

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About the Report

The Report is the fifth environmental, social and governance (“ESG”) report of CMS, dating from 1 January 2020 to 31 December 2020. The Report is disclosed annually.

1.1 Basis of Preparation

The Report is prepared as per *Appendix 27 Environmental, Social and Governance Reporting Guide of Main Board Listing Rules* issued by Stock Exchange of Hong Kong Ltd (“SEHK”).

The contents of the Report were formulated through systematic procedures, including: project kickoff, review and summarization of the 2019 ESG Report, on-site investigation and interview, identification of stakeholders, stakeholder questionnaire, identification and ranking of ESG material issues, discussion and determination of material issues by the Board of Directors, determination of the disclosure scope of the Report, collection of relevant information and data, review of the relevant information and data, establishment of the 2021 ESG management goals, preparation of the Report, review and final approval of the Report by the Board of Directors.

1.2 Scope of the Report

The Report discloses the ESG risks and performances of the Group conforming to the principle of “Materiality” mentioned in the *Environmental, Social and Governance Reporting Guide*. Unless otherwise indicated, the scope of the Report includes the Company, its wholly owned subsidiaries and majority owned subsidiaries (including pharmaceutical promotion and marketing business, pharmaceutical production business, and agriculture and livestock business. Among them, the pharmaceutical production business is relatively small-scale, during the Reporting Period, the sale of self-produced products only accounted for around 4% of the Group’s turnover after excluding the effect of the “two-invoice system”. During the Reporting Period, the products from agriculture and livestock business were only for internal consumption and did not contribute to the Group’s revenue).

1.3 Data Sources and Reliability Statement

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

1.4 Obtaining the Report

The Report, as a part of the Group’s 2020 Annual Report, can be accessed and downloaded from SEHK’s website (www.hkexnews.hk) and the Group’s website (www.cms.net.cn). For further consultation, any opinion or suggestion regarding the Report, please contact the Group via ir@cms.net.cn.

2. ESG Management

As a well-established, innovation-driven specialty pharma with a focus on sales and marketing in China, CMS has adhered to offering competitive products and services to meet China’s unmet medical needs, and fulfilled the core values of “value creation for customers, global reach for innovation, dedication and perseverance, ethics and integrity, professionalism and entrepreneurship”. Practicing the concept of sustainable development, the Group’s MSCI-ESG rating has been upgraded from “BB” to “AA” during the Reporting Period, regarded as a company leading its industry in managing the most significant ESG risks and opportunities.

2.1 Statement of the Board of Directors

The Board of Directors of the Group insists on fully integrating the ESG concept into corporate development strategy while ensuring the sound growth of operating performance. The Board of Directors hereby makes the following statement on ESG management during the Reporting Period:

With the sustainable development goal of “carrying out the concept of environmental protection, achieving the value of social responsibility, being committed to becoming a leading sustainable pharmaceutical enterprise in China”, during the Reporting Period, the Group further improved its governance structure by establishing the Environmental, Social and Governance Committee (the “ESG Committee”) at the Board of Directors level and setting the organization-wide ESG Working Group to further enhance the Group’s ESG management performance.

Members of the Board of Directors have continuously paid attention to the global trends of ESG governance. Taking into account suggestions and comments from various parties, the Board of Directors have evaluated the potential ESG risks and opportunities of the Group, and provided corresponding suggestions and opinions on the ESG management of the Group from time to time to achieve dynamic supervision.

The Board of Directors of the Group has also attached great importance to the daily ESG management work. With reference to the results of stakeholder questionnaires, the Board of Directors has evaluated and prioritized ESG material issues, discussed and identified the importance of ESG issues, and fully participated in the formulation and updates of the Group’s ESG management policies and strategies. Based on the approved ESG management policies and strategies, the Board of Directors has reviewed and approved the Group’s ESG improvement plan, reviewed and followed up on the implementation progress of relevant departments through regular meetings, actively participated in the optimization of existing operational plans, and provided all the necessary resources, in order to integrate the Group’s ESG matters into the daily operation and management. Based on the 2020 ESG management goal and achievements, the identified stakeholder concerns, business development needs and recommendations from third-party professional agents, the Board of Directors has approved the 2021 ESG management goal.

The Group has fully understood that the development, promotion and sales of pharmaceutical products are related to public health. Therefore, when setting ESG management goals, the Group has placed the high priority on product safety and service quality in processes including development, production, testing, and after-sales. At the same time, taking the unmet medical needs of the Chinese pharmaceutical market into full consideration, the Group has deployed innovative drugs that are safer and more effective, or more cost-effective, to meet the actual needs of Chinese patients and maximize the social benefits. The characteristics of the Group’s business help limit the total amount of environmental pollutants generated, but the Group has fully considered the environmental impact of operational activities, so as to work together with stakeholders to facilitate a green, harmonious and sustainable development.

The Board of Directors and senior management team of the Group have approved the Report to ensure that there is no false information, misleading statements or major omissions in its content.

2.2 Structure and Process of ESG Governance

The Group has formed a three-tier ESG governance framework consisting of the Board of Directors, the ESG Committee and the ESG Working Group to systematically carry out ESG management from the governance level of the Board of Directors to the ESG implementation level. The ESG Committee consists of three directors, among them the Executive Director, Chief Financial Officer and Vice President of the Group, Ms. Chen Yanling is the Chairman of the Committee; The ESG Working Group comprises the heads from each department and participates in the concrete implementation and reporting of the ESG work. During the Reporting Period, the *CMS Environmental, Social and Governance Committee Terms of Reference* was published on the Group's official website for all stakeholders' reference¹.

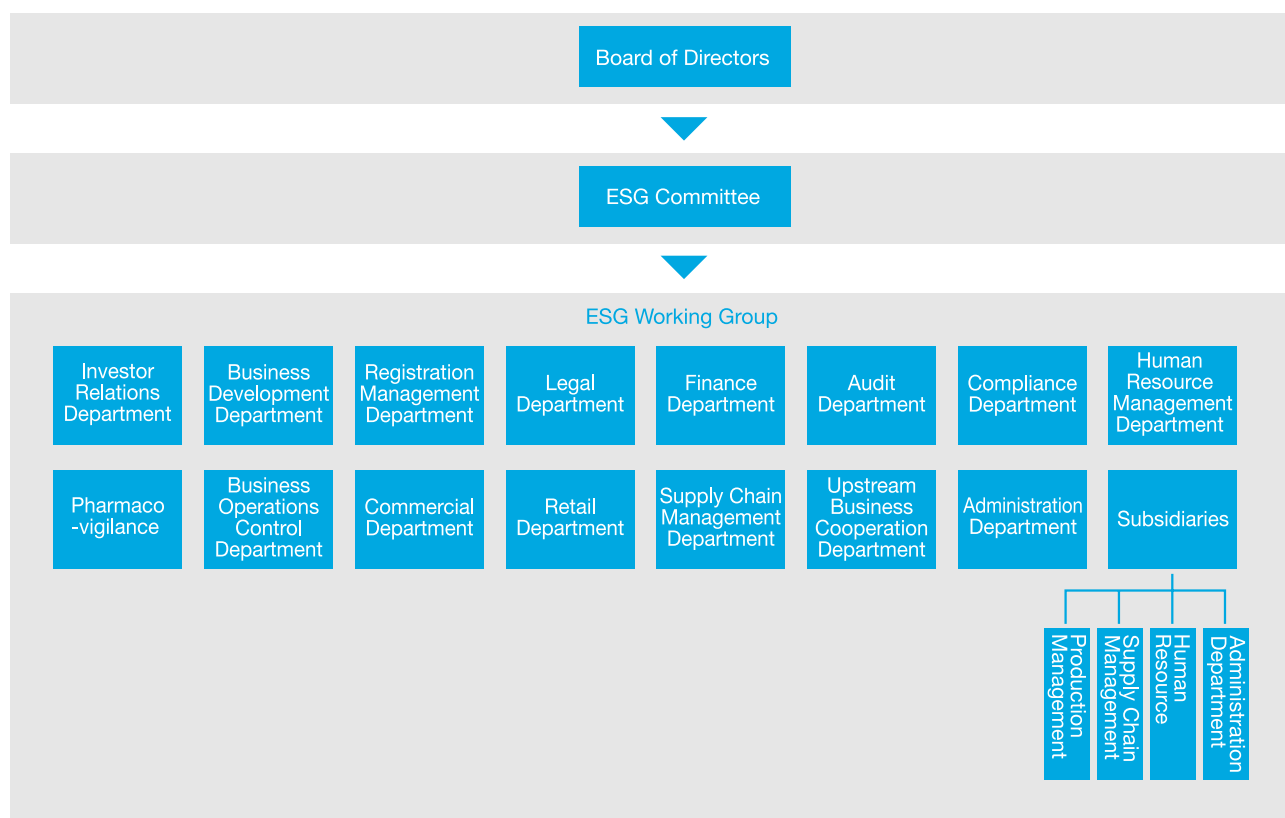


Figure 1 CMS's ESG Governance Framework

- The main responsibilities of the ESG Committee include: comprehensively formulating and reviewing the Group's ESG management policies, strategies and structures, reviewing ESG-related policies, regulations and trends; and providing decision-making advice to the Board of Directors regarding the Group's ESG strategies and operations, to ensure the compliance with requirements of applicable laws and regulations; monitoring and supervising the formulation and implementation of the Group's ESG objectives; identifying external ESG trends, risks and opportunities; and promoting a positive culture throughout the Group and actively incorporating ESG considerations into the business decision-making processes, etc.

¹ <http://www.cms.net.cn/kangzhe/PicNew/ImgStocks/2020-12-22/2aa3df93-6095-4441-b8c4-e75cf8517b6b.pdf>

- The responsibilities of the ESG Working Group include: formulating and implementing specific ESG work plans; regularly collecting and analyzing ESG-related key performance indicators and submitting them to the ESG Committee for review to facilitate the ESG Committee's understanding of the implementation progress of the Group's ESG management performance objectives; analyzing the relationship between ESG risks and the Group's overall risk management system, then making suggestions on risk control; and proactively delivering feedbacks from key investors and stakeholders to the ESG Committee, etc.

The Group's ESG management efforts are based on a nested closed-loop process:

- Firstly, setting the annual ESG management goals after reviewing the previous year's goals;
- Making the corresponding ESG management measures and plans based on the ESG management goal;
- Conducting daily ESG management, monitoring dynamic ESG information and drafting annual ESG report based on the measures and plans;
- Making and implementing improvement plans for issues existing in ESG management practice based on the annual ESG report preparation workflow, material issues analysis in conjunction with internal communication, internal audit and stakeholder' concerns;
- Checking the results of ESG governance at the end of the year, making adjustments and setting new goals in accordance with the Group's internal and external situation.



Figure 2 CMS's ESG Management Flow Diagram

2.3 ESG Goal

The Group attaches great importance to ESG goal management. The Board of Directors comprehensively reviewed the achievement of CMS's ESG goal for the Reporting Period and formulated the ESG goal for the next year. See below for CMS's 2020 ESG management condition and 2021 ESG management goal.

Table 1 CMS's 2020 ESG Management Condition and 2021 ESG Management Goal

| 2020 ESG Management Condition | 2021 ESG Management Goal |
|--|--|
| The Board of Directors participated in and discussed the Group's ESG management in regular meetings; formed the ESG Committee, assigned the ESG Working Group and improved the governance structure | The Board of Directors continues to involve deeply in the ESG management and further improve ESG-related management systems and policies |
| Established relatively comprehensive anti-corruption policy system and internal control process, and fully implemented anti-corruption and compliance management through a combination of employee commitment and regulation requirement; and further regulated the protection of consumer privacy | Continuously optimizing the risk management and internal control of promotion compliance processes, upgrading digital management tools to strengthen compliance control, and continuously promoting the study of anti-corruption related regulations, in order to achieve sustainable compliant operation |
| Established a comprehensive product quality control system and continuously optimized the means of product quality management and risk control; promoted the construction of intellectual property protection system; expanded the innovative pipeline and pushed forward the clinical development of innovative products in China to enhance the accessibility of quality products in China | Ensuring the quality of products and services and continuously optimizing the product responsibility system; continuously promoting the launching of quality and cost-effective products with a focus on public health; and continuously promoting the construction of intellectual property protection system |
| Established good communication, cooperation and supervision mechanisms with suppliers, and further standardized the supplier ESG management through collecting the <i>Supplier Statement</i> | Strengthening the identification and control of ESG risks in all segments of the supply chain to jointly build a green supply chain |
| Provided employees with a safe and comfortable working environment, good promotion channels and a comprehensive training system, and paid attention to employee compensation and benefits | Deeply understanding the demands of employees and continuously optimizing the working environment and organizational atmosphere; improving the compensation and benefits system and the promotion mechanism; and enhancing the training system for both the management and employees |
| Actively participated in supporting activities in response to major public health events, paid attention to the public welfare needs of the surrounding communities and developed more comprehensive guidelines for public welfare activities | Continuously paying attention to the development of the surrounding communities and social welfare |
| Optimized the Group's environmental protection system and policies and promoted energy-saving and environmental protection initiatives; implemented environmental protection internal audits; and promoted the management of key environmental indicators | Continuously paying attention to the key issues of environmental protection, the total GHG emission intensity of the Group is expected to be reduced by at least 5% by the end of 2023, comparing with 2020, so as to contribute to the construction of a green China |

2.4 ESG Communication

CMS has established a routine stakeholder communication system, and is committed to achieving the positive interactions with stakeholders via targeted and diverse ways of communication, making active responses to their needs and pushing forward the implementation of the Group's sustainable development. CMS has established connections with stakeholders via the following communication methods.

