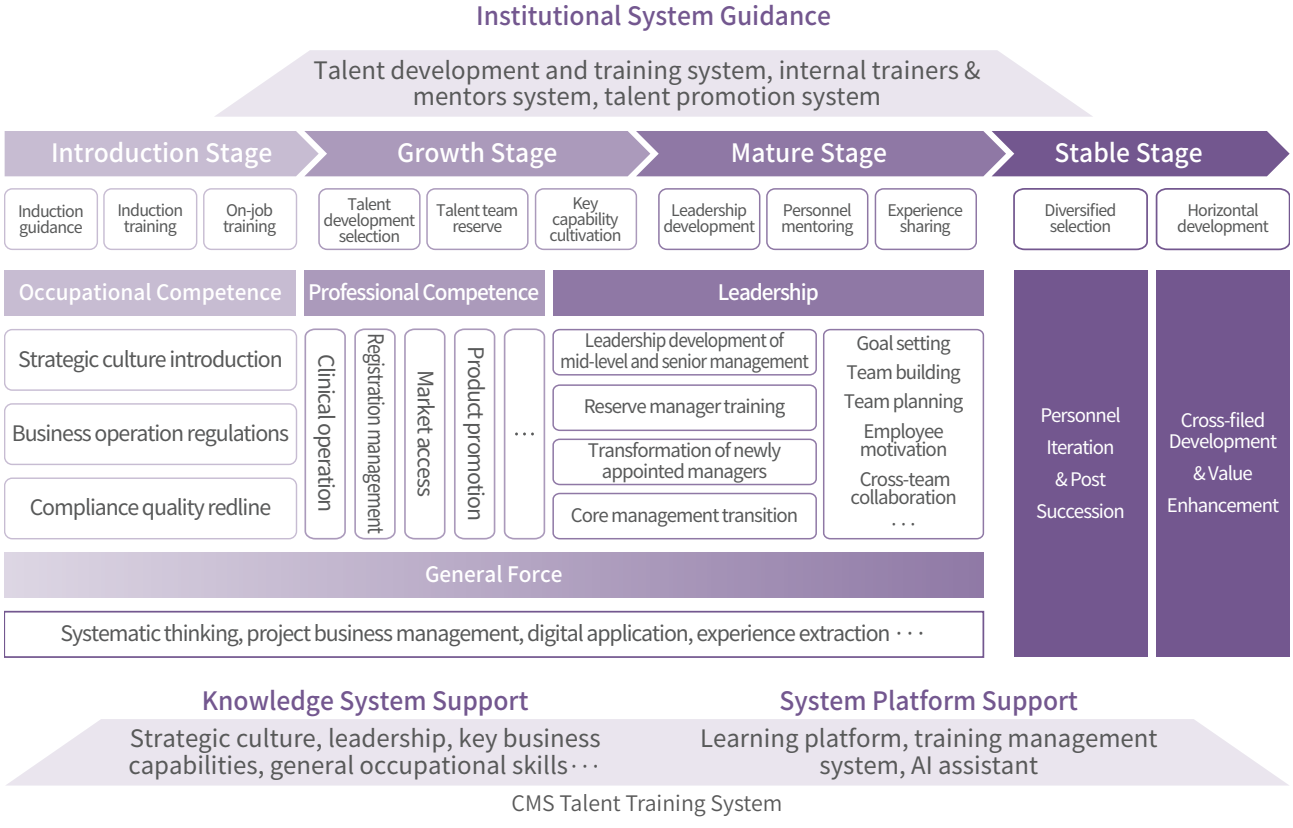
Training and Development

The Group is committed to building a sustainable, high-quality team of talent. Taking the corporate development strategy and employee growth needs as the foundation, it has formulated a series of training management policies, such as the *Internal Trainer Management Policy*, to establish a comprehensive talent development system and a clear career development path, assisting employees in achieving self-surpassing and capability enhancement.

During the Reporting Period, the Group conducted the first round of competency modeling, aiming to scientifically establish role-based competency standards and identify the competency requirements for different positions. This initiative is intended to drive the update of a matching training system, providing a precise support for talent development and cultivation, and facilitating the implementation of the Group's talent strategy.

Training System

The Group has set up a diversified talent training system driven by the policy framework and supported by the knowledge base and system platform. Tailored to the different growth stages of employee career development, the Group offers curriculum courses focused on occupational skills, professional expertise, leadership capabilities, and general competencies. Meanwhile, the Group proactively promotes the construction of a digital training management system, and has established an online learning platform, CMS Academy, for all employees and developed AI coaching tools to further improve the accessibility, convenience, and flexibility of training. The Group also improves the follow-up and monitoring on the implementation of all kinds of training programs, and timely collects and analyzes employees' feedback, so as to maintain its high training quality.



CMS Talent Training System

The Group implements "offline + online" multi-dimensional training methods according to the individualized needs of employee development, and continuously optimizes the "internal + external" training resources. It continually improves and leverages internal trainers and course resources, and has developed the "Navigation" training system and the "Morning Star" training system to support the demand for professional talent training. At the same time, the Group proactively expands cooperation with professional training institutions, and establishes pools with abundant resources of trainers, courses and training institutions, to further underpin the foundation of the Group's sustainable talent training. The Group also possesses a training base in Pingshan District, Shenzhen, which provides all employees with a good environment and atmosphere for centralized training.

Training Resources	Training System	Training Content
Internal Training	"Navigation" training system	This system mainly includes the Preparation, Onboarding, Piloting, Long Voyage, Continuous Voyage, and Escort plans. The training targets all employees, including new hires, existing employees, and management. Its content comprehensively covers corporate strategy, corporate culture, professional skills and knowledge, qualification assessment, management and leadership skills, policies and regulations, information security, and the use of digital tools.
	"Morning Star" training system	This system covers product system management trainees and includes comprehensive training in corporate culture, job skills, product knowledge, and compliance requirements.
External Training		The Group's external training is adjusted according to the annual training plan. During the Reporting Period, the Group collaborated with external training institutions to conduct general competence training and leadership-related training, with training content covering labor risk prevention, a comprehensive management capability training camp for key personnel, and an advanced project management training camp.

Training Programs

In order to ensure that the development direction of employees better meets the Group's business development needs, each year the Group's Human Resources Center collects training needs from responsibility centers, subsidiaries and departments through surveys, and classifies, analyzes and develops corresponding training plans which are included in the Group's annual training plans upon multi-level review by heads of the departments, head of the Group's Human Resources Center and executive directors. The Group's training programs include, but are not limited to, professional competence, talent development, business maintenance and general competence, which empower employees systematically. In addition, the Group proactively promotes the Board members training to boost their fulfillment capability and enhance the governance effectiveness of the Board.

100%
Training Coverage of Employees

25.4 Hours
Employees Training Duration Per Capita

Board Member Training

The Group provides training to all Board members on a regular annual basis. Training includes but is not limited to updated information, regulations, leading practice interpretations concerning industry development, regulatory requirements, finance, ESG, corporate governance, and business ethics, helping ensure Board members remain current with the latest developments.

Professional Competence Training

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

While conducting professional capability training, the Group provides resources and financial support for employees to obtain job-related professional qualifications and ensures that all employees have opportunities to participate in off-site advanced studies and learning programs. Departments and subsidiaries may incorporate certificate examinations or continuing education demands into their annual training plans based on business requirements, and receive reimbursement after approval. During the Reporting Period, the Group dispatched relevant employees to participate in external training, including GCP, Certificate of Accounting Professional, licensed physicians, security, etc., as well as continuing education related to statistics and finance, continuously enhancing employees' professional capabilities.

Talent Development Training

The Group attaches great importance to training and talent development of the management team. The Group collaborates with third-party professional training and educational institutions to conduct comprehensive management skills training camps for the key talents of the Group, covering business management, leadership system cognition, strategic decoding, and target management, to enhance the leadership, organization skills and execution capability of the key talents. During the Reporting Period,a total of 1,076 key personnel participated in management or leadership training.

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

Business Maintenance Training

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

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

General Competency Training

The Group pays close attention to the development of employees' general occupational skills, and establishes "Energy Star – General Competency Training" program for all employees. During the Reporting Period, the Group further deepened the empowerment of AI (artificial intelligence) digital capabilities, and conducted AI tool training and regularly updated knowledge sharing of general AI tools in the Group's internal IT monthly reports based on the hot trends and self-developed AI application, covering the high-quality AI application in work scenarios such as inquiry, recording, translation, and reporting. Additionally, the Group organized an AI application case competition to enhance employees' work efficiency and quality.

In addition, to help new employees learn about corporate business, corporate standards and general work and adapt to the working environment, the Group organizes general occupational training for all new employees on a yearly basis, covering corporate culture, organizational structure, remuneration and benefits, product knowledge, compliance requirements, information security, basic knowledge on pharmacovigilance, CMS brand LOGO usage guidelines and introduction to the Group's products, and sets up examinations to deepen their understanding. During the Reporting Period, the Group conducted 6 sessions of general competency training for new employees.

Talent Promotion

The Group adheres to the promotion mechanism that is oriented by competence and integrity, follows the talent promotion philosophy and principle of "internal selection, step-by-step promotion, tiered training, spiral advancement, and exceptional promotion in special period", and has established a clear promotion evaluation mechanism and the performance management system for each role. Meanwhile, the Group establishes a promotion application system, by which employees can voluntarily apply for promotion. The Group evaluates and approves the promotion of employees based on their performance evaluation and assessment results.

Promotion results will be publicized in the form of a personnel appointment and removal announcement. Any employee objecting to the certification process or results may lodge complaints to the Human Resources Center, and the latter will review and provide feedback on the appeal within 5 business days to ensure promotion channels and opportunities are fair, transparent, and effective.

Departures and Retention

Departure Management

The Group strictly follows a series of internal management policies, such as the *Human Resource Policy*, to handle employee departure procedures. The Group's Human Resources Center is responsible for providing comprehensive assistance to departing employees to ensure that social insurance, file management, residence permit transfer, as well as other relevant formalities are properly handled to safeguard employees' rights and interests.

Talent Retention

The Group attaches great importance to talent retention, and endeavors to enhance employees' sense of belonging and engagement by implementing a competitive compensation and benefits system, a fair performance incentive mechanism, well-grounded training and career development pathways, and a smooth communication mechanism, thereby reducing the employee turnover rate and ensuring the stability of the Group's talent pipeline and workforce structure.

To promote healthy talent mobility and the Group's long-term sustainable growth, the Group facilitates talent retention through various retention programs, with measures as follows:

- Establishing a risk management mechanism for employee turnover, holding standardized resignation interviews with all resigning employees, to better understand their reasons for leaving, collect valuable feedback information, and then formulate internal improvement measures;
- Providing employees with competitive remuneration and benefits, systematic training and development plans, and a safe and reassuring working environment;
- Establishing a fair, impartial and transparent talent competition mechanism and providing broad development space and reasonable incentives for employees with excellent competence and integrity;
- Providing induction training and a mentor for new hires to help them better adapt to their work and integrate into the company;
- Listening to employees' feedback, analyzing their needs and helping them solve problems and difficulties at work.

In terms of organizational and talent strategy planning, the Group adheres to the principles of forward-looking planning and disciplined execution. All personnel structure optimization strictly adheres to the business strategy orientation, achieving dynamic balance through natural attrition, internal redeployment, and reskilling and upskilling. Over the past five years, the Group did not experience large-scale layoffs or major mergers/acquisitions affecting a substantial portion of the workforce.

Communication with Employees

The Group is committed to establishing open and diverse communication channels for employees to promote interaction and mutual trust among employees and between employees and the Group. It has established regular online and offline communication channels, respects employees' rights to freedom of association and collective bargaining, and conducts regular surveys to systematically collect feedback. At the same time, the Group has established an independent and confidential complaint and suggestion mechanism to ensure that employees' opinions are heard promptly and handled appropriately.

The Group respects employees' rights to freedom of association and collective bargaining. Some of the main Chinese subsidiaries of the Group have established labor unions, which represent and safeguard the legal rights and interests of all employees, actively participate in the democratic management of the main subsidiaries, and promote a harmonious relationship between the main subsidiaries and their employees. The Group supports all employees in joining the labor union and participating in related activities. The labor union has the right to bargain and negotiate with the Group on behalf of employees, and to legally sign collective bargaining agreements through collective bargaining.

To promote employee communication and organizational climate construction, during the Reporting Period, the Group organized 71 organizational climate activities, with an average satisfaction rate of 97%, and also conducted an annual organizational climate survey through questionnaires to systematically evaluate the implementation effectiveness in dimensions such as internal construction, collaboration mechanisms, and employee experience. Survey results indicate that organizational climate activities can significantly enhance team cohesion, cross-regional collaboration capabilities, and employee engagement.

The Group encourages employees to communicate with the management through the internal communication platform, email, and online or face-to-face conversations in a timely and effective manner. The Group also actively communicates with employees in the form of probation confirmation interviews, exit interviews and regular questionnaire surveys. During the Reporting Period, the Group continuously solicited feedback from all employees regarding their opinions and job satisfaction through conducting interviews, surveys and establishing real-name/anonymous dialogue channels. Meanwhile, the Group has conducted an employee engagement questionnaire survey, and the result of the survey is a score of 4.67 out of 5. Based on the survey results, the Group comprehensively considers the reasonableness of feedback and the feasibility of internal practices to formulate improvement plans, in order to establish a harmonious and healthy working environment.

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

Lodging Complaints	Supporting employees to lodge complaints in their real name or anonymously.
Handling Complaints and Providing Feedback	Complaints are classified by the Group's Human Resources Center and handed over to the relevant departments responsible for handling based on the nature of the incidents. The handling department must provide a progress update to complainants within 5 business days upon receipt of the complaints; Complaints involving internal fraud and external bribery are handled in accordance with *CMS Anti-Fraud Management System*; Transfer personnel and acceptance personnel who have a conflict of interest with the complaint matter, which may compromise impartial handling, must recuse themselves from the handling process.
Complainant Evaluation	The complainant shall evaluate the handling of the complaint after receiving the feedback, and the complaint will be closed if the complainant agrees with the handling results; If the complainant still has questions or requires further feedback, he/she can lodge a complaint again.
Recording and Filing	Handlers shall maintain the complaint records properly, and are strictly prohibited from disclosing any personal information of the complainants or relevant information of the complaints; The Group's Human Resources Center compiles a summary report of the complaint records every quarter for filing. Such reports are submitted to the executive directors for review after the Group's internal audit.

CMS Employee Complaint Handling Process

The Group takes measures to fully protect the legal rights, interests and claims of the complainants. For confirmed violations, the Group will impose strict penalties according to regulations and formulate response measures. For malicious accusations or false statements, the Group will hold such behaviors accountable. If the violation involves suspected legal offenses, the Group will transfer the case to judicial authorities in accordance with the law.

Attaching Great Importance to Employee Diversity

The Group values employee diversity and adheres to and implements the employment policy of fairness, equity, diversity, and inclusion, and has adopted policies such as *CMS Board Diversity Policy* and *CMS Human Rights and Employee Diversity Policy*, creating a workplace atmosphere of inclusion and belonging. The Group adheres to equal opportunity and follows the principle of anti-discrimination to ensure that employees' employment, holidays, working hours, remuneration, incentives, training, and promotion are not affected by their race, nationality, ethnicity, region, gender, religion, age, sexual orientation, political affiliation, marital status, pregnancy and parental status, disability, or other factors.

The Group has set diversity targets, requiring that the proportion of females among all employees is no less than 50%, and that of females among mid-level and senior management is no less than 30%. Though the establishment of quantitative targets, the Group ensures fair treatment for women across various dimensions, including recruitment and promotion processes.

The Company's Board of Directors continuously oversees the system and implementation of the diversity policies for the Board and the employees. The Board of the Group and the Nomination Committee review and examine the *CMS Board Diversity Policy* periodically, continuously monitor the implementation of the policy and make revisions and improvements as necessary. Each year, the Group collects and analyzes the quantitative data, target attainment progress and work performance status of its corporate diversity, and submits them to the Board and the ESG Committee for review to ensure that the diversity-related work is progressing in an orderly manner.

56.2%
Proportion of female employees

42.0%
Proportion of female employees among mid-level and senior management

40.0%
Proportion of female board members

In the nomination process for Board members, the Group, based on a series of diversity categories, including but not limited to gender, cultural and educational background, professional experience, skills, knowledge, etc., gives full consideration to the needs of the Board's diversity. As of the end of the Reporting Period, the Board consists of 5 members, including 2 female directors. Every member of the Board has rich working experience in the industries of pharmaceuticals, financial accounting, investment, and law and has mastered professional skills related to the operation of the Group, and thus can make scientific and effective decisions on the Group's corporate governance, forward-looking strategic layout and quality business development.

In the aspect of promoting employee diversity, the Group prioritizes local hiring in its operating regions and avoids setting higher recruitment criteria for women than for men, enhancing workforce diversity. The Group maintains a "zero-tolerance" attitude towards any form of prejudice or discrimination, and has established an employee complaint mechanism to encourage employees to speak up when they experience unfair treatment. During regular interviews with employees, the Group inquires and understands employees' opinions on the Group's diversity development, and makes targeted optimization and adjustments accordingly.

In addition, the Group also encourages supply chain partners, customers, and other stakeholders to jointly promote diversity, and actively promotes the inclusion of relevant clauses in cooperation agreements signed with suppliers, working together to build an inclusive and equitable development environment.

Ensuring the Occupational Health and Safety of Employees

The Group has formulated a series of safety management regulations, including *Production Safety Management Policy*, *Employee Health Management Procedure*, and *Emergency Response Plan*, etc., and has publicly released the *CMS Environmental Protection, Occupational Health and Safety Management Policy* covering all full-time, part-time and intern employees, to create a healthy and safe working environment for our employees.

The Group has established the occupational health and safety management/supervision team, including the ESG Committee, Administrative Department, Production Department, Audit Department, and Human Resources Center. The ESG Committee is responsible for reviewing and examining the strategies and management objectives relating to occupational health and safety, and supervising the implementation progress and achievement of relevant initiatives. The Group actively promotes the subsidiaries to establish a safety management system and to obtain relevant certification. During the Reporting Period, the Group's production subsidiary has obtained the GB/T 45001-2020/ ISO 45001:2018 certification of the occupational health and safety management system.

During the Reporting Period, the Group did not identify any non-compliance with laws or regulations related to occupational health and safety that had a material impact on it, nor any work-related fatalities.

Production Safety

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

Occupational Health

Daily Maintenance

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

Health Training

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

Health Check

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

Mental Health

Professional Counseling

- Establishing the EAP (Employee Assistance Program), and engaging professional psychological counseling agencies to provide free psychological counseling to all employees and their families;
- Sharing psychological knowledge and communication skills applicable to work and life. During the Reporting Period, 19 articles related to EAP were published to all employees on the communication platform of the Group, with total views exceeding 30,000 times.

Work Stress Relief

- Conducting the "Calm Space" series activity, organizing a total of 79 stress-relief events during the Reporting Period;
- Providing employees with entertainment venues and various types of leisure activities to encourage them to keep fit and relieve stress from work;
- Arranging interviews and learning and development partners for new employees and obtaining an understanding of their work adaptation and emotional needs.



ENVIRONMENTAL PROTECTION, GREEN AND LOW-CARBON DEVELOPMENT

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

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KEY TARGETS AND PROGRESS

Taking actions to protect the environment

Future targets:	Progress in Year 2025:
Greenhouse gas (GHG)	
• Scope 1+2 GHG emission intensity to be reduced by at least 5% by the end of 2030, as compared to 2022, with Scope 3 GHG emission data gradually being disclosed.	• The Group has progressively developed group-level Scope 3 GHG emissions data collections. During the Reporting Period, the total Scope 3 GHG emissions under the categories of "Upstream transportation and distribution", "Business travel"and"Employee commuting" were 7,638.8 tCO_2e.
• Scope 1+2 GHG emission intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.	• In 2025, Scope 1+2 GHG emission intensity has been reduced by 34.0% as compared to 2022, and has been reduced by 63.5% compared with 2020.
Solid waste	
• The hazardous waste intensity to be reduced by at least 7% by the end of 2026, as compared to 2020.	• In 2025, the hazardous waste intensity has been reduced by 63.8%, as compared to 2020.
• The non-hazardous waste intensity to be reduced by at least 4% by the end of 2026, as compared to 2020.	• In 2025, the non-hazardous waste intensity has been reduced by 76.2%, as compared to 2020.
Use of resources	
• The electricity consumption intensity to be reduced by at least 3% by the end of 2026, as compared to 2020.	• In 2025, the electricity consumption intensity has been reduced by 22.4%, as compared to 2020.
• The water consumption intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.	• In 2025, the water consumption intensity has been reduced by 54.7%, as compared to 2020.

Conserving biodiversity

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

Taking Actions to Protect the Environment

The Group deeply integrates environmental protection into its business operations by systematically managing GHG, waste, and the use of resources. It practices responsible operations and production responsibilities, driving synergistic development between its business and the ecosystem. The Group's business with direct impacts on the environment mainly includes pharmaceutical sales and marketing business, pharmaceutical production business and agriculture and livestock business[4]. The Group's pharmaceutical production business is relatively small in scale. During the Reporting Period, the sales of self-produced products only accounted for around 0.7% of the Group's revenue under the assumption that all revenue was generated from pharmaceutical product sales. Due to the Group's business distribution characteristics, the total emission of GHG and environmental pollutants was limited, and the impact on the ecological environment was insignificant.

The Group has established an environmental management system that combines a compliance foundation with goal-oriented guidance. Based on compliance with environmental protection-related laws and regulations in the places of operation, the Group continuously monitors policy developments, has publicly issued the *CMS Environmental Protection, Occupational Health and Safety (EHS) Management Policy*, and has set environmental management targets with respect to GHG emissions, waste, energy consumption, and water resource usage, striving to enhance its capabilities in addressing climate change and environmental protection. The Group's manufacturing subsidiary has received the GB/T 24001-2016/ISO 14001:2015 environmental management system certification.

To systematically control and optimize corporate environmental practices, the Group has established an environmental governance system encompassing the Board of Directors, the ESG Committee under the Board, and the ESG Working Group. The Board of Directors of the Company is the highest-level governance body for environmental management strategy and performance. The ESG Committee under the Board is responsible for overseeing the management guidelines, policies and structures of environmental protection, overall supervising and managing ESG-related risks and opportunities, and collaborating with the Audit Department and the ESG Working Group to identify and address these risks. The ESG Working Group is primarily responsible for implementation, including the formulation of specific environmental management plans, the collection, consolidation, and analysis of data on pollution emissions, energy use, and water consumption from all responsible entities. These activities support reporting to the ESG Committee and assist the Board in continuously monitoring the Group's management of energy conservation and emission reduction, as well as the achievement of environmental targets. During the Reporting Period, the Board of Directors of the Company and the ESG Committee reviewed the Group's environmental management strategy, the implementation of environmental management, and the progress of environmental targets.

The Group systematically monitors the operational effectiveness and compliance level of its environmental management system through a combination of internal and external audits.

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

Internal audit:

The Audit Department conducts annual internal audits of all operational entities regarding environment and energy consumption, and compiles special audit reports for review by the ESG Committee. During the Reporting Period, the Group conducted a comprehensive on-site audit regarding the environment and energy consumption, covering the pharmaceutical production business, agriculture and livestock business, office areas, and all other operational entities. The status (such as environmental governance, environmental facilities, energy use, storage and disposal of hazardous waste, and employee safety) was comprehensively reviewed and problems of each audited entity were systematically identified, assessed, and explained in detail. Based on the audit results, the Audit Department provided recommendations to the relevant responsible entities for rectification, assisted them in formulating comprehensive improvement plans, regularly tracked the progress of corrective actions, and issued the *Special Audit Report on ESG Environment and Energy Consumption*.

External audit and regulatory inspection:

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

Climate Change Response

Climate change response is a core issue in the current global development process. As a pharmaceutical company with a strong sense of social responsibility, CMS has deeply incorporated climate change issues into its long-term strategic system, systematically identified climate-related risks and opportunities, assessed the impact of various risks and opportunities on our business and financial aspects, and formulated scientific countermeasures. The Group refers to *IFRS S2 Climate-related Disclosures*, *Appendix C2 Environmental, Social and Governance Reporting Code* to the *HKEX Listing Rules*, and other authoritative standards and regulatory requirements. The Group comprehensively carries out management practices and information disclosures in the field of climate change, focusing on four core dimensions, i.e., governance structure, strategy, risk management, and metrics and targets.

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

Governance

CMS places great importance on the physical and transitional risks brought about by climate change, as well as the sustainable development opportunities in the process of low-carbon transition. To systematically address related challenges and opportunities, the Group has established a top-down climate change governance structure to ensure that climate issues are effectively integrated into corporate strategy, risk management, and daily operations. The Board of Directors serves as the highest decision-making body for the Group's climate change activities. It has established an ESG Committee and an ESG Working Group, which oversee all climate change-related matters within the Group. The Board of Directors and ESG Committee review and supervise climate-related issues and work progress via quarterly meetings.

Members of the Board of Directors and the ESG Committee possess knowledge of climate-related issues and understand their impact on the Company's business and operations. To ensure that the Board of Directors and the ESG Committee stay well-informed and updated, the Company regularly provides specialized learning sessions on climate-related policies, regulations, and global trends. It also brings in external expert opinions to continuously enhance the Board members' expertise and decision-making capabilities in managing climate-related risks and opportunities. The Board of Directors has reviewed the work plans for climate information disclosure, the identification and management of climate-related risks and opportunities, and related target-setting and implementation. At the same time, the Board of Directors systematically considers climate-related risks and opportunities brought by climate change when formulating overall strategy, business planning, major transaction decisions, risk management procedures, and related policies.