Table 2 CMS's Stakeholder Communication Methods

| Stakeholder | Communication Appeal | Communication Method |
|--|---|---|
| Governmental and regulatory authority | <ul style="list-style-type: none"> Compliance with laws and regulations, drug safety Compliant operation under supervision Taxation, employment creation | <ul style="list-style-type: none"> ✓ Government-company seminar ✓ Supervision and inspection ✓ Work report and research |
| Investor/ Shareholder | <ul style="list-style-type: none"> Standardized governance and rigorous risk control Prudent operation and value creation Disclosure compliance, openness and transparency | <ul style="list-style-type: none"> ✓ General meeting, results announcement meeting ✓ Company news, announcements and periodic report ✓ Telephone, email, voting for general meeting ✓ Company official website and WeChat official account ✓ Investor visit, conference and presentation ✓ External road show |
| Supplier | <ul style="list-style-type: none"> Open and fair procurement Timely communication, win-win developments | <ul style="list-style-type: none"> ✓ Face-to-face meeting and mutual visit ✓ Work meeting and communication via telephone and email ✓ Company official website and WeChat official account ✓ Industrial seminar ✓ Public bidding |
| Distributor | <ul style="list-style-type: none"> Integrity management and compliant operation Timely communication and win-win developments | <ul style="list-style-type: none"> ✓ Work meeting and communication via telephone, letter and email ✓ Company official website and WeChat official account ✓ Customer service hotline ✓ Face-to-face meeting and mutual visit |
| Employee | <ul style="list-style-type: none"> Protection of rights and interests Employees caring, respond of employee appeals Compensation and benefits, training and development | <ul style="list-style-type: none"> ✓ Occupational health and safety training ✓ Team building activity ✓ Feedback platform ✓ Daily communication and meeting |
| External practitioner in the pharmaceutical industry | <ul style="list-style-type: none"> Product safety, protection of rights and interests Protection of privacy, business ethics | <ul style="list-style-type: none"> ✓ Disclosure of product label and other information ✓ Academic conference and forum ✓ Processing of customer complaint and feedback |
| General public | <ul style="list-style-type: none"> Good interaction, information disclosure Product safety, protection of rights and interests Privacy protection and business ethics Inclusive health and public welfare Community development and social value | <ul style="list-style-type: none"> ✓ Disclosure of product label and other information ✓ Handling of customer complaint and opinion ✓ Participation in community public welfare activities ✓ Propaganda of medicine and health knowledge ✓ Company official website and WeChat official account |

2.5 ESG Issues

During the Reporting Period, in order to ensure that the Group's ESG governance effectively and timely reflects the requirements of stakeholders, CMS has conducted extensive stakeholder research as an important basis for the preparation of this report and the Group's development.

The materiality assessment procedure:

- The establishment of the issues library: Based on the *Environmental, Social and Governance Reporting Guide* and with reference to the review of the *Environmental, Social and Governance Reporting Guide and Related Listing Rules* issued by SEHK in December 2019, a basic list of ESG issues has been formed. At the same time, the Group has reviewed and evaluated its ESG management related issues in the previous year, then updated the ESG management issues library in 2020 by reviewing the Group's current status, the development of the pharmaceutical industry and the concerns of stakeholders;
- Stakeholder engagement: The Group has established and implemented a stakeholder engagement plan for the year. Through communication with stakeholders and distribution of online research questionnaires, the Group has listened to stakeholders' expectations and suggestions on the Group's ESG issues, and collected a total of 297 valid questionnaires;
- Issues assessment: The Group has assessed the importance of the issues in two dimensions: "importance to the enterprise" and "importance to the stakeholders", and obtained the materiality matrix and material issues list;
- Review and confirmation: The Group's Board of Directors has reviewed the assessment procedure of the material issues and confirmed the approval of the results.

Based on the results of the research questionnaires and discussions of the ESG Committee and the Board of Directors, the Group has ranked the materiality of each issue in 2020 as follows:

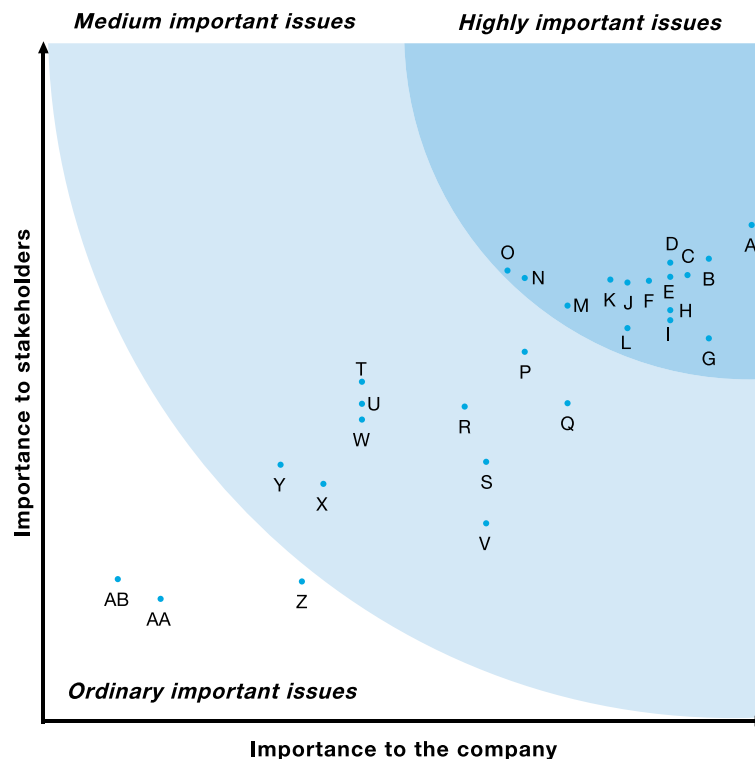


Figure 3 CMS's ESG Materiality Analysis Matrix

The materiality assessment of 2020 ESG issues for CMS found 15 highly important issues, 10 medium important issues, and 3 ordinary important issues, the details of which are listed below:

Table 3 CMS's Material Issues List

| Importance of issue | Issue scope | Issue code | Issue |
|--------------------------|--------------------------|----------------------------------|---|
| Highly important issue | Company governance | A | Ensuring product and service quality |
| | Company governance | B | Improving the pharmacovigilance and drug recall mechanism |
| | Company governance | C | Compliant operation |
| | Company governance | D | Caring about employee safety and health |
| | Company governance | E | Constructing a good company governance system |
| | Company governance | F | Protecting the intellectual properties |
| | Company governance | G | Providing competitive salary |
| | Company governance | H | Compliant employment |
| | Company governance | I | Employees training and development |
| | Company governance | J | Improving the anti-corruption and anti-bribery system |
| | Company governance | K | Strengthening innovative research and development |
| | Company governance | L | Providing a fair and transparent promotion channel |
| | Company governance | M | Improving the accessibility of healthcare |
| | Company governance | N | Protecting customer rights, interests and privacy |
| | Company governance | O | Strict execution of supplier admittance and inspection criteria |
| Medium important issue | Company governance | P | Promoting sustainable development of the supply chain (environmental protection, anti-corruption, employment, etc.) |
| | Environmental protection | Q | Proper disposal of solid waste |
| | Environmental protection | R | Making guidelines and setting goal for environmental protection work |
| | Environmental protection | S | Energy conservation |
| | Environmental protection | T | Compliance with emission standards |
| | Environmental protection | U | Resource investment to reduce emissions |
| | Environmental protection | V | Water conservation |
| | Social responsibility | W | Promoting the advancement of the medical progress |
| | Social responsibility | X | Participating in public welfare donations, disaster relief activities and others |
| Social responsibility | Y | Supporting community development | |
| Ordinary important issue | Environmental protection | Z | Reducing greenhouse gas emissions |
| | Environmental protection | AA | Combating climate change |
| | Environmental protection | AB | Reducing use of packaging materials |

Based on the assessment results, the Group has documented the ESG Report to respond to stakeholders' concerns in an orderly manner.

3. Compliant operation

Compliant operation is a basic requirement for market participants. The Group strictly observes the laws and regulations of the People's Republic of China and other countries and regions where its business operation and investment are located, practices business ethics and refrains from unlawful acts such as bribery, extortion, fraud, money laundering and different forms of unfair competition.

Table 4 Compliance-related Laws and Regulations

| Field | Major laws and regulations |
|---------------------|--|
| Compliant operation | <i>Law of the People's Republic of China on Anti-Money Laundering, Law of the People's Republic of China Against Unfair Competition, Criminal Law of the People's Republic of China, Interim Provisions on Banning Commercial Bribery, Prevention of Bribery Ordinance, etc.</i> |

The Group continues to enhance its compliance management leveraging its comprehensive policy system, complete organizational structure, definite department positioning, and digital technology platform. The Group also attaches great importance to anti-corruption. It has established a relatively comprehensive anti-corruption behavior regulation, training and supervision systems, continuously improved the whistleblower protection system, and optimized risk management and internal control mechanisms.

During the Reporting Period, the Group required all employees to sign the *CMS Self-discipline Commitment*, expecting that through signing the voluntary commitment, employees would enhance self-requirements on moral standards and professional conduct, so as to avoid improper business practice. At the same time, the Group initiated the signing of the *Supplier Statement*, to further restrain the ethical behavior of suppliers, achieving comprehensive management and control of compliant operation.

Table 5 Abstract of the *CMS Self-discipline Commitment* and *Supplier Statement*

| Field | Abstract |
|-----------------|--|
| Business ethics | Employee's commitment <ul style="list-style-type: none"> Strictly adhering to the provisions related to incorruptibility and self-discipline Properly exercising authority and not using authority to make undue benefit for oneself or a specific related party Not embezzling or occupying the resources of the Group, or leveraging own authority to influence and interfere with the Group's business |
| | Supplier's commitment <ul style="list-style-type: none"> Complying with applicable laws, regulations, guidelines, etc. in everywhere they operate Providing quality, safe and effective products and services that meet the quality standards and contractual agreements of the countries/regions in which they operate Resolutely resisting bid rigging, bid collusion, accepting of kickbacks and other unfair competition behaviors |
| Anti-corruption | Employee's commitment <ul style="list-style-type: none"> Resolutely resisting commercial bribery, not accepting properties from any affiliated units or suppliers Not offering bribes to or soliciting bribes from any business-related personnel |
| | Supplier's commitment <ul style="list-style-type: none"> Adhering to zero tolerance for any form of corruption, extortion or bribery |

3.1 Compliant Marketing and Promotion

The Group focuses on compliant marketing and promotion in the pharmaceutical industry to help build a clean industry development environment. The Group's Compliance Department is responsible for promotion compliance of employee's behaviors during the progress of interaction with medical professionals and groups, which primarily related to anti-corruption and anti-bribery. The Group has developed a complete and clear compliance marketing management system, including compliance rules and regulations, compliance team, compliance training, compliance inspection, compliance communication and reporting, etc.



3.1.1 Marketing Compliance Regulations and Policies

The Group adheres to the concept of compliance marketing and sales, and undertakes pharmaceutical marketing and sales activities under strict ethical standards and professionalism. The Group has established and updated the relatively comprehensive internal compliant promotion system and standard operating procedures in accordance with the latest laws and industry regulations.

The Group's compliance policies and regulations include, but are not limited to: *CMS Anti-fraud Management Policy*, *CMS Employee Code of Professional Ethics*, *Code of Promotional Conduct*, *Speaker Regulations*, *General Specification on Marketing Activities*, *Code of Management for Marketing Activities*, etc., to achieve the comprehensive compliance management.

3.1.2 Marketing Compliance Promotion and Training

The Group always regards marketing compliance as one of the priorities in employees' promotion and training. The Group holds monthly compliance induction training and quiz for new employees, with the quiz results linked to their appraisals; publicizes compliance policies and interpretations on the Group's internal information platform on a monthly basis; updates the "I want to ask compliance questions" column to provide an open and smooth communication mechanism for the employees; and provides timely online and offline training and guidance after the release of a new policy.

3.1.3 Marketing Compliance Monitoring and Inspection

The Group encourages the internal monitoring of marketing compliance, any employee who has doubts about the compliance of another employee's behavior can contact the Compliance Department by phone, email, or fax, etc. Once receiving such a report, the Compliance Department and the Audit Department will initiate an investigation together to collect relevant evidence. The employee who is confirmed to be in violation will be reported to the Compliance Management Committee by the Compliance Department, then be disciplined in accordance with the Company's relevant regulations. At the same time, the Group's Compliance Department conducts regular and irregular compliance inspections, leveraging big data analyses and KPI assessments on the results of each inspection, to ensure compliance of employee behaviors.