Level	Responsibilities	Supervision status
Board of Directors	• Holding ultimate responsibility for climate change-related matters • Reviewing and approving significant climate-related matters (e.g., strategies and frameworks) • Overseeing the progress and performance of climate-related targets to ensure the effectiveness of management approaches • Authorizing the ESG Committee to analyze and assess climate-related risks and opportunities	Supervising the setting and annual progress of GHG, energy conservation, and emission reduction targets; Supervising the linkage between the performance of executive directors and senior management and climate change-related targets
ESG Committee	• Reviewing and supervising climate-related management policies, strategies, and structures • Supervising climate-related issues and identifying trends, risks, and opportunities related to climate change • Supervising the setting and accomplishment of the climate change-related targets • Reporting to the Board of Directors regularly to acquaint the Board of Directors with recent climate-related issues affecting the Group • Authorizing the ESG Working Group to track and monitor the implementation of specific measures and indicator management in response to climate change-related risks and opportunities	
ESG Working Group	• Drafting relevant policies and measures • Promoting the implementation of various related initiatives across business departments • Overseeing and tracking the progress of established targets and initiatives • Reporting to the ESG Committee regularly	Quarterly tracking and analysis of the phased progress of targets such as greenhouse gas emissions, energy conservation, and emission reduction

Climate-related Governance Framework

Strategy

The Group systematically conducts the identification and assessment of climate-related risks and opportunities, and implements multi-dimensional risk response measures to continuously enhance its overall operational resilience. Concurrently, the Group has established a climate management strategy system covering short-, medium-, and long-term periods to further prioritize climate change-related issues, enabling agile responses to challenges posed by climate change.

Short term	2025-2026 Conducting climate-related risk assessments and financial impact analysis, and adjusting response measures based on the findings.
Medium term	2027-2030 Performing comprehensive reviews and evaluations of climate change strategies to ensure alignment with the latest industry standards, regulatory trends, customer demands, and the Company's overall corporate strategy.
Long term	2031 and beyond Driving the transition of the corporate value chain toward green and low-carbon practices.

Risk and opportunity identification and assessment

Based on the climate-related disclosure framework, benchmarking against industry best practices, and drawing extensively on external expert opinions, the Group systematically identifies potential climate risks and opportunities that may arise in the short-term and mid-to-long-term business development stages, and ultimately establishes the CMS Climate-Related Risk and Opportunity Register. Concurrently, the Group deeply engages a professional third-party institution to apply appropriately selected climate scenarios and core parameters, and to prioritize its climate-related risks through qualitative and quantitative analyses based on its business characteristics and future development trends.

Scenario analysis

Scenario models and parameters

The Group carried out a systematic review of its business and assets around the world, and selected internationally authoritative and highly comparable scenario frameworks based on the differences in the nature of risks. In light of the continuous evolution of international climate-related disclosure standards and climate science research, to further enhance the alignment of climate risk analysis with the latest international best practices and improve the forward-looking and detailed level of analysis results, the Group optimized and updated the climate scenario settings during the Reporting Period. For physical risks, the Group adopts the Intergovernmental Panel on Climate Change (IPCC)' s Shared Socioeconomic Pathways (SSP) scenarios, and for transition risks, it adopts the Network for Greening the Financial System (NGFS) scenarios. Specific climate scenarios are as follows:

Risk / Opportunity	Scenario setting	Scenario name	Temperature rise	Scenario description
Physical risks	IPCC	SSP 1-2.6: Sustainability	The temperature rise will be limited to 1.8° C (possibly between 1.3° C and 2.4° C) by 2100.	Under the increasing commitment to achieving development goals, the world is gradually moving towards a path of socially and economically sustainable development. Global consumption patterns are shifting towards low energy and low resource consumption, while real economic growth is also relatively low.
		SSP 2-4.5: "Middle of the Road"	The temperature rise will be limited to 2.7° C (possibly between 2.1° C and 3.5° C) by 2100.	Globally, progress towards achieving the SDGs is slow. Social, economic, and technological trends have not significantly deviated from historical patterns. Although some regions of the world have made progress, environmental systems continue to degrade. The intensity of resource and energy consumption is decreasing across the board.
Transition risks and opportunities	NGFS	Orderly	The temperature rise will be limited to 1.5°C by 2100.	Limit global warming to 1.5°C through stringent climate policies and innovations, reaching net zero CO_2 emissions around 2050.
		Hot house world	The temperature rise will be limited to 3°C by 2100.	Assume only currently implemented policies are preserved, and the Nationally Determined Contributions (NDCs) will not be implemented.

Scenario and Model Introduction

Assessment approaches

The Group assessed in detail the risks and opportunities faced by its business operations under different scenarios with qualitative and quantitative approaches. Specifically, the Group conducted quantitative analysis using a global natural hazard risk database to reassess the risk levels of the assets when they are exposed to different material physical risks under different scenarios, and to quantify the percentage of asset value vulnerable to physical risks[5].

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

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

Assessment of physical risks

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

5 To comprehensively assess the impact of climate-related risks on assets, the statistical scope has been expanded this year to include leased assets. As the value data of leased assets have not yet been integrated, the disclosure is presented as the proportion of self-owned assets exposed to climate risks to ensure the information is reasonable and comparable.

The changes in the types and risk levels of physical risks primarily stem from improvements in scenario analysis and assessment methods, and do not indicate a substantial change in the Group's overall physical risks in the short term.

The identified possible physical risks are listed as follows:

Key drivers	Trend	Impact term	Potential risks	Potential financial impact[6]	
				Operating income	Costs
Risk type: Extreme heat					
• Global temperature rise may increase the frequency, intensity, and duration of extreme heatwaves.	Uptrend	Short, medium, and long term	**Impact on business model** • Extreme heat can directly damage the body's thermoregulation system through factors such as temperature and humidity, leading to serious illnesses or even death, thereby reducing labor productivity and availability, or changing the efficiency of production processes, ultimately impacting the Group's business operations; • During extreme heatwaves, the demand for cooling significantly increases, leading to a sharp rise in water and electricity consumption; prolonged high temperatures may also reduce the efficiency of cooling systems, exacerbating energy consumption and cost pressures; • Extreme heat may increase the risk of thermal expansion and deformation of water pipes, affecting the stability of both production and domestic water supply, and disrupting operations that rely on water resources; • Drugs stored and transported under ambient temperature conditions necessitate the deployment of refrigerated vehicles during extreme heat, thereby increasing logistics costs; • Extreme high temperature leads to an increase in heat-related subsidies and expenses on environmental improvement and procurement of protective equipment. • During extreme heatwaves, office production and storage facilities may need upgrades, such as enhancing building insulation, ventilation, and passive cooling systems, leading to structural changes in capital expenditure and asset maintenance strategies. **Impact on the value chain** • Extreme heat may intensify electricity demand, leading to regional power shortages or grid failures, which could result in production downtime, supply chain disruptions, and delivery delays.	-	+

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

Key drivers	Trend	Impact term	Potential risks	Potential financial impact	
				Operating income	Costs
Risk type: Fluvial flooding					
				-	+
• Excessive rainfall or melting snow may cause river levels to rise	Uptrend	Medium and long term	**Impact on business model** • Fluvial floods directly impact and cause damage to specific assets such as production equipment and stored materials, resulting in direct property loss and replacement costs; • The water contamination by floods can cause freshwater shortage and productivity decline; • Deterioration of water quality after floods may increase wastewater treatment pressure, increasing the volume of discharged water; • Fluvial flooding may cause landslides and thus directly threaten production safety. **Impact on the value chain** • Floods may extensively compromise critical infrastructure such as transportation networks and communications, resulting in disruptions to raw material supply and product distribution channels, thereby exacerbating supply chain instability.		
Risk type: Extreme precipitation					
				-	+
• In a warming climate, the atmosphere can hold more water vapor before reaching saturation, thus increasing the likelihood of extreme precipitation • The combined effect of typhoons, terrain and atmospheric circulation leads to extreme precipitation	Uptrend	Short, medium, and long term	**Impact on business model** • Extreme precipitation leads to a sudden increase in water source turbidity and pollutants, affecting the water quality used in production processes, which may force operational interruptions or increase water treatment costs; • Heavy rainfall may flood low-lying areas, warehouses, and open spaces, causing facility damage and inventory spoilage; • Continuous heavy rainfall may cause waterlogging in plant areas, leading to flooding of machine rooms and electrical equipment, resulting in production line shutdowns and damage to critical equipment. **Impact on the value chain** • Extreme precipitation often leads to flash floods, dam collapses of reservoirs, river overflows, collapses of buildings, inundation of farmlands, and disruption of transport and telecommunications, resulting in a delay or stagnation of production and logistics.		

Key drivers	Trend	Impact term	Potential risks	Potential financial impact	
				Operating income	Costs
Risk type: Drought					
• Prolonged high temperatures and reduced rainfall may intensify the frequency and severity of droughts	Uptrend	Short, medium, and long term	**Impact on business model** • Prolonged droughts may deplete both surface and groundwater resources, potentially disrupting the normal operation of production facilities that rely heavily on water, forcing reductions in output or investments in alternative water sources; • The design standards for office and production facilities may need to be permanently elevated, such as upgrading building humidity control systems, resulting in structural changes in capital expenditure and asset maintenance strategies. **Impact on the value chain** • The agricultural sourcing regions of key raw materials may be impacted by droughts, leading to risks of raw material shortages and price increases, which will be passed on to manufacturing costs.	-	+
Risk type: Storm					
• Global warming leads to an increase in the energy of storm systems such as tropical cyclones, resulting in stronger storms and greater potential for destruction.	Uptrend	Short term	**Impact on business model** • Storms may directly destroy factory buildings, damage precision production equipment and laboratory instruments, leading to asset loss, critical data loss, and long-term disruption of production and research and development activities; • The risk of power outages caused by storms will directly affect refrigerated/frozen storage facilities that rely on continuous electricity, potentially leading to irreparable asset losses. **Impact on the value chain** • Storms may destroy regional transportation, power grid, and communication infrastructure, leading to logistics disruptions and suspension of business activities.	-	+

Key drivers	Trend	Impact term	Potential risks	Potential financial impact	
				Operating income	Costs
Risk type: Storm surge (sea level rise)					
• The ongoing rise in sea levels may affect assets in coastal areas.	Uptrend	Long term	**Impact on business model** • To address the long-term threat of rising sea levels and storm surges, the company may need to undertake large-scale relocation, elevation, or the construction of permanent flood defenses (e.g., seawalls, surge barriers) for coastal facilities, resulting in a significant increase in capital expenditures; • Seawater backflow and coastal flooding directly erode foundations and corrode equipment, posing long-term physical damage risks to coastal or nearshore production bases, storage facilities, and office locations, thereby threatening operational continuity; • Machinery and facilities may suffer damage, leading to increased repair costs and reduced operational capacity of related assets. **Impact on the value chain** • Frequent flooding or damage to ports, docks, and coastal logistics hubs will severely disrupt import and export logistics, causing delivery delays, inventory backlogs, and supply chain interruptions.	-	+
Risk type: Wildfires					
• Global warming may cause extremely high temperatures, extremely dry conditions such as drought, and wind gusts, which may induce more wildfires	Stable	Medium and long term	**Impact on business model** • Wildfires may directly destroy or damage plants, storage facilities, and production equipment due to high temperatures, resulting in the loss of physical assets and replacement costs; • Smoke and dust from wildfires may pollute the plant environment, damage precision instruments or product quality, and cause health compliance issues due to deteriorating air quality. **Impact on the value chain** • Traffic network disruption may adversely affect the supply chain of the Group.	-	+

After identifying physical risks, the Group conducted a hotspot analysis regarding the climate risk on its owned and leased physical assets, including office buildings, warehouses and factories. The Group analyzed individual assets with the updated global natural hazard risk database to assess the levels of physical risks the Group may face under different scenarios.

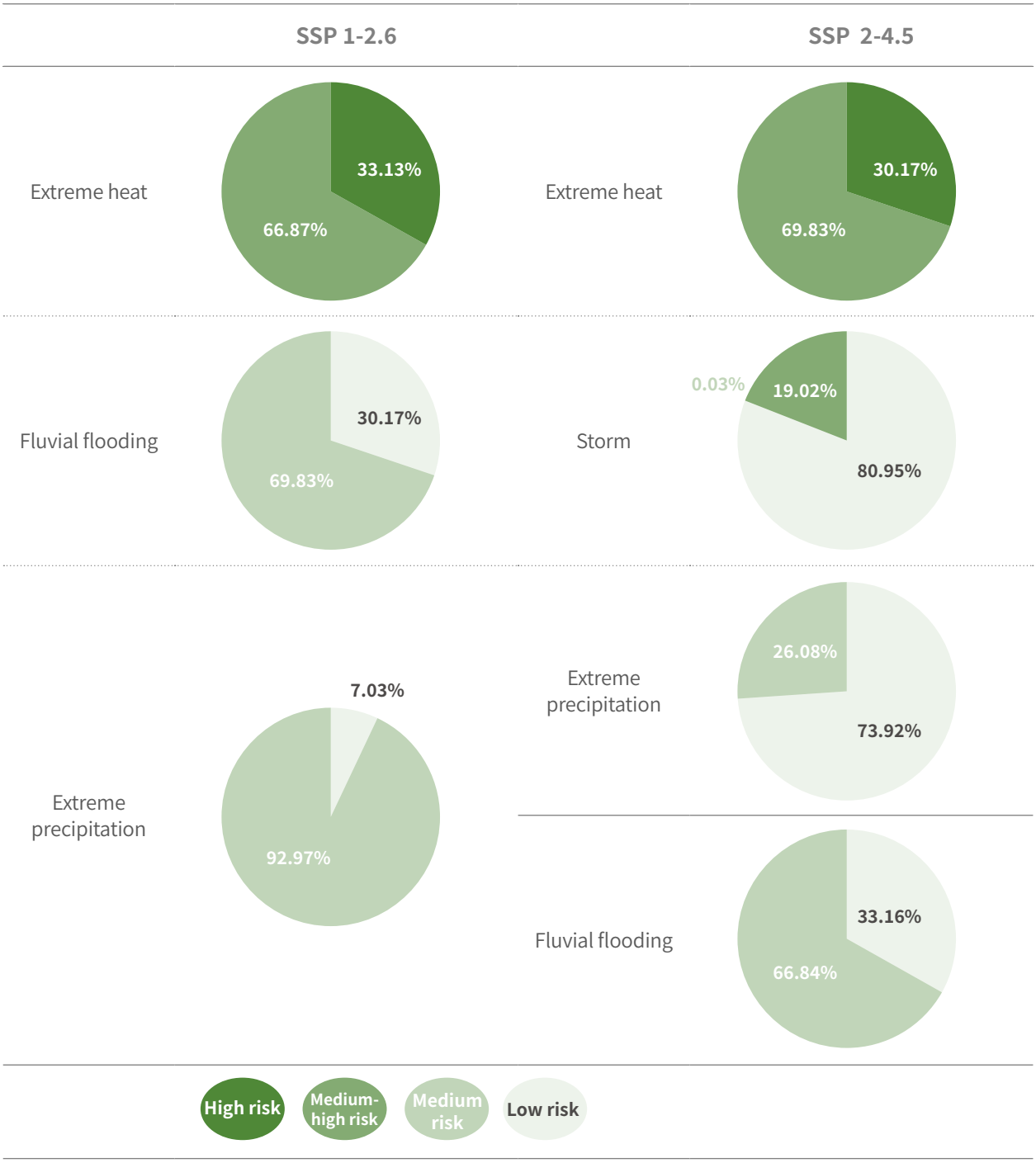
Based on the location of the Group's assets, it divided the corresponding physical risk faced by the Group into four levels, including low, medium, medium-high and high risk, and calculated the percentage of assets vulnerable to climate-related physical risks, which are disclosed as follows:

Types of physical risk	SSP 1-2.6		SSP 2-4.5	
	2030	2050	2030	2050
Extreme heat	Medium-high risk	Medium-high risk	Medium-high risk	Medium-high risk
Fluvial flooding	Low risk	Medium risk	Low risk	Medium risk
Extreme precipitation	Low risk	Medium risk	Low risk	Medium risk
Drought	Low risk	Low risk	Low risk	Low risk
Storm	Low risk	Low risk	Low risk	Medium risk
Storm surge (sea level rise)	Low risk	Low risk	Low risk	Low risk
Wildfires	Low risk	Low risk	Low risk	Low risk

High risk | Medium-high risk | Medium risk | Low risk

CMS' s physical assets are predominantly located in Hong Kong SAR, Southern and Central China. Climate risk profiling identifies "extreme heat" , "fluvial flooding" , "extreme precipitation" and "storm" exposures as material physical risks with "medium-high" and "high" exposure levels across operational sites under different scenarios. The Group analyzed the impact on the Group of physical assets with medium-high risks under SSP 1-2.6 and SSP 2-4.5 scenarios, taking into account the value of the physical assets.

Proportion of Owned Assets Exposed to Medium-high and Medium Physical Risk Under Different Scenarios



Assessment of transition risks

To enhance the Group's business layout and strategic planning in response to changes in the future operating environment, during the Reporting Period, the Group conducted a comprehensive re-assessment and optimization of potential transition risks it may face in the future with reference to the results of climate change scenario analyses and taking into full account the Group's business status, attributes of the pharmaceutical industry, technological iteration trends, and policy orientations within the operating jurisdiction. This ensures that the risk identification and assessment system remains in sync with the current climate change process and the pace of the Group's strategic upgrades. The transition risks faced by CMS are mainly divided into five types, including policy and legal risk, technical risk, market risk, reputational risk and supply chain risk, respectively[7].

Implication	Trend	Impact term	Potential risks	Potential financial impact[8]	
				Operating income	Costs
Risk type: Policy and legal risk					
• Increasing pressures from GHG emission reduction policies; • The price of GHG emission rights increases; • Litigation over climate or environmental issues may occur.	Uptrend	Medium and long term	**Impact on business model** • Countries/regions around the world are promoting GHG emission reduction by formulating and implementing global emission reduction targets and policies, companies are in an external environment where emission reduction compliance requirements are continuously tightening, and business decisions need to fully consider the potential impacts brought by policy constraints; • In order to achieve the 2°C target of the *Paris Agreement*, governments domestically and abroad are gradually improving carbon pricing policies, mainly through carbon trading mechanisms and carbon tax systems, and companies are facing the pressure of higher pricing of GHG emission rights; • The intensity of regulatory enforcement in the environmental field is continuously escalating, and companies may face an increased frequency and number of environmental and climate-related lawsuits, with associated legal and reputational risks rising simultaneously. **Impact on the value chain** • Systematic assessments on the supply chain shall be implemented to ensure regulatory compliance.	-	+

7 Under the "NGFS-Hot house world" scenario, extreme weather events will occur more frequently, and CMS will mainly face physical risks rather than transition risks, therefore transition risks are not separately listed.

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

Implication	Trend	Impact term	Potential risks	Potential financial impact	
				Operating income	Costs
Risk type: Technical risk					
• Low-carbon technology transition is emphasized for R&D and investment.	Uptrend	Long term	**Impact on business model** • Companies need to proactively restructure their energy consumption and raw material selection systems and comprehensively implement clean production processes and environmentally friendly operational procedures to solidify their green competitiveness and align with the market's preference for sustainable development entities. **Impact on the value chain** • Companies will prioritize collaboration with suppliers adopting green and low-carbon technologies or drive a structural reshaping of the existing supply chain framework.		+
Risk type: Market risk					
• Customer concerns and needs change constantly; • The disease incidence and transmission rates change constantly; • Lower-emission products and services replace the existing ones.	Uptrend	Medium and long term	**Impact on business model** • Climate change affects the ecological balance, and will not only accelerate the reproduction and growth life cycle of some pathogens, but also facilitate the rapid adaptation of pathogens to the environment and speed up their mutation. Companies need to continuously carry out basic scientific research on climate change and related drugs, and improve the R&D efficiency of innovative drugs. **Impact on the value chain** • Customers are increasingly concerned about the carbon footprint of the value chain, and require reducing carbon emissions throughout the value chain, and have included low carbon products or ESG performance as one of the evaluation points for achieving cooperation; • In some countries/regions, increased demand from healthcare providers for products and services with relatively low GHG emission footprints will lead to substitution of pharmaceutical products with higher GHG emission footprints.		+

Implication	Trend	Impact term	Potential risks	Potential financial impact	
				Operating income	Costs
Risk type: Reputational risk					
• Stakeholders may increase their concern or provide negative feedback.	Uptrend	Short, medium, and long term	**Impact on business model** • Negative evaluations may undermine investor confidence, thus affecting corporate financing. **Impact on the value chain** • Regulatory authorities, investors, customers, consumers, and other stakeholders increasingly focus on the impact of global warming and the consequent impacts of climate change. They raise expectations for corporate actions to address these challenges with more stringent requirements for public disclosure on climate risks and low-carbon products.	-	+
Risk type: Supply chain risk					
• Supply and procurement costs are likely to increase.	Uptrend	Short, medium, and long term	**Impact on business model** • The Group's Scope 2 GHG emissions mainly come from the secondary energy consumed by its business, mainly the purchased electricity from the national power grid of the locations of the assets. Sudden power or water supply outages or limits, or rises in water or electricity prices, may occur due to climate change or the national dual-carbon policies. **Impact on the value chain** • Climate change may affect the normal growth of raw materials, which makes it difficult for companies to acquire some raw materials; raw material prices rise because of the decrease in supply.		+

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

Under the "NGFS-orderly" scenario, the Group will face climate-related transition risks from policy, technical, market and reputational aspects. Different transition risks present different levels of risk depending on the extent of their impact on the Group and the time period.

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



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

Assessment of climate-related opportunities

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

Implication	Trend	Impact term	Potential opportunities	Potential financial impact[9]	
				Operating income	Costs
Opportunity type: Resource opportunity					
• With the development and iteration of technology and the optimization of operational processes, the efficiency of various resources (e.g., talent, equipment, and technical resources) in the operation process of enterprises can be improved constantly.	Uptrend	Short, medium, and long term	• With the implementation of a resource management system and the promotion of digital transformation during operation, companies can achieve effective management of resource utilization in drug production and office work; • Companies can launch innovative products more flexibly and rapidly through more efficient R&D processes and production equipment.	+	-
Opportunity type: Energy opportunity					
• The transformation of energy sources and supply methods brings opportunities to enterprises in energy consumption.	Uptrend	Medium and long term	• Under the "dual carbon" goal, the policy and technological environment to promote the new energy industry and the establishment of the carbon market will bring about changes in the energy use structure and carbon market trading opportunities.	+	-
Opportunity type: Product opportunity					
• Consumers have the willingness and preferences to pay for the added value of products.	Uptrend	Medium and long term	• Consumer preferences change, with greater emphasis on value transmission of the purchase behavior. Controlling carbon emissions may give brands an added meaning of low carbon and environmental protection to meet consumer demand.	+	
Opportunity type: Market opportunity					
• Climate change has brought about changes in the market landscape, including changes in the volumes of existing product and service markets and the emergence of new markets.	Uptrend	Long term	• The infection rates and incidence of diseases change, which leads to changes in demand for different pharmaceutical products and services; • Climate change may lead to the emergence of new infectious diseases and pathogens.	+	

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

Based on the identified climate-related opportunities, the Group adopted the same approach as for transition risk assessment, conducted a qualitative analysis, and assessed the climate-related opportunities it will face in the medium and long term under the "NGFS-orderly" scenario[10] via a climate-related opportunity assessment questionnaire to the management-level personnel of the Group:

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

Great Medium Poor

10 Under the "NGFS-hot house world" scenario, the Group's climate-related opportunities are relatively limited, and as such, the opportunity levels are not separately assessed for the time being.

Financial impact analysis

During the Reporting Period, considering internal assessment results and external expert insights, the Group has developed an association table for climate-related risks and financial indicators, made a preliminary assessment and analysis regarding the degree of financial impact (i.e., the impact of risks on current financial performance/expected financial conditions) and impact term (i.e., the expected term in which the risks may materialize). The SSP 2-4.5 scenario could more accurately reflect the level of physical risks faced by the Group's assets and highlight the extreme and urgent nature of these risks. Therefore, we prioritized presenting the impact of various risks on the Group under the SSP 2-4.5 scenario. The table has already presented the significant adverse financial impacts of risks on the Group in different climate scenarios. The assessments of potential financial impacts are solely forward-looking projections subject to uncertainty quantification and methodological constraints of current climate risk assessment.

Climate scenario	Significant risk type[11]		Financial impact term[12]	Current financial impact (Unit: RMB10,000)			Anticipated financial impact[13] (Unit: RMB10,000/year)		
				<100	100-500	>500	<100	100-500	>500
SSP 2-4.5	Physical risks	Extreme heat	Medium and long term	✓	☐	☐	☐	✓	☐
		Storm	Short, medium, and long term	✓	☐	☐	✓	☐	☐
		Extreme precipitation	Medium and long term	✓	☐	☐	☐	✓	☐
NGFS - orderly	Transition risks	Policy and legal risk	Medium and long term	✓	☐	☐	✓	☐	☐
		Reputational risk	Medium and long term	✓	☐	☐	✓	☐	☐

Assessment of the Financial Impact of Climate Change (Estimation)

Risk Management

To strengthen the ability to respond to climate risks, CMS has comprehensively integrated climate-related risks into the Group's overall ESG risk management system. A full-process risk management mechanism covering risk identification, assessment, prevention, control, and resolution has been established to enhance the Group's resilience for sustainable operations amidst the major trend of climate change. The Group's specific management process for climate risks is as follows:

11 Significant risk types refer to physical risks of which degrees of risk exposure are medium-high and high, and transition risks of which degrees of risk impact are medium-high and high in both 2030 and 2050.
12 Financial impact term refers to the term in which the risk may have financial impact on the Group (short term: 2025-2026; medium term: 2027-2030; long term: 2031 and beyond).
13 Anticipated financial impact refers to the estimated annual financial loss that the Group may bear as a specific risk materializes. Due to uncertainties and limitations in existing quantitative assessment methods for climate-related financial impacts, the anticipated financial impact terms involved in this report only include short and medium term. Long-term financial impacts are not taken into consideration at this stage.

Risk identification and assessment:

Prepare a climate risk register, and make a scenario analysis and assessment of each risk based on international trends, industry research, and regulatory requirements. Refer to "Climate Change Response - Strategy" section for details.

Risk ranking:

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

Risk management:

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

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

Monitoring and reporting:

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

To better adapt to climate change and minimize the impact of climate events on the Company, we have formulated relevant management regulations on addressing climate change, such as the *Emergency Plan for Environmental Emergencies* and the *Regulations on Environmental Protection*. Meanwhile, every three years, the Group's manufacturing subsidiaries engage an external professional third party to review the *Emergency Plan for Environmental Emergencies* and make revisions according to relevant management requirements and results of the review, and delegates relevant departments to execute the plan accordingly.