3.1.4 Marketing Compliance Team and Communication

The Group has a Compliance Management Committee, which is chaired by Mr. Lam Kong, the Chairman, Chief Executive and President of the Group, and composed of COO, CFO and several directors of the Group and is responsible for overseeing the compliance governance and business ethics management of the Group in its operations. The reports on the overall performance of the Group's compliance work will be submitted by the Compliance Department and discussed at the Compliance Management Committee's quarterly meetings. Meanwhile, the Group has regional compliance teams and regional financial compliance specialists in all business regions to enhance the efficiency of compliance governance and communication through a dedicated staffing system.

3.2 Anti-corruption

3.2.1 Anti-corruption Management

The Group has established the *CMS Employee Code of Professional Ethics* and *CMS Anti-fraud Management Policy*, which clearly require the employees not to engage in any improper practices such as bribery, corruption, extortion, fraud and money laundering in internal communication or communication with affiliated companies' staffs and other stakeholders including the media, governments, distributors, suppliers and medical personnel. Any forms of facilitation fees are forbidden as well, to adhere to the ethical boundaries strictly.

The Group attaches great importance to the anti-corruption management of all employees. According to the relevant regulations of the Group, if any employee is found with certain improper behaviors, the promotion of the employee will be negatively affected, and warning or dismissal will be considered for serious cases. During the Reporting Period, the Group required all employees to sign the *CMS Self-discipline Commitment*, to further raise employees' awareness of commercial bribery. The Group expects to strengthen employees' ethical awareness and further enhance anti-corruption management of the Group through internal regulations and employees' voluntary commitments.

The Group has established and strictly implemented an anti-corruption training system. The anti-corruption related materials are provided to employees in the quarterly new employee training program and marketing compliance training program. During the Reporting Period, a company-wide study of the *CMS Anti-fraud Management Policy* has been conducted from director to employee level with 3,887 participants.

The Group has established a multi-departmental and multi-dimensional code of conduct management system. For example, the Finance Department has developed financial management measures based on the compliance framework and strengthened process management via digital management systems. These initiatives are installed to enhance the transparency of expenses and the compliance of promotion activities for departments engaged in sales and marketing. In addition, the Legal Department reviews all legal documents such as contracts and agreements in the process of business operation, in order to control and prevent legal risks for the Group.

The Group also regulates the suppliers' business conducts. When signing the supply contracts, the Group requires the suppliers to strictly comply with the applicable local laws and regulations, including the provisions related to business ethics. During the Reporting Period, the Group initiated the signing of *Supplier Statement*, which once again required the suppliers to commit to zero tolerance for any forms of corruption, extortion or bribery, to further build a clean supply chain. In the process of communicating and signing of the *Supplier Statement*, the Group also collected the suppliers' internal anti-corruption policies and regulations, further understood the contents, and exchanged ideas with the suppliers on social responsibilities of both parties, including anti-corruption measures.

During the Reporting Period, there were no corruption lawsuits against the Group, and the Group did not violate any related laws or provisions that significantly impact the Group in the aspects of anti-bribery, extortion, fraud and money laundering.

3.2.2 Whistleblower Protection

The Group encourages employees to oversee and report any corruption behavior via telephone, email, etc. The reports will be discussed on a case-by-case basis and handled hierarchically by the Group in accordance with certain procedures. People involved are required to evade to ensure fairness and impartiality of the processing. Definite responses and feedback will be given to the whistleblower within three business days after the completion of the investigation.

The *CMS Anti-fraud Management Policy* of the Group clearly defines the detailed confidentiality measures to protect the whistle-blowing-related documents and the whistleblower's personal information. The Group will not disclose whistleblower's identity without obtaining his/her consent. Anyone who intends to inquire about any related information other than the whistleblower identity shall register with the Compliance Department. The Group will ensure that the employee who reports any of the above matters will not be subject to any forms of intimidation, retaliation or inappropriate punishment. Harassing or harming the whistleblower will be considered as severe misconduct and punished seriously once confirmed.

4. Product Liability

The Group always takes "offering competitive products and services to meet China's unmet medical needs" as its mission, strictly controls the quality of products and services to protect the health of Chinese people. In terms of quality, advertising, labeling, privacy, intellectual property rights and remedial measures for products and services, the Group strictly abides by relevant national laws and regulations including but not limited to the following:

Table 6 Laws and Regulations Related to Product Liability

| Field | Major laws and regulations |
|---|--|
| Product and service quality | <i>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, Provisions for Medical Device Registration, Good Manufacture Practice of Pharmaceutical Products, Measures for the Supervision and Administration of Drugs Production, Provisions for Supervision of Drug Distribution, Good Supply Practice of Pharmaceutical Products, Administrative Measures for the Import of Drugs, Provisions for Adverse Drug Reaction Reporting and Monitoring, Law of the People's Republic of China on Safeguarding the Consumer Rights and Interests, etc.</i> |
| Standardized marketing and promotion | <i>The Advertising Law of the People's Republic of China, Interim Measures on the Examination and Administration of Advertisement for Drugs, Medical Devices, Health Foods and Foods for Special Medical Purposes, Provisions for Drug Insert Sheets and Labels, etc.</i> |
| Privacy protection | <i>The Tort Liability Law of the People's Republic of China, and the Cyber Security Law of the People's Republic of China, etc.</i> |
| Intellectual properties protection | <i>The Patent Law of the People's Republic of China, and the Trademark Law of the People's Republic of China, etc.</i> |

4.1 Quality of Product and Service

In accordance with the laws and regulations and the requirements of Good Supply Practice of Pharmaceutical Products ("GSP"), Good Manufacture Practice of Pharmaceutical Products ("GMP") the Group has established the drug quality management system, including the relatively comprehensive product responsibility policy system and training system, forward-looking quality risk management system, refined quality control measures, standardized quality inspection process and digital drug tracking and pharmacovigilance system, covering the whole drug production and operation cycle and strictly controlling the potential risk to ensure the quality of product and service.

The Group attaches great importance to the construction of system and culture regarding product safety and service quality, and has established a relatively complete product liability regulations system:

Table 7 Product Liability System

| Procurement and production | Outbound delivery and sale | After-sales and customer service |
|---|--|---|
| <p><i>Regulations on Drug Procurement</i></p> <p><i>Regulations on Drug Reception</i></p> <p><i>Regulations on Drug Check and Acceptance</i></p> <p><i>Regulations on Drug Storage</i></p> <p><i>Regulations on Drug Maintenance</i></p> <p><i>Regulations on Purchaser Qualification Review</i></p> <p><i>Management Procedures for Production Planning Order</i></p> <p><i>Management Procedures for Production Process</i></p> <p><i>Operation Procedures for Internal Quality Audit, etc.</i></p> | <p><i>Regulations on Drug Transportation</i></p> <p><i>Regulations on Drug Sale</i></p> <p><i>Regulations on Quality Inquiry</i></p> <p><i>Provisions for Label Control and Management</i></p> <p><i>Speakers Regulations</i></p> <p><i>Academic Promotion Materials Regulations</i></p> <p><i>Drug Advertisements Regulations, etc.</i></p> | <p><i>Operation Procedures for Medical Information Consultation and Processing</i></p> <p><i>Regulations on Quality Complaints</i></p> <p><i>Regulations on Drug Recall</i></p> <p><i>Operation Procedures for Drug Recall</i></p> <p><i>Management Regulations on Drug Adverse Reaction Reporting and Monitoring, etc.</i></p> |

At the same time, the Group provides regular on-the-job trainings for employees involved in drug procurement, storage, production and quality inspection. The training contents include laws and regulations of drug and medical device, documents of quality management system, management of special drug, knowledge and verification of cold chain, etc.

4.1.1 Quality Safety

The finished drugs promoted and sold by the Group are mainly manufactured in countries of manufacturing origins (the suppliers) such as Germany, Denmark, the United Kingdom and France. Pharmaceutical manufacturers in Europe, the United States and other developed countries have higher quality management standards and standards to ensure product quality. A small fraction of the rest are self-produced (during the Reporting Period, self-produced products only accounted for around 4% of the Group's total sales excluding the effect of the "two-invoice system"). All drugs promoted and sold by the Group have been registered and approved by China NMPA. 100% percent of the subsidiaries with core business in pharmaceutical promotions and sales have passed GSP inspection, and 100% of the subsidiaries with core business in pharmaceutical manufacturing have passed GMP inspection.

For self-produced products, the Group has strict selection criteria for material suppliers and classifies suppliers according to the importance of materials. Class A material suppliers, which have important impact on drug quality and medication safety, are required to undergo on-site inspection and audit at least once a year. The Group carefully inspects incoming materials, including checking information, sampling and testing before putting into use. For finished products, the Group inspects each batch to ensure the integrity and safety of packaging before entering the market. For specific products, samples are taken strictly according to national standards before outbound delivery to test stability, to ensure that products quality align with national drug standards. The Group regularly checks the status of production equipments, strictly records the production parameters and the operation process, and assigns full-time personnel to monitor the entire manufacturing process. The Group has built a traceable product and material information database. In the case of unqualified raw materials or finished products, they will be handled according to the procedure on unqualified product management. At the same time, a special investigation team will be formed to do the cause investigation and correction.

For purchased finished products, the Group strictly selects quality drugs with good efficacy and sufficient evidence-based medical evidence. The Quality Management Department of the Group conducts the inspection as per GSP requirements once the products arrived, and examines the inspection reports of the same batch (such as Import Inspection Report and/or Inspection Report of Manufacturer) to ensure quality compliance with national requirements. The Quality Management Department of the Group shall timely report in writing if any product is found to be unqualified. When the products are confirmed as unqualified, the Storage and Logistics Department will transfer the products to the “unqualified zone” for the separate storage. And these products will be recalled and returned to the supplier, or applied to be discarded or destroyed if necessary. The products need to be destroyed in the “unqualified zone” will be destroyed annually.

The Group also attaches great importance to the storage and warehousing safety of drugs, and has 24 finished drug warehouses with well-equipped storage facilities. The Group has drug maintenance personnel, and has formulated the *Regulations on Drug Maintenance*, *Regulations on Drug Storage* and *Regulations on Warehouse Handling Area Working Safety Management* to standardize the drugs storage work flow. The maintenance staff constantly monitors the warehouse temperature and humidity and the storage condition of the drugs, conducts regular inspections on and maintenance of facilities and equipment, and summarizes and analyzes the product maintenance status quarterly. The Group and its subsidiaries' Quality Management Department conduct at least one internal audit per year, evaluating the status of warehouse hygiene, drug stacking and bulk goods storage and monitoring improvement progresses.

The Group has formulated the *Drug Traceability Management System*, and self-built an ERP system that complies with GSP requirements to apply effective quality control in processes of procurement, storage, sale, and transportation of drugs to ensure quality. At the same time, with the help of digital traceability tools, the Group ensures that the source of the materials, manufacturing, delivery and sales of products is traceable, so as to guarantee that the source and destination of drugs can be traced.

During the Reporting Period, the Group actively received inspections from external institutions or government departments, and none serious violation was found. As for a few rectification suggestions put forward by external inspection organizations, the Group actively completed all rectification projects in time.

4.1.2 Customer Complaint and Product Adverse Reaction

Oriented with creating value for customers, the Group has established a complete customer complaint and product adverse reaction handling system, providing customers with solutions to after-sales problems. Customers can complain or report to the Group via telephone, fax, email, etc. After receiving complaints, the Quality Management Department of the Group will timely record relevant information into the system and handle the complaints hierarchically. Through the investigation and evaluation, follow-up handling, timely feedback, subsequent tracking and archiving and filing and other processing procedures, the problems collection, effective handling and timely feedback can be realized.