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

Risk type	Response measures	
	Short- and medium-term	Medium- and long-term
Risk category: Physical risks		
Extreme heat	• Increase the overhaul frequency of refrigeration equipment in factories and warehouses to ensure the stability of cold chain systems and drug safety; • For electricity demand peaks arising from extreme heat, make production plans and work arrangements for staggered electricity consumption in advance; • Shorten outdoor working hours of employees, and stockpile heatstroke prevention and relief medicines/suppliers in summer; • Develop emergency response plans for the transportation of refrigerated and frozen drugs. In case of extraordinary weather conditions during transit, take immediate response measures.	• Increase the investment in energy conservation and emission reduction (e.g., increasing the proportion of renewable energy used).

Risk type	Response measures	
	Short- and medium-term	Medium- and long-term
Fluvial flooding	• Install temporary flood barriers (such as flood barriers) and ensure that flood control equipment is readily available.	• Upgrade the drainage systems by utilizing high-capacity drainage pipelines and rainwater collection systems to raise drainage efficiency; • Perform geological assessments and monitoring of landslide-prone areas.
Extreme precipitation	• Upon receiving a forecast for intense precipitation, strengthen inspections of office and warehouse doors, windows, and drainage systems, and close all doors and windows securely, and dredge drainage ways to eliminate potential safety hazards; • In case of extreme precipitation, transfer goods from warehouse areas that may be affected in a timely and safe manner; • Perform regular overhauls and dredging of drainage systems annually to respond to potential extreme precipitation events.	• In future construction or expansion projects, give priority to higher-grade waterproof and wind-resistant materials and structural designs to improve building resilience to extreme weather events; • Fully access waterproofing layers of buildings and supplement with reinforcements and replacements if necessary, and opt for more durable materials to minimize damage resulting from prolonged exposure to rainwater; • Conduct a comprehensive risk assessment of the Group's assets to identify areas and assets vulnerable to flooding, and develop emergency plans in advance.
Drought	• Promote water-saving technologies and equipment, optimize production processes, reduce water consumption, and enhance the reuse rate of water resources.	• Establish and improve the water-saving management system and regulatory framework, implement total water consumption control and quota management, and incorporate water-saving indicators into the assessment system of each production process to promote refined water management throughout the entire process.

Risk type	Response measures	
	Short- and medium-term	Medium- and long-term
Storm	• Upon receipt of strong wind warnings, suspend outdoor elevated work, dust-generating construction, and large-scale outdoor activities; • Upon receipt of typhoon warnings, organize staff in advance for shelter and risk avoidance while suspending outdoor work; • Bring forward the execution of cooperation agreements with third-party warehouses. In case of typhoons or other extreme weather events, launch third-party storage solutions promptly to minimize losses on warehouse relocation; • Before typhoon season begins, temporarily reinforce warehouse doors, windows, and roofs to reduce the damaging effects of typhoons on warehouses.	• Improve the quality of construction materials, and change to high-quality equipment to reduce or avoid the impact of wind gusts; • In the future, when planning new warehouses, a new warehouse structure with typhoon-resistant and waterproof designs will be adopted to enhance resilience to extreme weather events.
Storm surge (sea level rise)	• Elevate or implement waterproofing modifications for core facilities such as production workshops, storage warehouses, and cold storage units within plants to prevent seawater intrusion, and enhance plants' drainage systems with anti-corrosion measures to protect equipment from seawater damage; • Establish a storm surge early warning mechanism to send out early warning information in advance, clearly define evacuation routes, material relocation paths, and shelter points, and enhance emergency response and disaster resilience.	• Promote the optimization of the energy structure, reduce greenhouse gas emissions during the production process, and mitigate sea level rise caused by global warming; • Promote low-carbon production technologies and the application of green energy to enhance the Group's sustainable development capabilities.
Wildfires	• Fully implement fire patrol and inspection regulations to promptly identify and address fire hazards; • Organize regular fire safety training sessions and fire drills annually to enhance employees' fire safety awareness and improve their emergency response capabilities.	• Prior to the construction or expansion of factories, warehouses, or other facilities, make an all-around geographical risk assessment, and consider historical fire data, vegetation types, and wind speed, among others, to ensure selected sites are located away from fire-prone areas or high fire-risk areas.
Risk category: Transition risks		
Policy and legal risk	• Regularly assess environment- and climate-related legal risks to ensure that corporate operations comply with national policies.	• Understand and actively participate in the carbon emissions trading market. If subsequently included in carbon quota control, effectively manage and optimize the Group's cost structure and risk exposure through strategic buying or selling of carbon quotas.

Risk type	Response measures	
	Short- and medium-term	Medium- and long-term
Technical risk	• Identify existing high-energy consumption and high-emission processes, and replace raw materials with eco-friendly alternatives without changing equipment.	• Accelerate R&D of new technologies, introducing greener production processes and techniques, and taking full account of both cost efficiency and adaptability when adopting new technologies.
Market risk	• Complement categories of products and services, and offer environment-friendly products and services wherever possible; • Pay attention to carbon emissions in the supply chain (e.g., product transportation) and communicate actively with logistics providers to explore the feasibility of greener and more environmentally friendly logistics solutions, to reduce the carbon footprint of products.	• Continuously track changes in diseases worldwide, including pandemics, and adjust the layout of new drugs, and production of drugs and supply plans based on the results of analysis.
Reputational risk	• Proactively communicate with external parties through the official website, annual ESG reports and various ratings to build a responsible corporate image.	• Constantly realign the internal climate-related governance framework and mechanism, and set carbon emission and energy management targets and track the targets regularly.
Supply chain risk	• Adopt a multi-supplier strategy in procuring critical raw materials/drugs to prevent supply chain disruptions.	• Continuously assess the climate vulnerability of key raw materials and production sites, prioritize the establishment of backup mechanisms for high-risk areas, and enhance supply continuity under extreme scenarios.

Metrics and Targets

The Group's ESG Working Group leads the formulation of the Group's strategic targets for climate change response, which are officially implemented only after being reviewed by the ESG Committee and approved by the Board of Directors. A full-cycle tracking and review mechanism is established to ensure that the execution of the targets is monitorable and traceable. To systematically monitor and evaluate the effectiveness of internal climate change management, the Group thoroughly discloses climate-related quantitative indicators in its annual ESG reports.

The GHG emissions from the Group's operations mainly cover two categories: Scope 1 direct emissions from the combustion of fossil fuels such as natural gas, gasoline, and diesel, and Scope 2 indirect emissions from the consumption of purchased electricity. In response to the United Nations SDGs and China's "Dual Carbon" goal, the Group has set up reasonable short-, medium- and long-term targets on GHG emission reduction. During the Reporting Period, the Group has achieved positive progress towards all its targets for GHG emissions.

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

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

Metrics	Unit	Data in 2020	Data in 2025	Target	Progress on target
Direct GHG emission (Scope 1)	Ton CO_2e	5,895.3	1,865.5	The Scope 1+2 GHG emission intensity to be reduced by at least 6% by the end of 2026 compared to 2020.	In 2025, Scope 1+2 GHG emission intensity has reduced by 63.5% compared with 2020;
Indirect GHG emission (Scope 2) (location-based)	Ton CO_2e	6,686.2	3,931.3		
GHG emission (Scope 1+2)	Ton CO_2e	12,581.5	5,796.8	The Scope 1+2 GHG emission intensity to be reduced by at least 5% by the end of 2030 compared to 2022.	Scope 1+2 GHG emission intensity has reduced by 34.0% compared with 2022.
Total GHG emission (Scope 1+2) density	Ton CO_2e / million RMB	1.70	0.62		

Climate Change-related Metrics and Targets

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

Category	Data in 2025 (ton CO_2e)
Upstream transportation and distribution	1,428.2
Business travel	1,072.4
Employee commuting	5,138.2
Total Scope 3 emissions with respect to these three categories	7,638.8

Scope 3 Emission Metrics

Metrics and Related Statements	
Internal carbon pricing	Given the Group's business characteristics, as at the end of the Reporting Period, we have not yet established or implemented an internal carbon pricing mechanism. At present, the Group primarily incorporates carbon cost-related considerations into operational management and decision-making by reference to non-price metrics such as energy use efficiency and emissions-reduction performance. Looking ahead, the Group will continue to assess the applicability and feasibility of internal carbon pricing tools in light of regulatory requirements, progress in supply chain decarbonization, and business developments.
The above arrangements are intended to support the Group in identifying and managing potential climate-related impacts and do not constitute a commitment to adopt any specific management tool or to implement it within any particular timeframe in the future.	

Emission and Waste Management

The Group strictly complies with relevant laws and regulations on emissions management in the places of operation, and has formulated a series of internal management regulations such as the *Regulations on Environmental Protection*, which clearly define controls over pollutants generated at all stages of production and operations, including wastewater, exhaust gas, solid waste, and noise. It continues to conduct monitoring of pollutant indicators to ensure emissions meet national and local environmental protection standards, to promoting coordinated development between efficient operations and environmental protection.

The Group implements systematic monitoring and management of pollutant emissions, and continuously reduces the impact of its operations on the surrounding environment. In terms of production business, subsidiaries regularly engage qualified third-party monitoring institutions each year to strictly monitor their emissions of wastewater, exhaust gas and noise to ensure emission compliance. Meanwhile, by optimizing operational management, the Group continuously enhances its whole-process prevention and control and end-of-pipe treatment capabilities, striving to build a more harmonious and cleaner production environment.

The Group extends green management to the supply chain, driving partners to fulfill their environmental responsibilities through systematic screening and continuous assessment. In supplier selection, the Group prioritizes suppliers with green concepts or relevant qualifications, requiring suppliers to provide relevant documents such as environmental system certificates, emission permits, etc., and takes waste reduction (harmful emissions such as exhaust gas, wastewater and hazardous waste) plans and arrangements into the supplier screening and assessment framework. In the annual performance review, the Group took the pollution emission and waste reduction of suppliers into consideration. If any problems are identified, this will trigger the formulation and implementation of rectification measures through communication and coordination.

During the Reporting Period, the Group was not subject to any significant administrative penalties due to pollutant emissions, and its pollutant emissions did not have any adverse impact on employees, local communities, or other groups.

Water Pollutant Management

The Group, in accordance with the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations, formulated and implemented internal management policies such as the *Standard Operation Procedures for Use, Maintenance, and Overhaul of Wastewater Treatment Facility*, thereby achieving strict control over each stage of wastewater collection, treatment, reuse and discharge. The wastewater generated by the Group mainly includes domestic and production wastewater. The Group adopts reasonable wastewater treatment processes to enhance the effectiveness of wastewater reuse, achieving the rational recycling of water resources while ensuring the wastewater is discharged in compliance with the standards.

During the Reporting Period, the Group did not directly discharge pollutants into natural water bodies such as surface water, groundwater, and seawater.

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

Office areas	✓ Collect and monitor wastewater discharge data on a quarterly basis, analyze abnormal data, and implement optimization measures; ✓ Domestic wastewater is treated through multi-stage septic tanks and discharged into the municipal wastewater pipe network after reaching the standard.
Pharmaceutical production areas	✓ The production wastewater is treated by the self-built integrated wastewater treatment station to meet regulatory standards, and then discharged into the municipal pipe network and finally flows into the municipal wastewater treatment plant. Moreover, an automatic wastewater monitoring system is installed in the wastewater treatment station to monitor and analyze the production wastewater regularly, which is linked to the provincial environmental protection monitoring platform to realize real-time and transparent management of production wastewater; ✓ Regularly engaging qualified third parties to conduct wastewater monitoring, with main monitoring parameters including pH, suspended solids, ammonia nitrogen, etc.; ✓ Recovering relatively clean wastewater for reuse, such as for floor cleaning and toilet flushing.
Agriculture and livestock areas	✓ Collecting manure water from agricultural farms through sedimentation ponds and making organic fertilizers from dried animal dung through dung scrapers, to achieve the purpose of recycling; ✓ Growing plants around animal enclosures and parks to absorb animal manure water left outdoors; ✓ Adopting reasonable wastewater treatment processes to ensure that treated wastewater meets the Discharge Standard of Pollutants for Livestock and Poultry Breeding before being discharged, avoiding secondary pollution to the surrounding environment.

Air Pollutant Management

The Group strictly complies with relevant laws and regulations, such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and the *Integrated Emission Standard of Air Pollutants*, and has formulated and implemented management policies such as the *Regulations of Boiler and Pressure Vessel Management*. In response to the requirements of the national and local environmental protection authorities, it has implemented management measures such as adopting exhaust gas treatment equipment and improving the production process to control the compliant emissions of air pollutants.

The Group's sources of air pollution are mainly from the pharmaceutical production business, and pollutants include nitrogen oxides/sulfur dioxide/particulate matter generated by boilers due to complete and incomplete combustion. To ensure compliance with emissions, the Group's manufacturing subsidiary engages a qualified third party to conduct monthly/ quarterly inspections on the emission of nitrogen oxides, sulfur dioxide, particulate matter, and other pollutants. During the Reporting Period, the relevant test results indicated that the Group's emissions complied with the prescribed emission limits for air pollutants.