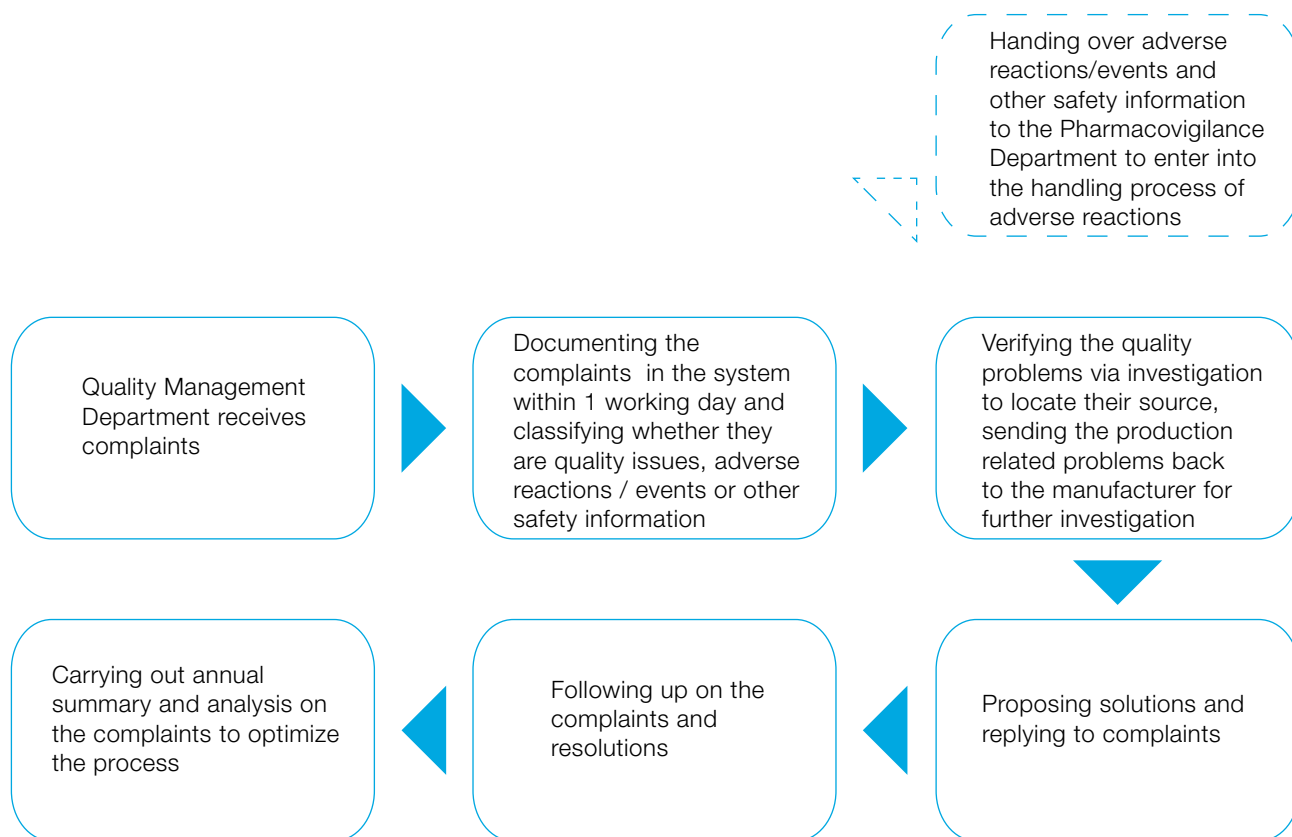


Figure 4 Customer Complaint Handling Process

During the Reporting Period, the Group received a total of 137 complaints. The Group has ensured that all complaints were effectively handled and responded and relative improvements were made in time. Therefore, the Group maintained a complaint handling rate of 100% during the year.

The Group has established a comprehensive pharmacovigilance system to implement product safety evaluation, risk identification and control for products pre-market clinical trials and post-market stages according to the laws and regulations, as well as industry guidelines. The Group complies with the *Regulations on Drug Safety Information Reporting Management*, *Operation Procedures for Safety Report Handling for Individual Case*, *Regulations on Medical Device Adverse Event Reporting and Monitoring Management*, *Operation Procedures for Medical Device Adverse Event Reporting and Monitoring* and other relevant standardized operation procedures to implement regulatory requirements and fulfill the obligations of domestic and overseas drug and medical device marketing authorization holders (and/or the agents designated by domestic and overseas marketing authorization holders) for pharmacovigilance / device vigilance. After being informed of the adverse reaction/event and other safety information, the Pharmacovigilance Department will follow the applicable management procedures and Standard Operating Procedures, to manage and monitor the adverse reaction/event and other safety information with the digital pharmacovigilance system. It will timely and truthfully record, investigate, analyze, assess and summarize adverse reaction/event and other safety information, then report to the regulatory authorities as required, fulfilling obligations of the security data exchange stated in the relevant agreement. The Pharmacovigilance Department of the Group regularly evaluates product risks and conducts safety management throughout the product life cycle. In accordance with the requirements of the latest regulatory laws and regulations, the Group regulates and guides the emergency plan for drug safety event according to the *Operating Procedures for the Drug Safety Event Emergency Plan*, timely monitors, evaluates and controls potential risks, and immediately takes effective measures to deal with them and prevents further damage. The Group maintains close communication with domestic and overseas drug/medical device marketing authorization holders and other related partners as well as relevant regulatory authorities to supervise the continuous compliance and improvement of the Group's pharmacovigilance quality system, ensuring the medication safety of patients.

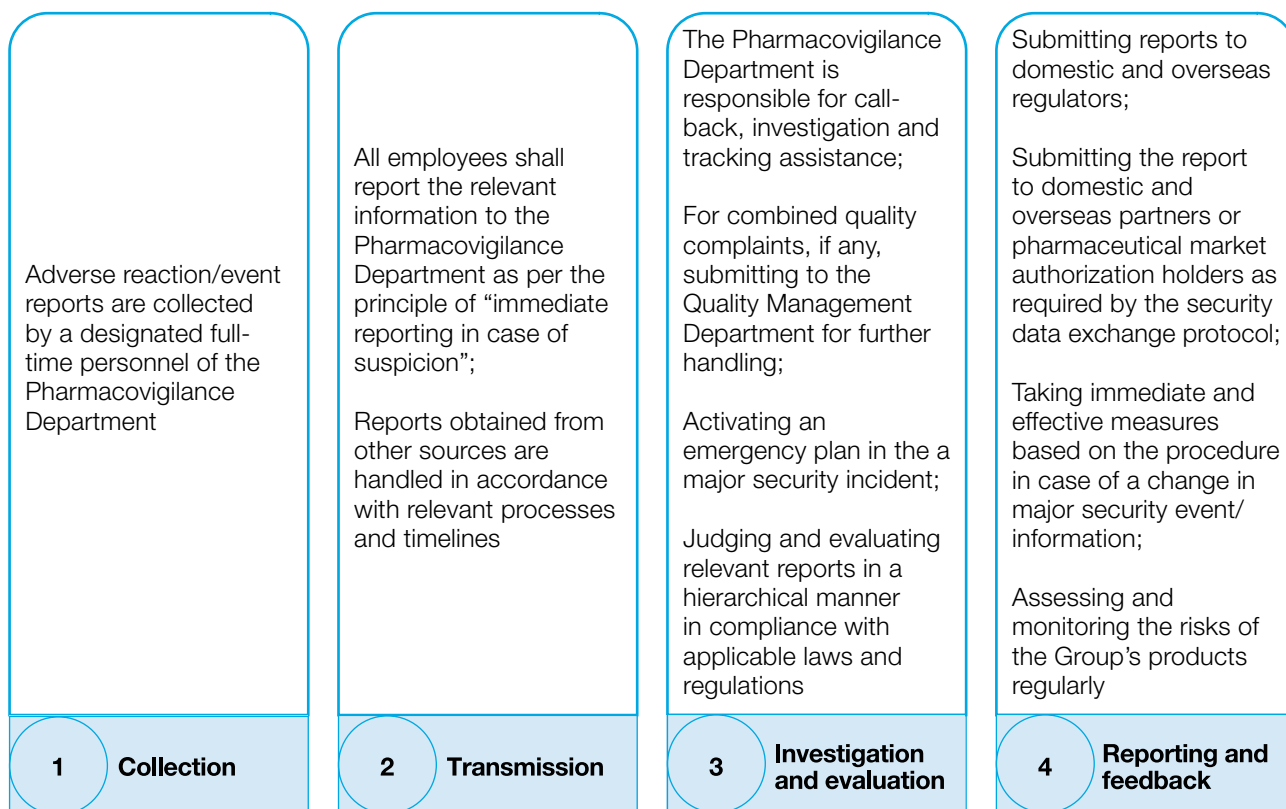


Figure 5 Adverse Reaction/Event Handling Process

4.1.3 Product Recall

The Group has formed relatively complete and mature recall mechanisms and operational procedures. If any hidden safety hazard occurs to products, the Group will immediately form a recall work team to initiate the recall process. It includes full notification, submission of the relevant documents to the regulatory authorities, transportation of the circulated products, sealing of inventory, unified and isolated storage, comprehensive inspection, full-process investigation, and written summary, etc. The relevant departments and subsidiaries of the Group regularly hold mock recall drills to ensure effective recall of defective products in the shortest time in case of an emergency, so as to protect customers' rights and interests.

During the Reporting Period, the Group did not receive any sold and delivered product recalls due to safety and health problems.

The Group's product and service quality data in 2020 is shown below:

Table 8 Product and Service Quality Data

| | Unit | Year 2020 |
|--|------|-----------|
| Response and handling rate for product and service quality related complaints | % | 100 |
| Percentage of sold and delivered product recalls due to safety and health problems | % | 0 |

4.1.4 Product Labeling and Promotion

The Group has set the *Provisions for Label Control and Management* to ensure that drug classification and packaging labeling comply with local laws and regulations, and formulated the *Operation Procedure of Design, Review and Approval of Printing Packaging Materials* to ensure that product labeling strictly complies with registration approval requirements. The Group takes samples and checks drug labels, and uses anti-counterfeiting marks to prevent counterfeiting. The Group pays attention to marketing and promotion compliance. The internal regulations clearly stipulate that promotion materials shall be consistent with the instructions approved by the China NMPA, and can only be published in professional magazines co-designated by the National Health Commission and the NMPA of China after being reviewed by related internal departments, and being approved by the Provincial Medical Products Administration, to ensure the accuracy, professionalism and compliance of promotion materials.

4.1.5 Consumer Privacy Protection

The Group attaches great importance to privacy rights of consumers and protects the privacy information on behalf of customers and other stakeholders in accordance with related laws and regulations as well as applicable contracts.

Internally, the Group has formed the *CMS Employee Code of Professional Ethics* and *CMS Employee Manual* to regulate the employees' behavior. During the Reporting Period, the Group published the *CMS Confidentiality Regulations*, clarifying the privacy and confidentiality principle of the third parties, defining the scope of confidential information, and clearly requiring all employees to maintain the strict confidentiality of the privacy information of consumers. In addition, the Group has signed confidentiality agreements with all its employees to convey and emphasize the importance of confidentiality duties and the legal consequences of breach. The authorization mechanism of the Group's business system requires employees to inquire and maintain customer data with limited authorization. Non-authorized employees cannot use, export or copy any customer information.

Externally, the Group explicitly requires the digital pharmacovigilance system supplier and other third parties who may have access to consumers' privacy information to strictly comply with the requirements of international and Chinese regulations through contracts, to maintain information security, and protect consumers' privacy.

4.2 Protection of Intellectual Properties Rights

The Group regards intellectual property rights (such as trademarks, patents, confidential information, production know-how, etc.) as important assets, respects and protects all the intellectual property rights related to the Group's business and their owners' interests. The Group strictly abides by applicable laws and regulations. External trademarks and patents of the third parties are used for business operation in strict accordance with the applicable laws and regulations and with authorization obtained to avoid infringing others' intellectual property rights. At the same time, the Group pays attention to the comprehensive protection of its intellectual property rights and has registered trademarks for its name, logo and products have registered trademarks, which are prominently used in product packaging and advertising to deepen the impression of the public. In addition, the *CMS Code of Trademark Use* is in place to regulate the use of the Group's trademarks. The in-house developed ERP system is protected with software copyright. If any suspected infringement on intellectual property rights is found, the Legal Department of the Group will timely take corresponding measures.

During the Reporting Period, the Group did not violate any related laws or provisions that significantly impact the Group in health and safety, advertising, labels, privacy, intellectual property rights and remedial measures for its products and services.

4.3 Improvement of Healthcare Accessibility

The Group focuses on the health needs of patients and strives to improve the accessibility of medical and health products in the Chinese market. The Group's existing products cover cardio-cerebrovascular, digestion and ophthalmology, dermatology etc., all of which have sufficient evidence-based medical evidence, good reputation, relatively low daily treatment cost and high cost-effectiveness. At the same time, the Group attaches great importance to the expansion and penetration of the county-level and lower-tier markets, and the coverage of China's primary medical institutions, striving to improve the accessibility of quality medical products in the entire country. Through the unremitting efforts, the Group is looking forward to helping more Chinese patients and their families to access affordable and quality drugs.

At the same time, the Group focuses on the unmet medical needs in China and is committed to bringing new or better treatment options to patients of different ages and suffering from various diseases. With innovative research as its core strategy, the Group has deployed the innovative pipeline with differentiation advantages globally to meet the unmet medical needs in Chinese pharmaceutical market. As at 31 Dec, 2020, the Group has owned more than 20 innovative products with competitive differentiation advantages, including: the only FDA-approved Diazepam Nasal Spray for acute repetitive seizures in patients aged 6 and above. We believe that once the Diazepam Nasal Spray is approved in China, it will become a first-aid medicine that is safe and convenient to use outside the medical setting and has a very rapid onset of action for patients with acute repetitive seizures, especially for children aged 6 and older; the Group's blockbuster product, Tildrakizumab, is expected to provide the most cost-effective monoclonal antibody treatment option for patients with moderate to severe plaque psoriasis. With the increasing obese and overweight population in China, the Group actively deployed PLENITY[®], a safe and effective orally-administered weight management product made from naturally derived materials, in order to "reduce the burden" of these people. In the future, the Group will make unremitting efforts to develop more innovative drugs that are safer, more effective and more cost-effective to protect more Chinese families' healthy lives.

5. People-oriented Practice

Based on the concept of "striver-oriented", the Group regards employees as its most valuable assets. Strictly abiding by relevant national laws and regulations, the Group develops the *CMS Employee Manual* covering employment, employee health and safety, development and training, labor standards and other related contents. The Group ensures employment compliance, firmly resists child and forced labor, sets reasonable working hours and holidays, formulates recruitment, promotion, compensation and dismissal regulations according to law, establishes the multi-level career development paths and the fair and reasonable incentive mechanism, and guides the continuous improvement of employees' ability and professionalism through diversified training; at the same time, the Group adopts various means to ensure the employees' health and safety, creating a good working environment and atmosphere for all employees; the Group advocates equal opportunities and multiculturalism, and attaches importance to employee care and welfare.

During the Reporting Period, the Group strictly adhered to relevant national laws and regulations in terms of employment, occupational health and safety, and labor standards, including but not limited to those listed in the following table, and did not violate any applicable laws and regulations.

Table 9 Laws and Regulations Related to Responsibilities to Employees

| Field | Major laws and regulations |
|--|---|
| Employees' rights and interests | <i>The Labor Contract Law of the People's Republic of China, Labor Law of the People's Republic of China, Regulations on the Implementation of the Labor Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Minimum Wage Provisions, Rules of the State Council on Working Hours of Workers and Staff Members, and Special Rules on the Labor Protection of Female Employees, etc.</i> |
| Occupational health and safety | <i>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, etc.</i> |
| Employment compliance | <i>The Special Rules on the Protection of Juvenile Workers, Provisions on the Prohibition of Child Labor, Law of the People's Republic of China on the Protection of Minors, etc.</i> |

5.1 Employee Responsibility and Development

5.1.1 Employment, Rights and Interests

The Group always adheres to legal and compliant employee recruitment. The Group promises to sign, modify, rescind or terminate the labor contracts with employees as per the applicable national laws and regulations and its internal relevant rules and requirements. The employment relationship is based on signing the consensual and voluntary labor contract. The Group's labor contract stipulates the authenticity of candidates' personal information. In the process of recruitment procedures, the Human Resource Management Department checks the identity documents of employees twice to ensure that the employees are legally employed and to prevent child and forced labor from the origin. If any violation such as child labor or forced labor is found, the employment relationship will be determined to be invalid, the labor contract will be immediately rescinded, and the payable wages and other compensation prescribed by law will be paid.

During the Reporting Period, the Group employed no child labors or forced labors, and there was no downsizing.

The Group's employment and turnover data of employees in 2020 is shown below:

Table 10 Employment Information

| | Unit | Year 2020 |
|-------------------------------------|--------|-----------|
| Total number of employees | Person | 4,372 |
| - Number of male employees | Person | 2,024 |
| - Number of female employees | Person | 2,348 |
| - Number of contracted employees | Person | 4,372 |
| - Number of dispatched employees | Person | 0 |
| - Number of employees aged under 30 | Person | 2,180 |
| - Number of employees aged 30-50 | Person | 2,042 |
| - Number of employees aged over 50 | Person | 150 |

Table 11 Employee Turnover Rate

| | Unit | Year 2020 |
|--|------|-----------|
| Turnover rate of employees | % | 13.9 |
| - Turnover rate of male employees | % | 14.2 |
| - Turnover rate of female employees | % | 13.7 |
| - Turnover rate of employees aged under 30 | % | 19.3 |
| - Turnover rate of employees aged 30-50 | % | 7.9 |
| - Turnover rate of employees aged over 50 | % | 6.8 |

In addition, the Group strives for a fair, respectful and diverse working environment and adheres to the principles of anti-discrimination and equal opportunity in human resources decisions such as recruitment, employment, working hours, incentive and promotion. The Group ensures that employees are not treated unfairly due to factors such as race, age, gender, religion, nationality, region, marital status, pregnancy status, disability, etc., and has established relevant complaint and punishment mechanisms for discrimination and harassment to ensure employees' rights. The Group conducts unified management on both non-regular and regular employees to ensure that all employees are treated fairly. In addition, the Group has set up the *Special Collective Contract for the Protection of the Rights and Interests of Female Employees* to protect the rights and interests of female employees. Female employees of the Group are entitled to statutory holidays during pregnancy, maternity and lactation, and are given reasonable care and consideration.

The Group encourages equal communication and supports employees to interact with the Company personally or through the labor union, to build a harmonious labor relationship. All the employees can communicate with the management through the internal ERP platform, telephone and face-to-face dialogues. In addition, the labor unions of the Group's subsidiaries have established employee reception room, management reception day and feedback box, and given replies regularly to staff suggestions. The Human Resource Management Department conducts employee satisfaction surveys from time to time to understand employees' thoughts and working satisfaction, and timely reports to the management and conducts improvement.

During the Reporting Period, all the labor unions of the Group actively carried out employee exchanges or welfare activities, protected the rights and interests of employees, and increased the channel of mutual communication between employees and the Company.

5.1.2 Recruitment, Working Hours, Compensation and Promotion

The Group develops the *Social Recruitment Process* and *Campus Recruitment Process*, recruiting new employees through multi-channels such as campus recruitment, internal recommendation, online recruitment, etc. to ensure the employment of high-quality and suitable talents and meet the Company's demand for talents through the fair, impartial, open and standardized employment process, meeting the Company's demand for talents. At the same time, the Group carries out an annual internship plan, to recruit college student reaching the legal working age for the internship training program, offering internship salary and corresponding benefits according to legal requirements, in order to promote the Group's communication with colleges and universities, and expand the Group's social influence, as well as create a professional and efficient talent pool for the Group.

The Group has flexible working hours and vacation policies, sets minimum working hours according to the requirements of laws and regulations and implements a flexible working hour system. Employees may reasonably arrange the working pace according to their own needs. All the employees of the Group are entitled to leave according to law, and their posts will be 100% kept during the leave. At the same time, according to the employee handbook, any employee whose overtime application is approved will be compensated legally.

The Group's compensation system is inclined to "posts and people who creates value". The employees' compensation and benefits depend on the Company's performance and their own performance. The Human Resource Department of the Group dynamically reviews the employees' remuneration level according to the Consumer Price Index ("CPI") and compares internal and external remuneration levels once a year based on the remuneration report of professional consulting companies to ensure that employees receive fair and competitive salaries and remuneration. During the Reporting Period, the Group carried out level-of-position review and person-post matching certification, and promoted salary adjustment according to the certification results, ensuring that the salary adjustment was fair and reasonable, and providing clear career development guidance for employees. In addition, the Group continues to implement internal incentive policies such as "Hall of Honor Awarding System" and "Annual Incremental Reward Plan" to provide staged incentives.

The employee promotion within the Group is competence-oriented and follows the talent promotion principle of "internal selection, step-by-step promotion, classified training, spiral rise, and anomalous promotion in special period". In accordance with the guidelines and requirements of performance management and post descriptions, the Group established various development paths based on different position characteristics, providing the employees with fair, impartial and open promotion channels and opportunities. As for the appointment and removal of senior management, the Human Resource Management Department regularly announces of appointment and removal notice to ensure fairness and effectiveness.

In addition, the Group has established compensation and position application and appeal system. Employees can apply for position promotion certification. After approval by the professional evaluation team, the results will be objectively and fairly provided to employees. If employees have any objection to the certification process or results, they can appeal to the Human Resource Management Department, which will make further verification and give feedback according to the fact.

5.2 Training and Development

The Group attaches great importance to its employees' training and empowerment, and encourages employees to continuously improve their professional abilities and enterprising spirit to realize self-worth. The Group has established policies such as *Provisions on Employee Training and Career Development*, *Provision on Employee Training Process*, and *Provision on Internal Instructor Training* to define the Company's diversified training forms and support the employees' rapid growth.

The Group has set up a designated training base in Pingshan, Shenzhen that provides a good centralized training environment and atmosphere for employees. The Group regularly releases training materials with the support of digital mobile application tools, allowing employees to learn conveniently and effectively. The Group has established the “Navigation” training system to build a learning organization and better help employees’ career development. The “Navigation” training system has two kinds of training programs: the promotional line and the functional line, covering corporate strategy, corporate culture, professional skill and knowledge, job qualification assessment, management and leadership skill, policy and regulation, etc., and comprehensively helping employees improve their all-round ability through the combination of internal and external training.

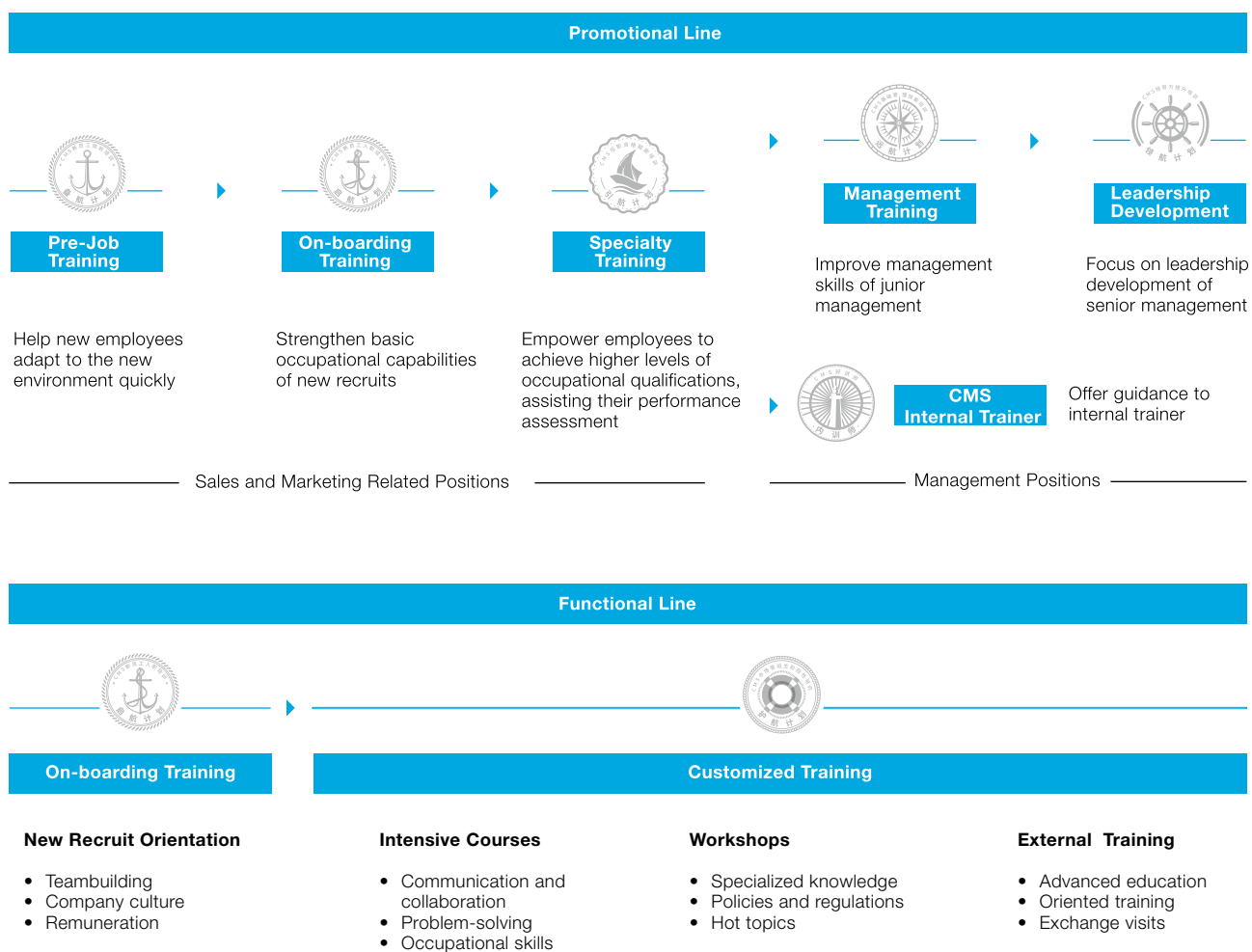


Figure 6 “Navigation” Training System

The Group's employee training data in 2020 is shown below:

Table 12 Employee Training Data

| | Unit | Year 2020 |
|--|-------------|------------------|
| Total employees training expenditure | Million RMB | 5.3 |
| Training coverage of employees | % | 70.7 |
| - Training coverage of general employees | % | 70.5 |
| - Training coverage of senior management | % | 78.9 |
| - Training coverage of male employees | % | 72.6 |
| - Training coverage of female employees | % | 69.1 |
| Employees training duration per capita | Hour | 18.5 |
| - Training duration per capita for general employees | Hour | 18.6 |
| - Training duration per capita for senior management | Hour | 12.6 |
| - Training duration per capita for male employees | Hour | 20.2 |
| - Training duration per capita for female employees | Hour | 17.0 |

5.3 Employees Care

5.3.1 Occupational Health and Safety

The Group has formed and constantly improved the employee occupational health and safety system with production safety and occupational health as the core under the lead of the safety regulations:



Safety Rules and Regulations

Regulations on Governing Safety Prevention Responsibility, Environment and Fire Emergency Plan, Provisions on Production Safety, Provisions on Crises Management, Emergency Plan, Provisions on Workplace Safety Management, etc.