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

- ✓ Using natural gas boilers to reduce pollutant emissions from the source;
- ✓ Upgrading the built-in dust collector of the cutting and shredding equipment for "pre-treatment" in the Chinese medicine extraction workshop, and adding a large cyclone baghouse dust collector to allow dust and exhaust gas to meet the standard and be discharged at a regulated height after multi-stage treatment;
- ✓ Using "alkaline water spray + photo-oxidation + 15m exhaust stack" deodorization systems in wastewater treatment stations, and using "fan collection + plasma treatment + 15m exhaust stack" smell and odor treatment systems in the Chinese medicine extraction workshop, to jointly further improve exhaust gas treatment;
- ✓ Adopting forced exhaust ventilation and activated carbon filtration for reagent cabinets;
- ✓ Regulating boiler operations reasonably based on the production tasks of workshops, to reduce unnecessary use for less exhaust gas emissions;
- ✓ Engaging a third-party testing institution to sample the organized exhaust gas emitted by natural gas boilers monthly/quarterly to inspect the compliance of pollutant emissions.

Solid Waste Management

The Group has formulated regulations such as the *Management System of Waste Product and Material, and the Regulations on Hazardous Waste,* classifies, collects, and stores non-hazardous waste, collects hazardous waste in a temporary hazardous waste storage, and regularly engages qualified third parties for disposal. It also explores pathways for the recycling and reutilization of non-hazardous waste, thereby minimizing the negative impacts of waste on the environment and surrounding residents as much as possible. During the Reporting Period, the Group did not report any soil or ground water pollution incidents caused by waste/chemical leaks.

The Group has set short-term environmental targets related to hazardous and non-hazardous waste with 2020 as the base year and 2026 as the target year. At the end of the Reporting Period, the environmental targets related to hazardous and non-hazardous waste were on track.

Metric	Unit	Data in 2020	Data in 2025	Target	Progress on target
Hazardous waste	Ton	4.3	2.0	The hazardous waste intensity to be reduced by at least 7% by the end of 2026, as compared to 2020.	In 2025, the hazardous waste intensity has been reduced by 63.8%, as compared to 2020.
Hazardous waste intensity	Ton/million RMB	0.00058	0.00021		
Non-hazardous waste	Ton	1,531.3	455.3	The non-hazardous waste intensity to be reduced by at least 4% by the end of 2026, as compared to 2020.	In 2025, the non-hazardous waste intensity has been reduced by 76.2%, as compared to 2020.
-Chinese herb residue	Ton	1,413.0	205.0		
-Sewage sludge	Ton	10.6	91.4		
-Household garbage	Ton	107.8	158.9		
Non-hazardous waste intensity	Ton/million RMB	0.21	0.05		

Hazardous and Non-hazardous Waste-Related Metrics and Targets

The Group's hazardous waste is mainly from laboratory waste liquids, expired chemical reagents and waste medicines, etc., in the pharmaceutical production and operation processes. The Group complies with national laws and regulations and manages hazardous waste under centralized oversight, reducing the generation of waste from the source and ensuring the proper treatment of the hazardous waste. The Group's hazardous waste control measures include but are not limited to:

Procurement on Demand	✓ Strictly complying with management requirements for the use of related chemical reagents, and purchasing and withdrawing these reagents based on actual need to minimize waste due to expiration whenever possible.
Compliance Management	✓ Strengthening the routine management of the laboratory, and standardizing the operation process of inspection and testing, to minimize the generation of chemical waste residues and waste liquids; ✓ Recording information regarding waste generation, transportation, treatment, and disposal, among other matters on the solid waste management information platform.
Classified Storage	✓ Setting up a dedicated temporary hazardous waste storage room and warning signs, and storing hazardous waste in separate categories.
Compliant Handling	✓ Engaging a third-party professional disposal company to transfer and dispose of hazardous waste on a regular basis. Before entering into hazardous waste disposal contracts with third parties, the Group strictly reviews their qualifications, such as the business license, the permits for operation and transportation.

The Group's non-hazardous waste is mainly from routine operations and production activities, primarily including household waste, water treatment sludge, and Chinese herb residue. Through measures such as classified management and waste recycling and reuse, the Group achieved comprehensive waste reduction to mitigate the negative environmental impacts of waste. The Group's main control measures for non-hazardous waste include but are not limited to:

Office Areas	✓ Advocating a lifestyle of resource conservation and on-demand purchasing, to reduce the generation of non-hazardous waste from the source; ✓ Encouraging employees to take food as per their needs in the canteen to reduce the generation of kitchen waste; ✓ Microwaves are provided in the canteen to encourage employees to bring their own lunch boxes and use less disposable tableware; ✓ Encouraging the classification of waste: transporting non-recyclable waste to the garbage disposal station for centralized treatment; ✓ Recovering recyclable garbage such as paper, metal and plastic for treatment or recycling them to achieve comprehensive waste reduction; ✓ Using rechargeable batteries as much as possible for battery recycling.
Pharmaceutical Production Areas	✓ Chinese herb residues are mainly particle filter residues (lignin) and a small number of insoluble extractives from the pharmaceutical production activities at Kangzhe Hunan, which are non-hazardous solid waste. They are sent in batches to the compost workshop in Hunan Agriculture and Livestock as one of the ingredients for organic fertilizers, and will ferment after mixing with organic fertilizers in a certain proportion to produce efficient fertilizers for crops, realizing 100% recycling of Chinese herb residues; ✓ Recyclable waste such as waste paper, waste cartons, and waste plastic buckets generated by various workshops and departments is classified and collected for rational recycling or disposal; ✓ The operating procedure is strictly carried out in the wastewater treatment station to control impurities. In addition, oil separation tanks and septic tanks are established for the primary treatment of sludge
Agriculture and Livestock Areas	✓ Adopting various collection devices to collect animal excrement and make it into organic fertilizers via fermentation, to realize organic recycling of non-hazardous waste.

Noise Pollution Management

The Group places high priority on noise management and exercises strict control over noise generated in the production and operation process in accordance with the *Law of the People's Republic of China on Noise Pollution Prevention and Control*. The Group's noise pollution is mainly from the pharmaceutical production business. The Group has implemented control measures at the three stages of noise generation, propagation, and reception:

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

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

Resource Management

The Group integrates the concepts of circular economy and resource conservation into the entire production and operation process, abiding by the relevant laws and regulations such as the *Law of the People's Republic of China on Conserving Energy*, and has formulated internal energy management policies such as the *Regulations on Resource Conservation Management*. Through scientific planning and refined management, it enhances the standardized management of resources such as energy, water, packaging materials, and paper, contributing to the development of a low-carbon circular economy.

Organizational structure: The Group's manufacturing subsidiary has established a leading group for energy conservation and emission reduction to systematically advance energy-saving efforts. Energy Conservation and Emission Reduction Office and Safety & Environment specialist positions are set under the leading group, and are responsible for formulating energy efficiency standards for each production area, promoting energy-saving initiatives, and performing daily inspection and supervision to ensure effective implementation of energy conservation measures.

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

The progress on the achievement of relevant targets in 2025 is as follows:

Metrics	Unit	Data in 2020	Data in 2025	Target	Progress on target
Purchased electricity	kWh	7,520,182.0	7,410,125.3	The electricity consumption intensity to be reduced by at least 3% by the end of 2026, as compared to 2020.	In 2025, the electricity consumption intensity has been reduced by 22.4%, as compared to 2020.
Purchased electricity intensity	kWh/ million RMB	1,016.90	789.52		
Water consumption	m^3	282,658.0	162,630.0	The water consumption intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.	In 2025, the water consumption intensity has been reduced by 54.7%, as compared to 2020.
Water consumption intensity	m^3/ million RMB	38.22	17.33		

Resource Consumption-related Metrics and Targets

Energy Conservation

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

Electricity

Pharmaceutical production areas:

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

Office areas:

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

Natural Gas	Natural gas is mainly used by boilers during pharmaceutical production: ✓ Reasonably adjusting the use of boilers according to production load to reduce fuel consumption; ✓ Carrying out regular inspection and maintenance of gas-fired boilers and pipelines to ensure the efficient use of boilers; ✓ Installing gas leak alarm devices to reduce emissions and leakage from sealing points;
Gasoline	Gasoline is mainly used by vehicles for business use: ✓ Strictly implementing the CMS Shenzhen Headquarters Official Vehicle and Driver Management Detailed Rules to standardize the management of vehicles and drivers of the Group; implementing vehicle registration and approval system for vehicle use, avoiding non-essential vehicle use, reasonably deploying vehicle use for business purposes, and encouraging employees to share vehicle when going to the same destination to reduce the frequency of vehicle use; requiring corporate drivers to do mileage registration to ensure reasonable vehicle use; ✓ Launching a digital vehicle dispatch platform for rational vehicle deployment and energy conservation; ✓ Regularly inspecting and maintaining vehicles to ensure their normal operation and reduce fuel consumption; ✓ Encouraging employees to walk or take battery-powered bicycles in the industry park as much as possible; ✓ Replacing old, high fuel-consumption vehicles with lower-emission vehicles, and prioritizing new-energy vehicles when purchasing new vehicles.
Diesel	Diesel is mainly used for transportation vehicles and backup power generators in pharmaceutical production business, backup power generators at the Pingshan Base, as well as for greenhouse insulation equipment and agricultural vehicles in agricultural and livestock business: ✓ During the Reporting Period, through staggered production peak scheduling and reasonable regulation, the Group's manufacturing subsidiary did not use diesel generators for power generation; ✓ The diesel generators are used as emergency backup devices and are not allowed to be switched on unless during outage and maintenance; ✓ Transportation is reasonably scheduled to reduce the number of transportation times and the frequency of diesel engine use.

Water Conservation

The Group strictly complies with the *Water Law of the People's Republic of China* and is committed to achieving efficient and circular use of water resources in its operations, minimizing the impact of water consumption on the environment and local communities. During the Reporting Period, the Group did not experience any water-related risks.

During the Reporting Period, by referring to the Water Risk Filter, a global tool for assessing water risk developed by World Wide Fund for Nature (WWF), the Group updated the water resource risk assessment for the areas where all physical assets are located with the update of its physical asset portfolio. The assessment aims to scientifically identify and quantify the diversified risks faced by each operating location at the basin level, with a focus on basin physical risks, basin regulatory risks, and basin reputational risks.

Water Risk Assessment Dimensions		
Basin physical risk	**Basin regulatory risk**	**Basin reputational risk**
Water availability Drought Flooding Water quality Ecosystem services	Enabling environment Institutions and governance Management instruments Water, Sanitation and Hygiene (WASH) infrastructure	Environmental factors Socioeconomic factors Additional reputational factors

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

Risk type	Very high	High	Medium	Low	Very low
Basin physical risk	0	0	100%	0	0
Basin regulatory risk	0	0	0	0	100%
Basin reputational risk	0	44%	56%	0	0

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

The Group's water consumption mainly arises from domestic water used by employees in office areas, production and cleaning processes in pharmaceutical production areas, irrigation in agricultural areas, and water use for poultry and livestock farming. The Group has adopted specific water-saving measures for different business areas, including but not limited to:

Office Areas	✓ Upgrading taps to water-saving taps in offices, dormitories, canteens and other places; ✓ For green-space watering, utilizing water-saving equipment such as portable rotary sprinklers to conduct targeted and scheduled sprinkling; ✓ Replacing aged and leaky equipment, commissioning auto-flushing facilities in office areas, shortening auto-flushing time, and properly adjusting flushing intervals; ✓ Standardizing the use of water for landscaping and making appropriate use of treated water from the wastewater treatment station for irrigation; ✓ Strengthening environmental protection training, setting up publicity boards on environmental protection and resource conservation, clarifying water-saving standards, and enhancing employees' water-saving awareness.
Pharmaceutical Production Areas	✓ Closely metering and monitoring all water-using segments in each workshop to strengthen the management of production water consumption; ✓ Carrying out monthly inspections, overhauls, and maintenance of the water supply system, and fixing all leakage and dripping points; ✓ Treating cooling water from production in workshops and wastewater from domestic use and production through the wastewater treatment station to realize reasonable recycling.
Agriculture and Livestock Areas	✓ Upgrading the water equipment for livestock and poultry breeding to automatic water-saving equipment; ✓ Collecting and using natural precipitation for irrigation to reduce the use of additional water sources; ✓ Using drip irrigation drinking systems in chicken coops to reduce drying, evaporation, etc. due to weather and so on.

Packaging Material and Paper Conservation

The Group is committed to reducing the use of packaging materials and paper, and to enhancing the recyclability and circular utilization rate of packaging materials, thereby mitigating negative impacts on the surrounding environment. The Group has formulated the *Regulations on Acceptance, Storage and Distribution of Labels, Package Inserts and Packaging Materials* and the *Regulations on Material Requisition*, setting out clear requirements for the requisition and management of packaging materials to achieve efficient resource utilization.