Safety Record

Establishment of chronological occupational safety and health documents for employees; complete safety assessment of storage and use of hazardous chemicals timely and report to the safety supervision authority



Safety Protection

Safety warning signs and first-aid kits are reasonably set, and employees at posts involving health and safety risk are supplied with appropriate personal protective devices such as earplugs, protective gloves, activated carbon anti-toxic masks and respirators



Safety Inspection

Each subsidiary sets up a leading group for production safety inspection, carries out a production safety responsibility system, and organizes and implements the "Production Safety Month" campaign; conducts assessment of safety production performances and management of safety production rewards and punishments; and conducts regular assessments of major hazards and monthly safety inspections in the workplace to prevent accidents



Safety Training

A comprehensive production safety training system has been set up, which forms a teaching model with the combination of teaching and assessment by experts from the State Administration of Work Safety and internal experts, and employees at special posts are required to attend external professional training and assessment on a regular basis, and to work with qualification license



Health Check

Provision of annual health check for all employees. During the reporting period, 100% of employees had voluntarily participated in the annual health check



Safety Drills

During the reporting period, the Shenzhen subsidiary of the Group worked with relevant property management company to conduct safety and fire emergency drills, and the Hebei subsidiary independently conducted emergency drills for environmental accidents in hazardous waste storage rooms, while the Hunan subsidiary conducted emergency drills for safety production and fire proof



Daily Maintenance

The Group insists to reduce employees' health risks starting from daily trifles, such as timely changing drinking water filters, regularly cleaning and disinfecting the central air conditioning and carpets, as well as regularly exterminating insects and rats in the workplace

Figure 7 Occupational Health and Safety System

During the Reporting Period, the Group specially formulated the *Regulations on the COVID-19 Prevention and Control* for the protection of the physical and mental safety of employees during the COVID-19 pandemic period. The Group formed a leading group for prevention and control with unified command and hierarchical responsibility. During the COVID-19 pandemic period, the Group arranged for special personnel to conduct disinfection in the office every day, provided protective materials for employees' free use, and measured the body temperature of employees regularly, in order to ensure their physical and mental health during the pandemic period.

The Group's employee health and safety data in 2020 is shown below:

Table 13 Employee Health and Safety Data

| | Unit | Year 2020 |
|---|--------|-----------|
| Working days lost due to work-related injury | Day | 240 |
| Number of work-related fatalities | Person | 0 |
| Proportion of work-related fatalities | % | 0 |
| Proportion of employees with occupational health checks | % | 100 |

5.3.2 Employee Benefits

The Group provides employees with five statutory social insurance schemes (basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance) and the housing fund in strict accordance with national regulations. During the Reporting Period, the coverage of employee benefits was 100%, which including but not limited to the following:

- ✓ Providing allowances to fund employees' round trips for family visit once a year;
- ✓ Providing housing allowances to help some employees with housing problems;
- ✓ Providing Taikang group accident insurance to employees;
- ✓ Providing high-quality health check to help employees understand their health conditions;
- ✓ Organizing employees' sports activities such as badminton and basketball, setting a gym and cooperating with big sports venue to enrich employees' lives;
- ✓ Appropriating special funds to encourage team-building activities, enhancing friendships between employees;
- ✓ Providing festival gifts and benefits; providing employees with free masks, detergent, hand sanitizer and other protective materials for several times during the COVID-19 period;
- ✓ Implementing flexible working hours and allowing employees to telecommute, in order to provide convenience for employees in a variety of ways.

6. Cooperation and Mutual Benefit

The Group believes that effective cooperation and management with the upstream and downstream cooperators of the supply chain are essential to ensure the quality and safety of products and maintain the sustainable development of the Group. The Group strictly abides by relevant national and local laws and regulations, adheres to the principle of fairness, and establishes an efficient supply chain management system to ensure the quality of products and services, reduce procurement risks and improve management efficiency.

To build a harmonious, green and high-quality supply chain system, the Group has established a long-term communication mechanism with suppliers and distributors through telephone, e-mail and face-to-face visits, conducted comprehensive communication on existing problems and assisted partners to perform rectification, and maintained lasting and stable strategic partnership to achieve win-win and risk-sharing cooperation. During the Reporting Period, the Group took a variety of measures to further encourage suppliers to use more environment-friendly products and services, and strengthen the identification, supervision and control of environmental and social risks in each segment of the supply chain, making progress together with upstream and downstream partners and promoting the sustainable development of the supply chain.

During the Reporting Period, Shenzhen Kangzhe, a subsidiary of the Group, successfully passed the customs' advanced Authorized Economic Operator (AEO) certification and became an enterprise with the highest level of the "credit pass" for international trade. AEO certification requires training, auditing and inspection of the supply chain process by the customs, which is a high standard identification of the company's whole supply chain management.

6.1 Supplier Management

The Group has established the *Regulations on First-time Supplier Qualification Review* to comprehensively examine the qualification of the first-time suppliers, and also had the *Operation Provisions on Internal Quality Audit*, *Regulations on Drug Procurement*, *Provisions for Material Supplier Management*, *Operation Procedure of Material Supplier Evaluation*, *Provisions for Material Procurement* and other regulations and policies to guide and standardize the suppliers selection, monitoring and procurement process.

The finished drugs that the Group promotes and sells are introduced through asset purchase or long-term sales agreement to acquire their related products rights in specified regions, and the production is mainly conducted by the original or entrusted manufacturers. Therefore, the Group has sustained long-term and stable strategic relations with upstream suppliers. According to the strict selection criteria and *Regulations on First-time Supplier Qualification Review*, the Group checks several aspects of the supplier, include but are not limited to: company scale, history, industrial reputation and competitiveness, qualifications, production conditions, product category, quality and prestige, after-sales service, environmental protection and social responsibility. For the first-time supplier, the Group firstly reviews the completeness, authenticity and legal validity of the company's profile, and organizes a site inspection when necessary and evaluates the supplier's quality management system. Once the supplier is selected, the Group will sign a long-term supply agreement with it and conduct annual quality review at least once a year, then form the *List of Qualified Suppliers*. The Group actively communicates with suppliers and purchases on demand during the cooperation. Before importing goods, the supplier is required to provide quality certifications and relevant standard indicators are reviewed to confirm that the products meet the requirements. At the same time, the Group has established digital purchasing archives, recording the procurement process and timely reporting problems to suppliers to urges them to improve.

All production material suppliers are selected as per *Provisions for Material Suppliers Management*. Before the supplier is engaged, the Quality Management Department and other relevant departments will jointly conduct a comprehensive on-site evaluation and auditing, inspect the samples, and a small batch trial production will be conducted when necessary. Only suppliers who have passed the full review are eligible in the Group's qualified supplier list. According to the degree of importance of materials and the results of quality assessment, the Group implements hierarchical management and annual inspection for qualified suppliers. Among them, the material suppliers of Class A who have a significant impact on drug quality and safety shall receive an extra annual on-site auditing. The Group timely updates the suppliers list based on the results of the annual inspection and maintains at least two qualified suppliers for any production material to ensure the supply of materials in emergency.

If the materials provided by a qualified supplier do not meet the requirements, the Group will first re-inspect the samples to eliminate the problems in the inspection process. If the sample fails the re-inspection, an unqualified report will be issued and delivered to the supplier in time, and the unqualified goods will be returned. Supplier who fails to meet the Group's requirements twice a year will be disqualified. If goods with any severe defect or significant quality risks are found, the purchasing will be suspended.

100% of the Group's finished products and materials suppliers are managed in accordance with above standards. During the Reporting Period, there was no significant product supply delay from the Group's suppliers.

The Group's supplier data in 2020 is shown below:

Table 14 Supplier Data

| | Unit | Year 2020 |
|---|--------|-----------|
| Total number of suppliers | Number | 116 |
| - Number of Mainland China suppliers | Number | 78 |
| - Number of HK SAR, Macao SAR, TWN and overseas suppliers | Number | 38 |

6.2 Distributor Management

The Group has established the *Regulations on Purchaser Qualification Review*, *Operation Procedures on Purchaser Qualification Review* and other regulations and policies to support distributors management. The Group's selection criteria for distributors includes operation ability, cooperation intention, distribution channel coverage, market management and control, etc., in order to fully guarantee the distributor's qualification, credit and compliance, and ensure product quality and intactness during the distribution process.

6.3 Sustainable Development of Supply Chain

The Group's supply chain management mainly includes three parts, namely supplier selection, procurement and production, and distribution. In the whole process, there may be corruption, bribery and unfair competition in bidding, illegal operation of suppliers, substandard quality of products or raw materials, environmental pollution during transportation and other social and environmental risks. The Group has formulated corresponding prevention and control measures for potential risks in each part, including but not limited to the following:

Table 15 Abstract of ESG Risk Prevention and Control Measures in Supply Chain

| | |
|--|---|
| <p>Supplier selection</p> | <ul style="list-style-type: none"> • Adhering to the principle of openness, impartiality and fairness, preventing and controlling possible corruption risks in the bidding process with participation of multiple departments • Including human rights, environmental and social factors into the supplier review; encouraging and tending to choose suppliers advocating the green environmental protection concept or with relevant qualifications, including but not limited to: ISO 14000, ISO 45001, SA8000, etc. • If the candidates are on a par, the one in closer proximity will be preferred for more convenient transportation, to reduce the potential environmental pollution to the environment during the shipment |
| <p>Procurement and production</p> | <ul style="list-style-type: none"> • In the agreement with suppliers, clearly stating quality credibility and supply integrity, in order to realize integrity in supply chain • Stating anti-bribery and anti-corruption requirements in the supplier's contract, and requiring suppliers to comply with the local regulatory requirements for operations and production, so as to prevent relevant social risks • In view of the possible impact of packaging materials used in the production process on product quality and environmental pollution risk, suppliers are required to use packaging materials in compliance with the environmental protection standards. The inner packaging in contact with drugs is required to be at least the food-grade packaging to ensure product safety and realize green packaging |
| <p>Distribution</p> | <ul style="list-style-type: none"> • Preferring large-scale distributors with comprehensive distribution channels coverage to reduce the negative environmental impact in logistics |

During the Reporting Period, the Group invited its core suppliers to sign the *Supplier Statement* to express their commitment in anti-corruption, labor compliance, environmental protection, etc. This program is still ongoing. Through a series of management measures and regulations, the Group has identified the environmental and social risks in each segment of the supply chain while striving to ensure the compliance and safety of the supply chain, encouraged suppliers to use more environment-friendly products and services, and implemented the concept of environmental protection and sustainable development.

Table 16 Abstract of the *Supplier Statement*

| Field | Abstract |
|--|--|
| Compliant operation and business ethics | <ul style="list-style-type: none"> • Following applicable laws, regulations, standards, guidelines and criterions, including but not limited to the GSP, advertising law and patent law, etc. • Providing high-quality, safe and effective products and services that comply with applicable laws, regulations, quality requirements and standards • Resolutely resisting on bid rigging, bidding collusion, acceptance of kickbacks and other unfair competition, and keeping zero tolerance for any form of corruption, extortion or bribery |
| Human rights and labor standards | <ul style="list-style-type: none"> • Respecting the protection of internationally recognized human rights and avoiding human rights violation • Avoiding all forms of child labor, forced and compulsory labor • Respecting personal dignity, privacy and rights, abiding by the maximum working hours stipulated by relevant laws, and providing fair remuneration • Promoting equal opportunity and treatment of employees, and not discriminating against or harass for any reason • Complying with laws and standards related to occupational health and safety, and providing safe working environment |
| Environmental protection | <ul style="list-style-type: none"> • Complying with environmental laws and standards • Establishing a reasonable internal environmental management system |
| Community culture | <ul style="list-style-type: none"> • Facilitating the economic and social development of the community • Ensuring the full respect for the human rights, dignity, culture, and the survival by reliance on natural resources |

7. Environmental Protection

The Group always insists on contributing its corporate strength to the protection of the ecological environment, actively manages and controls the impact of production and operation on the surrounding environment, and strictly abides by various national laws and regulations, including but not limited to:

Table 17 Environmental Protection-related Laws and Regulations

| Field | Major laws and regulations |
|---------------------------------|--|
| Environmental protection | <i>Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Act of the People's Republic of China, etc.</i> |
| Emission control | <i>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 Solid Waste Pollution, 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, Standard for Pollution Control on the Storage and Disposal Site of General Industrial Solid Wastes, Standard for Pollution Control on Hazardous Waste Storage, Emission Standard of Boiler Air Pollutants, 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, etc.</i> |
| Resource management | <i>Law of the People's Republic of China on Conserving Energy, Law of the People's Republic of China on Promoting Clean Production, Circular Economy Promotion Law of the People's Republic of China, etc.</i> |

The Group and its subsidiaries have established and continuously improved the environmental management system, and fully implemented environmental protection works. The Group has formulated the *Integrated Emergency Response Plan for Environmental Incidents* and set up the emergency response organization with detailed solutions and responsible departments for various environmental risks. During the Reporting Period, the Group's Audit Department conducted a comprehensive environmental internal audit on its subsidiary Kangzhe (Hunan) Medical Co., Ltd. ("Kangzhe Hunan") about environmental issues such as pollutant emission management, resource management, ecological protection, climate change risk response, etc, to ensure the standardization of environmental management.

7.1 Emission Control

Based on the business types, the Group and its subsidiaries have formulated a series of internal environmental management regulations such as *Regulations on Environmental Protection*, *Exhaust Gas Emission Management Procedures*, *Wastewater Management Procedures*, *Resource-conserving Management Regulations*, *Provisions on Quality-Control Laboratory Waste Management*, *Regulations of Boilers Management*, etc., covering key businesses units that generate environmental pollutants and consume environmental resources.

The Group's business mainly includes pharmaceutical promotion and marketing business, pharmaceutical production business, and agriculture and livestock business. Among them, pharmaceutical promotion and marketing are main businesses. The pharmaceutical production business is mainly carried out by Kangzhe Hunan, Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Hebei Xili") and Pingshan Manufacture Base of Shenzhen Kangzhe Pharmaceutical Co., Ltd. ("Pingshan Factory") (where Pingshan Factory did not carry out any production during the Reporting Period, but mainly served as an employee training base and for warehousing). The Group has small-scale pharmaceutical production business. During the Reporting Period, the sale of self-produced products only accounted for around 4% of its turnover after excluding the effect of the "two-invoice system". 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 only for internal consumption and had no contribution to the Group's turnover during the Reporting Period. Due to the Group's business characteristic, the total amount of environmental pollutants produced was limited, and the impact on the environment and natural resources was insignificant.

During the Reporting Period, the Group did not have any significant pollution incident.

7.1.1 Solid Waste Management

The Group has established the management process for solid wastes and formulated relevant internal management rules and regulations such as the *Management Procedure of Hazardous Chemicals*, *Regulations on Hazardous Waste*, *Regulations on Toxic Products*, etc., to enable a whole-process management, including the storage, use, and treatment of hazardous materials. The solid waste generated by the Group's production and operation activities mainly consist of herb residue, a small amount of chemical agents, animal excrement from agriculture and livestock business, office waste, etc.

During the Reporting Period, the Group's Administration Department carried out training on the garbage classification training and corresponding assessment for all employees in the Group's Shenzhen office, and conducted assessments to ensure that the employees fully understand the dumping rules, which is helpful for office waste management. As at December 31, 2020, the pass rate of the assessment was 100%. The training and assessment are still going on. The Group's management measures for solid waste also include:

| Pharmaceutical production waste | Agriculture and livestock waste | Office waste |
|---|---|---|
| <ul style="list-style-type: none"> ✓ Herb residues are mainly particle filter residues (lignin) and a small amount of insoluble extractives, which are non-hazardous solid waste. The Company timely transports the residues to a third-party company specialized in environmental protection technology for fuel processing; ✓ The subsidiary Hunan Agriculture and Livestock has set up storage tanks to receive the waste medicine residues from Kangzhe Hunan, which will ferment after mixing with organic fertilizer in a certain proportion to produce efficient fertilizer for crops, realizing the ecological and organic recycling of waste; ✓ Strictly implementing the management of the use of related chemicals and reagents, ordering and using chemicals according to the needs. Waste liquid is collected and stored by classification, and timely and properly disposed; ✓ The used chemicals are collected and stored in the temporary hazardous waste storage room in time, and a third-party specialized hazardous waste disposal company is entrusted to transfer out those hazardous wastes on a regular basis; ✓ The operating procedure is strictly carried out in the wastewater treatment station to control impurities and reduce the amount of sludge. In addition, oil separation tank and septic tank are established for primary treatment of the sludge | <ul style="list-style-type: none"> ✓ Adopting automatic collection devices to collect animal excrement and making into organic fertilizers for crops via biological fermentation | <ul style="list-style-type: none"> ✓ Reducing use of disposable tableware in canteens; ✓ Putting on saving-paper signs in the restrooms; ✓ Assigning dedicated personnel to collect domestic waste, and then putting into the unified designated garbage collection points; ✓ Imposing monthly quota on garbage bag and tissue for each department; ✓ Encouraging employees to exercise the garbage classification, regular handling of non-recyclable waste by the property company, while recycling or reusing paper, metal, plastic, glass and other recyclable waste |

The Group's solid waste data in 2020 is shown below:

Table 18 Solid Waste Data

| | Unit | Year 2020 |
|-------------------------------|-----------------|------------------|
| Hazardous waste | Ton | 4.3 |
| Hazardous waste intensity | Ton/million RMB | 0.00054 |
| Non-hazardous waste | Ton | 1,531.3 |
| - Herb residue | Ton | 1,413.0 |
| - Sewage sludge | Ton | 10.6 |
| - Household garbage | Ton | 107.8 |
| Non-hazardous waste intensity | Ton/million RMB | 0.19 |

7.1.2 Air Pollutant Management

Based on the applicability of business types, the Group has formulated internal regulations such as *Operation Regulations of Steam Boilers*, *Operation Regulation of Exhaust Gas*, etc., to standardize the air pollutant treatment process and minimize the adverse impact of exhaust gas emission on the atmospheric environment.

During the Reporting Period, the Group continued to use clean energy for boiler operation: Kangzhe Hunan mainly used natural gas as fuel, while Hebei Xili used alcohol-based liquid fuel to run the boilers. Through continuous optimization of production plan, the Group has continuously optimized its production plans to improve boiler operation efficiency to save energy and reduce emissions. The Group's air pollutant management measures also include:

| Kangzhe Hunan | Hebei Xili |
|---|--|
| <ul style="list-style-type: none"> ✓ The exhaust gas of the natural gas boiler is delivered to activated carbon absorption devices to remove Nitrogen Oxide, Sulfur Dioxide, and Particulate Matter, followed by wet-spraying. Normative exhaust gas is discharged at a specified altitude. Wastewater of wet sprinkler devices flows to the self-built sewage treatment station for treatment and recycling; ✓ Entrusting a third-party professional testing agency for quarterly sampling of the exhaust gas emitted by steam boilers. During the Reporting Period, the monitoring results showed that exhaust emission met the specified air pollutant emission limits | <ul style="list-style-type: none"> ✓ The environment-friendly alcohol-based liquid fuel is used for boilers; ✓ Insisting on purchasing quality fuel to reduce the emission of exhaust pollutants; ✓ Entrusting a third-party professional testing agency for quarterly sampling of the exhaust gas emitted by steam boilers. During the Reporting Period, the monitoring results showed that exhaust emission met the specified air pollutant emission limits |

The Group's air pollutant emission data in 2020 is shown below:

Table 19 Air Pollutant Emission Data

| | Unit | Year 2020 |
|-----------------------------------|------|-----------|
| Sulfur Dioxide (SO ₂) | Kg | 0.0 |
| Nitrogen Oxide (NO _x) | Kg | 1,838.1 |
| Particulate Matter (PM) | Kg | 157.7 |

7.1.3 GHG Management

A large amount of GHG emission will have a severe impact on the climate system of the Earth. In September 2020, China proposed to strive to reach the peak of carbon emissions by 2030 and exert very effort to achieve “carbon neutrality” by 2060. The Group is well aware of the close relationship between enterprise operation and climate change, and also pays close attention to the risks and opportunities brought by the climate change. The Group's direct GHG emissions mostly come from energy consumption of natural gas, alcohol-based liquid fuels, gasoline, diesel oil, etc., and indirect emissions of purchased electricity. The total GHG emission intensity of the Group is expected to be reduced by at least 5% by the end of 2023, comparing with 2020. In order to achieving this target, the Group has been actively choosing clean and efficient energy and is committed to downsizing energy consumption to reduce direct and indirect GHG emission, the detail of relevant measures can be found in the *7.2 Resource Management* section.

The Group's GHG emission data in 2020 is shown below:

Table 20 GHG Emission Data

| | Unit | Year 2020 |
|--|------------------------------------|-----------|
| Direct GHG emission (Scope 1) | Ton CO ₂ e | 5,876.0 |
| Indirect GHG emission (Scope 2) | Ton CO ₂ e | 6,686.2 |
| Total GHG emission (Scope 1 + 2) | Ton CO ₂ e | 12,562.3 |
| Total GHG emission (Scope 1 + 2) intensity | Ton CO ₂ e /million RMB | 1.58 |

7.1.4 Wastewater Management

The Group has formulated internal regulations, such as the *Operating Procedure for Wastewater*, *Job Duties for Wastewater Treatment*, etc. to strengthen wastewater discharge control. The Group's wastewater management measures include but are not limited to:

| Kangzhe Hunan | Hebei Xili | Hunan Agriculture and Livestock |
|--|---|--|
| <ul style="list-style-type: none"> ✓ In 2019, a new wastewater treatment facility with a daily capacity of 200 tons was built and has been put into trial operation during the Reporting Period, increasing the combined wastewater treatment capacity to 300 tons/ day | <ul style="list-style-type: none"> ✓ After treatment of the Company's sewage treatment station, the qualified wastewater flows into the municipal wastewater treatment plant | <ul style="list-style-type: none"> ✓ Actively growing turfs and other plants around animal houses and parks to purify outdoor residual animal dung water outdoor; ✓ The wastewater is filtered and settled via the protective ditch and sedimentation tank around the animal houses and the parks, and then discharged into the underground sewer system |

The Group's wastewater discharge data in 2020 is shown below:

Table 21 Wastewater and Pollutant Components Data

| | Unit | Year 2020 |
|---------------------------------------|-----------------------------|-----------|
| Wastewater | m ³ | 71,298.0 |
| Wastewater intensity | m ³ /million RMB | 8.96 |
| Ammonia Nitrogen (NH ₃ -N) | Ton | 0.03 |
| Chemical Oxygen Demand (COD) | Ton | 0.7 |

7.1.5 Noise Management

Regarding the noise generated by the machine operation during drug production, the Group strictly manages the noise emission, monitoring regularly and requiring the susceptible employees to wear protection appliances. During the Reporting Period, Kangzhe Hunan, a subsidiary of the Group, employed the horizontal centrifuges in the oral liquid powder workshop to reduce noise, and set noise barriers outside the equipment room and added sound insulation cotton inside to further reduce the impact of equipment noise on the operators and surrounding residents.

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

7.2 Resource Management

The Group promotes the concept of energy conserving, efficiency improving and low-carbon development, and has formulated the *Management Regulations on Energy Conservation and Consumption Reduction of CMS Headquarters Office* and *Regulations on Resource Conservation Management*, etc. to promote the efficient utilization of energy, water resource and packaging materials, striving to reduce the impact on the environment and natural resources. During the Reporting Period, the Administration Department of the Group initiated the “Energy Conserving and Consumption Reduction” program to promote the healthy lifestyle of “Green Office and Low-carbon Life” in four aspects: energy conservation, water conservation, paper and consumable conservation, and environmental protection and personal hygiene, so as to improve employees’ awareness of energy conservation and consumption reduction, create a thrifty, low-carbon and environmental friendly corporate culture, and strictly implement personal hygiene management during the time of pandemic prevention and control.