The packaging materials consumed by the Group mainly include cartons, glass, plastics, etc. While meeting market and production demands, the Group has also taken the following material recycling and reduction measures to proactively and effectively reduce the consumption of packaging materials:

Recycling packaging materials

- ✓ Stipulating that all packaging materials shall meet environmental protection requirements and clearly displaying the nationally recognized packaging recycling label;
- ✓ Replacing the packaging materials of certain products with recyclable packaging materials;
- ✓ Setting up packaging material recycling sites at warehouses, to classify and recover recyclable packaging boxes and materials generated from inbound and returned products,aswell as other sources;
- ✓ Using reusable materials such as damaged and used cartons and separation films for other filling purposes;
- ✓ Integrating the concept of environmental protection into packaging design.

Reducing packaging materials

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

The Group explicitly incorporates environmental requirements into the procurement of packaging materials, gives priority to certified environmental materials under the same conditions, and requires cooperating packaging material suppliers to provide certificates of the environmental quality management system. Among them, packaging cartons for transportation are required to comply with the requirements of GB/T 6543-2025 Single-wall and double-wall corrugated boxes for transport packages.

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

Paperless:

- ✓ Standardizing paper use, and promoting double-sided printing & copying and diversified use of paper;
- ✓ Setting wastepaper recycling bins to encourage the secondary use of paper with no confidential information;

Digitalized:

- ✓ Comprehensively advancing digitalization, improving operational efficiency through online systems, and reducing reliance on paper-based processes;
- ✓ Using electronic documents in place of paper documents as much as possible in administrative work and communications with relevant parties.

Conserving Biodiversity

The Group deeply recognizes that the normal operation of its business is closely intertwined with a healthy and well-functioning ecosystem, and therefore proactively takes preventive measures to minimize adverse impacts on the ecological environment and biodiversity. The Group strictly abides by the *Forest Law of the People's Republic of China*, the *Law of the People's Republic of China on Wildlife Protection* and other relevant laws and regulations, and the United Nations' *Convention on Biological Diversity* and other international conventions, and has developed internal policies including the *CMS Environmental Protection, Occupational Health and Safety (EHS) Management Policy*, providing institutional safeguards for biodiversity conservation.

The Group pledges to maintain zero deforestation in future operations and systematically manage the potential impacts of its business activities on the ecological environment and biodiversity. The Group prioritizes the use of environmentally friendly technologies and materials and, in planning new, renovation or expansion projects, intentionally avoids locations with important biodiversity and environmentally sensitive areas, and adopts technologies and measures with a lower environmental impact to avoid negative effects. If negative impacts occurred, the Group will take remedial measures in a timely manner.

The Group also systematically integrates biodiversity protection into value chain management. In the upstream R&D stage, the Group requires Contract Research Organizations (CROs) that conduct preclinical animal studies to strictly comply with relevant laws and regulations, adhere to animal welfare and ethical principles in accordance with applicable guidelines, and follow Good Laboratory Practice (GLP) for non-clinical laboratory studies, thereby ensuring the scientific rigor and regulatory compliance of such studies. In the downstream supply chain stage, the Group actively advocates and encourages suppliers to promote biodiversity protection in their operations and business activities. Through coordinated, end-to-end value chain management, the Group is committed to fulfilling its responsibility for ecological sustainability while achieving business objectives.

During the Reporting Period, the Tibet subsidiary of the Group conducted a number of public welfare activities in support of the Nelang Ecological and Cultural Conservation Center in Lhasa, Tibet, including guidance on warehouse management and mainenance and repair of the solar power station, etc., in order to assist in the conservation of snow leopard habitat and the construction of protected areas.

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

Office Areas	✓ Effectively managing waste generated in daily office activities and employee activities, advocating and practicing biodiversity conservation, and ensuring that different types of waste are properly sorted and disposed of and will not pollute soil, water source and habitat; ✓ Enhancing the ecological awareness of employees through promoting and educating biodiversity conservation and implementing multi-level practices, and encouraging participation in environmental protection practices.
Pharmaceutical Production Areas	✓ Regulating procurement to prevent over-exploitation, destruction of biodiversity, and other behaviors that damage the ecological environment; ✓ Enhancing greening and ecological restoration in plant areas to protect the surrounding water and soil resources.
Agriculture and Livestock Areas	✓ Promoting harmless agriculture and livestock production technology, institutionalization of the ecological environmental protection works, and the manufacturing of environment-friendly agricultural and livestock products, to control and mitigate environmental pollution; ✓ Conducting daily cleaning of animal enclosures and regular sanitary inspections to reduce the impact of the breeding area on the surrounding air and water; ✓ Setting up double-layer protection in the breeding area to strictly prevent pollution of the surrounding environment; ✓ Collecting and using natural precipitation for irrigation to reduce the consumption of purchased water sources.

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

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

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

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

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

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

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

Appendix 2: ESG Reporting Guide Content Index

ESG Aspects, General Disclosure and KPIs			Chapter
Part B: Mandatory Disclosure Requirements **This part sets out disclosure requirements that must be included in an issuer's ESG report on a mandatory basis.**			
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.		ESG Governance Strategy
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	About the Report
		Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	About the Report
		Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About the Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		About the Report
Part C: "Comply or explain" Provisions **This part sets out provisions to be reported on by an issuer in the ESG report on a "comply or explain" basis.**			

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non- hazardous waste.	Environmental Protection, Green and Low-carbon development
	A1.1	The types of emissions and respective emission data.	Taking actions to protect the environment Appendix 3 Key Environmental KPIs
	A1.2	Repealed 1 January 2025.	/
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key Environmental KPIs
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key Environmental KPIs
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Taking actions to protect the environment
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Taking actions to protect the environment
A2: Use of Resources	General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Taking actions to protect the environment
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key Environmental KPIs
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Taking actions to protect the environment Appendix 3 Key Environmental KPIs
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Taking actions to protect the environment
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Taking actions to protect the environment
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix 3 Key Environmental KPIs

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Environmental Protection, Green and Low-carbon Development
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Conserving Biodiversity
A4: Climate Change	General Disclosure	Repealed January 1, 2025.	/
	A4.1	Repealed January 1, 2025.	/
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented Practice, Growing with Employees
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix 4 Key Social KPIs
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 4 Key Social KPIs
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Ensuring the occupational health and safety of employees
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 4 Key Social KPIs
	B2.2	Lost days due to work injuries.	Appendix 4 Key Social KPIs
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Ensuring the occupational health and safety of employees

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	People-oriented Practice, Growing with Employees
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 4 Key Social KPIs
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix 4 Key Social KPIs
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-oriented Practice, Growing with Employees
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Absorption and Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Absorption and Management
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Reliable and Responsible Citizen
	B5.1	Number of suppliers by geographical region.	Appendix 4 Key Social KPIs
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Providing high-quality products and services
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Providing high-quality products and services
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Providing high-quality products and services

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Providing high-quality products and services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix 4 Key Social KPIs
	B6.2	Number of products and service related complaints received and how they are dealt with.	Providing high-quality products and services Appendix 4 Key Social KPIs
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Adhering to high ethical standards in business operation
	B6.4	Description of quality assurance processand recall procedures.	Providing high-quality products and services
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Adhering to high ethical standards in business operation
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Reliable and Responsible Citizen
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Adhering to high ethical standards in business operation
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Adhering to high ethical standards in business operation
	B7.3	Description of anti-corruption training provided to directors and staff.	Adhering to high ethical standards in business operation
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Undertaking community responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Undertaking community responsibility Improving healthcare accessibility
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Undertaking community responsibility Improving healthcare accessibility

Appendix 2: ESG Reporting Guide Content Index - continued

ESG Aspects, General Disclosure and KPIs			Chapter
D: Climate-related Disclosures			
Climate-related Disclosures	Governance	Governance	Climate Change Response
		Climate-related risks and opportunities	Climate Change Response
		Business model and value chain	Climate Change Response
	Strategy	Strategy and decision-making	Climate Change Response
		Financial position, financial performance and cash flows	Climate Change Response
		Climate resilience	Climate Change Response
	Risk management	Risk management	Climate Change Response
	Metrics and targets	GHG emissions	Climate Change Response
		Climate-related transition risk	Climate Change Response
		Climate-related physical risk	Climate Change Response
		Climate-related opportunities	Climate Change Response
		Capital deployment	Climate Change Response
		Internal carbon prices	Climate Change Response
		Remuneration	Climate Change Response
		Industry-based metrics	/
		Climate-related targets	Climate Change Response
		Applicability of cross-industry metrics and industry-based metrics	Climate Change Response

Appendix 3: Key Environmental KPIs

KPIs	Unit	Year 2023	Year 2024	Year 2025
Air Pollutants[14]				
Sulfur Dioxide (SO_2)	Kg	0.0	7.0	12.0
Nitrogen Oxide (NOx)	Kg	386.2	364.1	591.9
Particulate Matte (PM)	Kg	45.5	18.0	30.0
Wastewater and Pollutants				
Wastewater[15]	m^3	79,085.4	85,690.4	88,328.7
Wastewater intensity	m^3/million RMB	8.35	9.94	9.41
Ammonia Nitrogen (NH_3-N)	Ton	0.1	0.1	0.1
Chemical Oxygen Demand (COD)	Ton	0.8	0.7	1.2
GHG				
Total GHG emission (Scope 1+2+3)	Ton CO_2e	10,096.0	12,954.8	13,435.6
Total GHG emission (Scope 1+2)	Ton CO_2e	5,759.4	5,548.1	5,796.8
Total GHG emission (Scope 1+2) intensity	Ton CO_2e/ million RMB	0.61	0.64	0.62
Direct GHG emission (Scope 1)[16]	Ton CO_2e	1,628.4	1,549.0	1,865.5
Indirect GHG emission (Scope 2)[17]	Ton CO_2e	4,131.0	3,999.1	3,931.3
Indirect GHG emission (Scope 3)[18]	Ton CO_2e	4,336.6	7,406.7	7,638.8

14 The air pollutant statistics of the Group mainly covers the exhaust gas generated from its production operations. The annual emission of air pollutants is an estimated value, which is calculated from the total natural gas consumption of the boiler, the fixed gas consumption rate of the boiler, and the emission rate. The emission rate comes from the test report of a professional third party hired by the Group, so the emission rate is related to the production status and fuel quality at the test time point. During the Reporting Period, the increase in air pollutant emissions was primarily attributable to higher production volumes driven by business demand.

15 The wastewater generated by the Group primarily consists of domestic sewage and production wastewater.The year-on-year increase was mainly due to higher domestic wastewater arising from a larger headcount, as well as increased production wastewater generated to meet business demand.

16 The direct GHG emissions (Scope 1) primarily arise from fuel consumption for production activities and daily operations. The year-on-year increase was mainly attributable to higher natural gas usage driven by increased production demand.

17 The indirect GHG emissions (Scope 2) mainly arise from indirect emissions due to the consumption of externally purchased electricity during the Group's operations and production processes. In 2025, 2024 and 2023, GHG emissions in Hong Kong were calculated with reference to the emission factors disclosed in HK Electric's Sustainability Report for 2024, 2023 and 2022, respectively. For Macau, the emission factors applied in 2023 and 2024 were the operating-region emission factors; in 2025, GHG emissions in Macau were calculated with reference to the emission factors disclosed in Companhia de Electricidade de Macau (CEM)'s 2024 Sustainability Report. For operating locations outside Hong Kong and Macau, the relevant emission factors of the countries/regions were used. In particular, for 2025, the electricity emission factor for Mainland China adopted the grid emission factor of 0.5306 tCO2/MWh as specified in the Announcement on the release of the 2023 Electricity Carbon Dioxide Emission Factors, issued by the the Ministry of Ecology and Environment on 31 December 2025.

18 During the Reporting Period, the indirect GHG emissions (Scope 3) changed compared to last year, mainly due to two factors: 1) in 2025, Scope 3 emissions under "Upstream Transportation and Distribution" decreased mainly due to optimization of transportation modes and routes; this category captures only emissions from orders for which the Group is responsible for arranging transportation under the agreed trade terms with upstream suppliers (rather than all orders); This category specifically accounts for emissions arising from orders where transportation is arranged by the Group according to predefined trade agreements with upstream manufacturers, rather than encompassing all orders placed by the Group; 2) the sample of the employee commuting questionnaire changes in the composition (e.g., an increase in the number of employees who commute long distances and by private vehicles) and an increase in the number of employees have led to an increase in GHG emissions(Scope 3) in the category of "Employee Commuting". Please refer to Appendix V for the detailed calculation method of GHG emissions(Scope 3).

Appendix 3: Key Environmental KPIs - continued

KPIs	Unit	Year 2023	Year 2024	Year 2025
Solid Waste				
Hazardous waste[19]	Ton	0.6	0.8	2.0
Hazardous waste intensity	Ton/ million RMB	0.00006	0.00009	0.00021
Non-hazardous waste[20]	Ton	462.9	368.0	455.3
Non-hazardous waste intensity	Ton/ million RMB	0.05	0.04	0.05
Energy				
Conversion of electricity for comprehensive energy consumption	kWh	15,219,548.7	15,026,209.9	16,599,769.1
Conversion of electricity for comprehensive energy consumption intensity	kWh/million RMB	1,606.76	1,742.86	1,768.64
Purchased electricity	kWh	7,245,001.7	7,451,203.2	7,410,125.3
Purchased electricity intensity	kWh/million RMB	764.87	864.25	789.52
Natural gas[21]	m^3	679,270.0	640,705.0	800,526.0
Alcohol-based liquid fuel	Ton	2.8	1.4	2.1
Gasoline	Liter	63,825.4	67,434.6	55,542.0
Diesel oil[22]	Liter	3,129.4	2,660.5	1,344.3
Liquefied gas	Kg	470.0	330.0	360.0
Water Resources				
Total water consumption	m^3	174,415.7	174,178.6	162,630.0
Total water consumption	m^3/million RMB	18.41	20.20	17.33
Packaging Materials /Office Paper				
Total packaging materials	Ton	614.2	564.5	461.0
Total packaging material intensity	Ton/million RMB	0.06	0.07	0.05
Office paper	Ton	12.3	10.8	10.5

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

20 During the Reporting Period, the non-hazardous waste was mainly generated from household garbage, sludge from water treatment processes and Chinese herb residue in the pharmaceutical production business. The increase compared to the same period last year was mainly due to changes in business demand, which led to higher generation of Chinese herb residue.

21 During the Reporting Period, Natural gas was primarily consumed as fuel for the Group's pharmaceutical production business. Year-on-year consumption increased mainly due to changes in business demand, which drove higher fuel usage.

22 During the Reporting Period, diesel consumption primarily related to transportation vehicles used in the pharmaceutical production business. Year-on-year diesel usage decreased mainly due to adjustments to transportation modes.

Appendix 4: Key Social KPIs

KPIs	Unit	Year 2023	Year 2024	Year 2025
Employment				
Total number of employees	Person	5,701	6,141	6,415
Number of male employees	Person	2,579	2,743	2,811
Number of female employees	Person	3,122	3,398	3,604
Number of employees in mid-level and senior management	Person	173	185	207
Number of male employees in mid-level and senior management	Person	114	116	120
Number of female employees in mid-level and senior management	Person	59	69	87
Proportion of female in mid-level and senior management positions of revenue- generating functions[23]	%	29.68	31.61	37.50
Number of mid-level and senior management employees of ethnic minorities	Person	16	16	20
Number of contracted employees	Person	5,701	6,141	6,415
Number of dispatched employees	Person	0	0	0
Number of employees aged under 30	Person	2,331	2,370	2,473
Number of employees aged 30-50	Person	3,213	3,601	3,737
Number of employees aged over 50	Person	157	170	205
Number of employees employed in Mainland	Person	5,608	6,020	6,264
Number of employees employed in HK, Macao, Taiwan and overseas regions	Person	93	121	151
Number of employees from Mainland China	Person	5,620	6,060	6,317
Number of employees from HK, Macao and Taiwan, China	Person	35	27	33
Number of employees from overseas	Person	46	54	65
Number of employees of ethnic minorities	Person	373	408	430
Average years employed by the Group for male employees	Year	4.81	5.03	5.40
Average years employed by the Group for female employees	Year	4.29	4.48	4.73
Employee Turnover				
Turnover rate of employees	%	16.7	18.2	17.0

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

Appendix 4: Key Social KPIs- continued

KPIs	Unit	Year 2023	Year 2024	Year 2025
Turnover rate of male employees	%	18.4	19.5	17.3
Turnover rate of female employees	%	15.2	17.2	16.8
Turnover rate of employees aged under 30	%	21.9	26.7	24.1
Turnover rate of employees aged 30-50	%	12.6	13.0	12.8
Turnover rate of employees aged over 50	%	13.4	10.6	7.8
Turnover rate of employees employed in Mainland China	%	16.4	18.0	16.8
Turnover rate of employees employed in HK, Macao, Taiwan and overseas	%	22.1	29.8	25.2
Occupational Health and Safety				
Working days lost due to work-related injury[24]	Day	255	296	115
Number of work-related fatalities	Person	0	0	0
Proportion of work-related fatalities	%	0	0	0
Proportion of employees with occupational health check benefit	%	100	100	100
Training and Development				
Total employees training expenditure	Million RMB	6.5	8.8	9.1
Training coverage of employees	%	100	100	100
Training coverage of general employees	%	97.4	97.0	96.8
Training coverage of mid-level and senior management	%	2.6	3.0	3.2
Training coverage of male employees	%	45.3	44.7	43.8
Training coverage of female employees	%	54.7	55.3	56.2
Employees training duration per capita	Hour	21.5	27.6	25.4
Training duration per capita for general employees	Hour	21.6	27.5	25.4
Training duration per capita for mid-level and senior management	Hour	19.9	28.8	25.4
Training duration per capita for male employees	Hour	20.6	26.4	25.3
Training duration per capita for female employees	Hour	22.0	28.5	25.5
Training duration per capita for employees participating in management and leadership	Hour	18.6	10.0	8.7

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

Appendix 4: Key Social KPIs- continued

KPIs	Unit	Year 2023	Year 2024	Year 2025
Supplier Management				
Total number of suppliers	Number	161	190	168
Number of suppliers in Mainland China	Number	119	136	116
Number of suppliers in HK, Macao, Taiwan and overseas	Number	42	54	52
Quality and Safety of Products and Services				
Response and handling rate for product and service quality related complaints	%	100	100	100
Percentage of sold and delivered product recalls due to safety and health problems	%	0	0	0
Number of product and service-related complaints[25]	Number	158	284	202
Anti-corruption				
Number of concluded legal cases regarding corrupt practices	Number	0	0	0
Participation in Public Service Activities				
Total donation amount of public service activities	Million RMB	3.0	1.1	2.9

25 During the Reporting Period, the number of product and service-related complaints of the Group includes product packaging issues, suspected adverse reactions and other quality related issues.

Appendix 5: Calculation of Key Environmental KPIs

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

Indicator	Unit	Data source	Calculation method	Parameter usage
Sulfur Dioxide (SO_2)	Kg	Total natural gas consumption: calculated according to the environmental test report	Total natural gas consumption/rated gas consumption of boilers * rate of emission of SO2	Rate of emission: average value of tests in the annual environmental test report
Nitrogen Oxide (NOx)	Kg	Total natural gas consumption: calculated according to the environmental test report	Total natural gas consumption/rated gas consumption of boilers * rate of emission of NOx	Rate of emission: average value of tests in the annual environmental test report
Particulate Matter (PM)	Kg	Total natural gas consumption: calculated according to the environmental test report	Total natural gas consumption/rated gas consumption of boilers * rate of emission of PM	Rate of emission: average value of tests in the annual environmental test report
Wastewater	m^3	Office/domestic wastewater: Water consumption * estimated coefficient or calculated according to monitoring result Production wastewater: calculated according to the monthly ledger of sewage treatment amount	Wastewater = office/ domestic wastewater + production wastewater	/
Wastewater intensity	m^3/million RMB	/	Wastewater intensity = Wastewater / revenue (in the case that all medicines were directly sold by the Group)	/
Ammonia Nitrogen (NH_3-N)	Ton	Production wastewater: calculated according to the monthly ledger of sewage treatment amount	Ammonia nitrogen concentration * total amount of production wastewater discharged	Ammonia nitrogen concentration: average value of tests in the annual
Chemical Oxygen Demand (COD)	Ton	Production wastewater: calculated according to the monthly ledger of sewage treatment amount	COD concentration * total amount of production wastewater discharged	COD concentration: average value of tests in the annual environmental test report
Direct GHG emission (Scope 1)	Ton of CO_2 equivalent	Consumption of fuels	Fuel consumption * (carbon dioxide emission coefficient + methane emission coefficient * methane GWP + nitrous oxide emission coefficient * nitrous oxide GWP)	Carbon dioxide emission coefficient / methane emission coefficient / methane GWP / nitrous oxide emission coefficient / nitrous oxide GWP: *Appendix II :Guidelines on Reporting Environmental Key Performance Indicatorsof HKEX*

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Indirect GHG emission (Scope 2)	Ton of CO_2 equivalent	Purchased electricity	Electricity consumption amount * power grid carbon emission factor	The emission factors for regional power grids in Hong Kong are based on the emission factors disclosed in the 2024 sustainability Report of HK Electric, the electricity supplier of our operating sites in Hong Kong; The emission factors for regional power grids in Macau are based on the emission factors disclosed in the 2024 sustainability Report of Companhia de Electricidade de Macau (CEM), the electricity supplier of our operating sites in Macau; for operating sites outside of Hong Kong and Macau, the relevant emission factors for the countries/regions are used.
Indirect GHG emission (Scope 3) - upstream transportation and distribution	Ton of CO_2 equivalent	Energy consumed by orders where the Group is responsible for transportation under agreed trade terms with upstream suppliers (not all orders of the Group).	The calculation is based on summing up the carbon emission data of orders exported from the logistics service provider platform and the carbon emission data of other orders generated from the EcoTransIT World	/
Indirect GHG emission (Scope 3) - business travel	Ton of CO_2 equivalent	Energy consumed in employees' business travel by air	The calculation is based on the method for calculating carbon dioxide (CO_2) emissions from air travel established by the International Civil Aviation Organization (ICAO), a United Nations agency, i.e., by inputting the departure and arrival airports of employees' business travel into the ICAO Carbon Emissions Calculator	/

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Indirect GHG emission (Scope 3) - employee commuting	Ton of CO_2 equivalent	Energy consumed by the means of transportation used for commuting	Employee commuting is sampled and investigated through questionnaires, including commuting means (e.g., private fuel or electric cars, subway, bus, online car-hailing, etc.), commuting distance and number of commuting days. Employees' average commuting distance, number of commuting days and proportion of different means of transportation are calculated based on the investigation, and carbon emissions are then verified based on the emission factors of different means of transportation	The emission factor of gasoline cars comes from Appendix II : Reporting Guidance on Environmental KPIs of HKEX; The emission factor of electric cars comes from the 2023 Electricity Carbon Dioxide Emission Factors; The emission factors of subway and online carhailing come from China Products Carbon Footprint Factors Database (2022); The emission factor of buses comes from the Carbon Inclusion Methodology for Low-carbon Public Travel in Shenzhen (Trial)
Total GHG emission (Scope 1 + 2)	Ton of CO_2 equivalent	/	Total GHG emission = GHG emission (Scope 1) + GHG emission (Scope 2)	/
Total GHG emission (Scope 1 +2) intensity	Ton of CO_2 equivalent/ million RMB	/	Total GHG emission (Scope 1 + 2) intensity = Total GHG emission/ revenue (in the case that all medicines were directly sold by the Group)	/
Amount of waste chemicals generated in laboratories	Kg	Calculated based on hazardous waste transfer manifests	/	/
Household garbage	Ton	Estimated based on production days or working days	Household garbage per day * production days or working days	/
Sewage sludge	Ton	Estimated according to the work record ledger	The number of sludge bags produced per day * the weight of each bag	
Chinese herb residue	Ton	Calculated based on total weight of the Chinese herb input	/	/
Hazardous waste	Ton	Calculated based on hazardous waste transfer manifests within the reporting period	/	/
Hazardous waste intensity	Ton/million RMB	/	Hazardous waste intensity = hazardous waste / revenue (in the case that all medicines were directly sold by the Group)	/

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Non-hazardous waste	Ton	/	Non-hazardous waste = household garbage + sewage sludge + Chinese herb residue	/
Non-hazardous waste intensity	Ton/million RMB	/	Non-hazardous waste intensity = non-hazardous waste / revenue (in the case that all medicines were directly sold by the Group)	/
Electric quantity converted from comprehensive consumption	kWh	Total fuel consumption and purchased electricity	Electric quantity converted from comprehensive energy consumption = total fuel consumption * standard coal conversion coefficient * electric power equivalent value	Standardized coal coefficient and electric power equivalent value: National Standard of the People's Republic of China, General Rules for Calculation of the Comprehensive Energy Consumption (GB/T2589-2020)
Electric quantity intensity converted from comprehensive energy consumption	kWh/million RMB	/	Electric quantity intensity converted from comprehensive energy consumption = Electric quantity converted from comprehensive energy consumption/ revenue (in the case that all medicines were directly sold by the Group)	/
Purchased electricity	kWh	Calculated according to the financial invoice	/	/
Purchased electricity intensity	kWh/million RMB	/	Purchased electricity intensity = purchased electricity/ revenue (in the case that all medicines were directly sold by the Group)	/
Natural gas	m^3	Calculated according to the financial invoice	/	/
Alcohol-based liquid	Ton	Calculated according to the financial invoice	/	/
Gasoline	Liter	Calculated according to the financial invoice	/	/
Diesel oil	Liter	Calculated according to the financial invoice	/	/
Liquefied gas	Liter	Calculated according to the accounting vouchers	/	/
Water consumption	m^3	Calculated according to the financial invoice	/	/

Appendix 5: Calculation of Key Environmental KPIs- continued

Indicator	Unit	Data source	Calculation method	Parameter usage
Total water Consumption intensity	m^3/million RMB	/	Total water consumption intensity = total Water consumption/ revenue (in the case that all medicines were directly sold by the Group)	/
Total packaging materials	Ton	Calculated according to the actual amount used	/	/
Total packaging materials intensity	Ton/ million RMB	/	Total packaging materials intensity = Total packaging materials/revenue (in the case that all medicines were directly sold by the Group)	/
Office paper	Ton	Calculated according to the actual amount used	/	/