7.2.1 Energy Conservation

The Group attaches importance to energy management by adopting the following measures to promote energy conservation and efficient utilization, and to reduce the GHG emission from the energy consumption. Compared to 2019, the Group saved alcohol-based liquid fuel by 8.6% and gasoline by 26.0% in 2020.

| Electricity | Boiler fuel | Gasoline | Diesel oil |
|--|--|--|---|
| <p>Electricity is mainly used for drug production and daily office use:</p> <ul style="list-style-type: none"> ✓ Assigning specialists to conduct routine inspections on the use of electricity; ✓ Posting signs to promote energy conservation and emission reduction; ✓ Installing induction lamps and LED energy-saving lamps; ✓ Setting the air conditioners at 26°C, regularly maintaining the air conditioners to reduce energy consumption; ✓ Modifying unreasonable power transformation lines that wastes electricity in office area | <p>Boiler fuel is mainly used for drug production:</p> <ul style="list-style-type: none"> ✓ Purchasing high-quality fuels, implementing fuel inspection to ensure efficient fuel utilization; ✓ Strictly preventing the energy waste due to steam and liquid leakage or dripping etc.; ✓ Maintaining boiler regularly to ensure reasonable and efficient use of gas boilers; ✓ Detecting and repairing the leakage of volatile organic compounds on a regular basis to reduce emission and leakage of the sealing points; ✓ Using small gas-fired boilers, with reasonable allocation based on actual needs | <p>Gasoline consumption mainly comes from the use of office vehicles:</p> <ul style="list-style-type: none"> ✓ Establishing the <i>Regulations on Vehicle Management</i>, implementing vehicle registration and approval system for vehicle use, encouraging employees to travel together to reduce the frequency of vehicle use; ✓ Encouraging employees to walk or take the battery-powered bicycles in industry park as much as possible; ✓ Regularly inspecting and maintaining the vehicle; requiring drivers to do mileage registration | <p>Diesel oil consumption mainly comes from the use of greenhouses’ insulation equipments and vehicles for the agricultural and livestock business, and standby power generators for the drug production business:</p> <ul style="list-style-type: none"> ✓ Using natural water from reservoirs for irrigation to reduce the frequency of diesel engines use; ✓ Operating the diesel generators as per practical demand, and conducting regular maintenance |

7.2.2 Water Conservation

The Group's water consumption includes: drug production and cleaning in drug plants, agricultural irrigation and livestock cultivation, and domestic use by employees. Hebei Xili, a subsidiary of the Group has established the *Water-saving Measures of Hebei Xili* to standardize the utilization of water in the plant area. The Group is committed to improving employees' water saving awareness and advocates water water cyclic utilization. The Group conducts the following measures to reduce water consumption and achieve reasonable control of water utilization based on the actual production scale.

| Water for drug production and cleaning | Water for agricultural irrigation and livestock cultivation | Domestic water for employees |
|---|---|--|
| <ul style="list-style-type: none"> ✓ Installing multi-level water meters to effectively monitor the water consumption of key segments; ✓ Comprehensively maintaining the water supply system in the factory to prevent water leakage; ✓ Recycling and reusing the cooling water produced in workshops; ✓ Collecting the domestic water and production wastewater to the self-built sewage treatment station for treatment, and then recycling | <ul style="list-style-type: none"> ✓ Upgrading the livestock and poultry breeding water equipment to automatic water-saving equipment; ✓ Replacing spray irrigation by drip irrigation in the greenhouse to reduce the waste of water; ✓ Using reservoirs and pipeline ditches to store rainwater, and basically realizing the use of natural water for greenhouses irrigation | <ul style="list-style-type: none"> ✓ Publicizing the act of water conservation and punishing act of water wasting; ✓ Replacing with water-saving faucets in the company's dormitory and canteen, and modifying the aging flush valves to prevent water wastage due to the aging of equipment |

7.2.3 Packaging Material and Paper Conservation

The Group has formulated the *Material Distribution Regulations*. The Storage and Logistics Department formulates budget based on the use of packaging materials in the previous year, checks the inventory of packaging materials monthly, and reasonably formulates the packaging materials procurement plan based on the production plan. In addition, the Group strictly follows the principle of "withdrawal on demand", while the warehouse management staff strictly controls the release quantity of materials to avoid unnecessary waste.

The Group introduces mechanized packaging to save the utilization of packaging materials. By means of delivering the products in the original package, improving the packing mode of odds and ends, recycling the packaging boxes, etc., the Group aims to achieve reasonable utilization of packaging materials. The damaged and worn-out packaging materials are collected all together and reserved for other fillings. The packaging materials that cannot be further used are regularly sold to the salvage station on a regular basis to realize the recycling of resources. The Group also puts forward the corresponding environmental protection requirements for packaging material manufacturers and insists on selecting the environment-friendly packaging materials with high cost-effectiveness via comparison among multiple potential suppliers; packaging material manufacturers are required to provide environmental protection certificates and material inspection certificates for packaging materials they produced.

The Group encourages video conferencing to reduce business travels, insists on regulated paper use, and demands double-sided printing and the diversified use of paper, and the secondary use of the non-confidential paper, to fully create a paperless office environment.

The Group's energy and resource utilization data in 2020 is shown below:

Table 22 Energy and Resource Utilization Data

| | Unit | Year 2020 |
|--|-----------------------------|--------------|
| Conversion of electricity for comprehensive energy consumption | kWh | 31,600,399.0 |
| - Outsourced electricity | kWh | 7,520,182.0 |
| - Natural gas | m ³ | 1,057,711.0 |
| - Alcohol-based liquid fuel | Ton | 1,914.8 |
| - Gasoline | Liter | 59,365.4 |
| - Diesel oil | Liter | 2,117.3 |
| - Liquefied gas | Kg | 435.0 |
| Conversion of electricity for comprehensive energy consumption intensity | kWh/million RMB | 3,917.23 |
| Total water consumption | m ³ | 282,658.0 |
| - Tap water | m ³ | 66,781.0 |
| - Underground water | m ³ | 215,877.0 |
| Total water consumption intensity | m ³ /million RMB | 35.52 |
| Total packaging material | Ton | 932.1 |
| - Paper product | Ton | 624.1 |
| - Glass bottle | Ton | 175.9 |
| - Plastics | Ton | 132.1 |
| Total packaging material intensity | Ton/million RMB | 0.12 |
| Office paper | Ton | 8.3 |

7.3 Environment and Natural Resource

The Group focuses on developing employees' awareness of environmental protection, delivering green business philosophy, constantly exploring the production mode of harmonious coexistence with nature, protecting biodiversity during production and operation, and with stakeholders to jointly promote green, harmonious and sustainable development with various stakeholders. The Group's operating process has not involved in the extraction and utilization of large quantity of natural resources and had a limited environmental impact. The Group's protection measures for environmental and natural resource include but are not limited to:

| Pharmaceutical promotion and marketing business | Pharmaceutical production business | Agriculture and livestock business |
|---|---|--|
| <ul style="list-style-type: none"> ✓ Effectively managing the waste generated in daily work and life and promoting green office program to reduce resource consumption | <ul style="list-style-type: none"> ✓ Standardizing procurement to prevent environmental damages such as over-harvesting and destruction of biodiversity, etc.; ✓ Strengthening greening project and protecting surrounding water and soil resources | <ul style="list-style-type: none"> ✓ Cleaning animal houses every day, and carrying out regular sanitary inspection to reduce the impact of the breeding area on the surrounding air and water area; ✓ Setting up double-layer protection in the breeding area to strictly prevent the pollution to the ambient environment; ✓ Collecting and using natural precipitation for irrigation to reduce the consumption of purchased water sources |

7.4 Combating Climate Change

Climate change is one of the most serious challenges that the world faces in the 21st century, and it is also the focal issue in the current domestic and international community. The Group is well aware of the profound and long-term impact of climate change on every region and enterprise. Therefore, the Group focuses on identifying the risks and opportunities brought by climate change in the daily operation, taking appropriate measures for risk management and control.

The following are the climate change risks identified by the Group:

| |
|---|
| <ul style="list-style-type: none"> ✓ Transition risk: changes with laws, regulations, and industry standards due to promotion of low-carbon economy, which may result in the corresponding changes in factors such as production technology, production costs and other factors, etc.. ✓ Physical risk: climate change may increase the risk of virus spread through various ways, and directly threaten global public health, resulting in changes in health demand, and making a series of influences on drug research and development, production and supply. ✓ Physical risk: extreme climate change may produce an impact on production processes, such as the shortage of raw materials due to extreme weather; and shutdown of the boiler workshop due to climate warming, etc. ✓ Physical risk: the increase of extreme weather events may make an impact on the stability of production, such as the increasing possibility of fire, more personal safety problems of employees on commuting, etc. |
|---|

In response to the above identified climate change risks, the Group has taken a series of effective measures accordingly. For example, the Group has actively adopted various energy conservation and emission reduction measures to increase the use of renewable energy and reduce dependence on fossil energy; continuously tracked the changes of global diseases, especially the status of large-scale infectious diseases; carefully selected the construction site for new production facilities in the future, improved the quality of construction materials, and replaced with quality equipment to avoid the impact of extreme weather; strengthened inspection of the factory area, equipped with complete fire prevention facilities to try best to eliminate safety hazards.

8. Community Dedication

The Group attaches great importance to social contributions in the medical and healthcare field, and considers the efforts in promoting medical advancement a momentum for its development. The Group actively participates in the re-education programs in the medical and healthcare field, and is committed to promoting the health awareness of the public, involving in creating the “Healthy China”. Meanwhile, the Group also focuses on community services and public welfare activities to taking responsibility as a corporate citizen. During the Reporting Period, the Group released the *CMS Guidelines for Public Welfare Activities* to provide a clearer and more standardized guidance for the implementation of community public welfare activities. During the Reporting Period, the total donation amount of public service activities was about RMB18.81 million.

8.1 Promoting Medical Advancement

Through cooperating with social groups and academic organizations, and utilizing digital conference platform, the Group has actively organized diverse academic exchange activities for basic-level doctors, and disease education activities for general patients, receiving sound feedbacks. During the Reporting Period, the Group launched various activities to promote the medical advancement, including but not limited to:

- “Myopia Prevention and Control Forum”
Through the interpretation of the hot topics such as myopia prevention and control policy, the promotion of relevant consensus and standard, the experience exchange of diagnosis and correction, and the discussion of cutting-edge technologies, the forum is aimed to provide practical clinical guidance and recommendations to further improve the level of myopia prevention, control, diagnosis and treatment in China.
- “October - the Hypertension Publicity Month”
Cooperating with Chinese Hypertension League to initiate free offline public service consultation and health education for hypertension patients includes 21 public service consultation sessions and 22 health education sessions for patients, covering more than 4,000 patients, in order to improve the patients’ self-management on hypertension and promote people’s awareness to the prevention and treatment of hypertension.
- “Online Programs for Pandemic Prevention”
During the special period of fighting against the COVID-19 pandemic, the internet information technology has been used to hold online academic activities in the various fields of clinical medicine, aiming at urgent problems and practical needs of clinical medical workers, to help fight against the pandemic.

Meanwhile, during the COVID-19 pandemic period, the Group has held special online lectures such as “How to Protect Eyes During the COVID-19”, “Scientific Eye Protection during Pandemic Period”, etc., which introduced how to scientifically and effectively protect eyes and prevent infection during the special life and working environments, in order to provide helps for medical workers and the general public with self-isolation.

8.2 Participation in Public Service Activities

While pursuing the long-term corporate development, the Group has always regarded the fulfillment of social responsibility as its internal driving force, and incorporated philanthropy, especially the support for education, into its long-term plan, to give back to the society. During the Reporting Period, the Group actively conducted a number of public service activities, including but not limited to:

- The Group donated RMB12,000 for the people living in difficulties in the community's "Urban Superman" activity and received the title of "Ambassador for Making Dream Comes True".
- Since 2003, the Group's subsidiary in Hunan has been donating within its ability to the local poverty students or educational institutions every year. During the Reporting Period, it has sponsored local education bureaus and teachers with a total of around RMB110,000. As of the end of 2020, it had donated a total of around RMB 1.01 million to the local education bureaus.
- The Group's subsidiary in Hunan provided free agricultural technology guidance to the local farmer, as well as hired an annual average of about 5,000 local farmers, driving the re-employment of the local farmers in the neighborhood.

8.3 Fighting Against COVID-19 Pandemic

During the COVID-19 pandemic period, the Group initiated emergency projects which donated a total of more than RMB18 million worth of special funds, medical protective materials, medicines and medical devices, for front-line medical workers and patients, including but not limited to:

- The Group donated RMB1 million to Wuhan Charity for special anti-pandemic expenditure;
- The Group donated scarce protective materials worthy of more than RMB10 million to front-line anti-pandemic institution and personnel in China, including protective materials, including masks, medical protective gowns, washing free sanitizer, disinfection card and spray protective kits;
- The Group donated medicines with a total value of about RMB5.8 million to medical institutions in China, including Hirudoid, Augentropfen Stulln Mono Eye Drops, Deanxit and Bioflor, to relieve skin damage and visual fatigue caused by protective measures and continuous work, or relieve patients' anxiety, and prevent their intestinal bacterial infections;
- The Group reached an emergency agreement with CytoSorbents, a U.S. company focuses on blood purification, to work together to donate an initial quantity of CytoSorb[®] extracorporeal cytokine adsorbers, which would represent a potentially important device in the control of fatal inflammation in severe COVID-19 patients.

ESG Reporting Appendix

Appendix 1 CMS Environmental, Social and Governance Reporting Index

| Environmental, Social and Governance General Disclosure and KPIs | | Corresponding Chapter | |
|--|--------------------|---|---|
| Environmental | | | |
| A1: Emissions | General Disclosure | | 7 Environmental Protection |
| | A1.1 | The types of emissions and respective emissions data | 7.1 Environmental Protection Emission Control |
| | A1.2 | Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity | 7.1 Environmental Protection Emission Control |
| | A1.3 | Total hazardous waste produced and, where appropriate,intensity | 7.1 Environmental Protection Emission Control |
| | A1.4 | Total non-hazardous waste produced and, where appropriate, intensity | 7.1 Environmental Protection Emission Control |
| | A1.5 | Description of emission target(s) set and steps taken to achieve them | 7.1 Environmental Protection Emission Control 7.2 Environmental Protection Resource Management |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | 7.1 Environmental Protection Emission Control |
| A2: Use of Resources | General Disclosure | | 7.2 Environmental Protection Resource Management |
| | A2.1 | Direct and/or indirect energy consumption by type in total and intensity | 7.2 Environmental Protection Resource Management |
| | A2.2 | Water consumption in total and intensity | 7.2 Environmental Protection Resource Management |
| | A2.3 | Description of energy use efficiency initiatives and results achieved | 7.2 Environmental Protection Resource Management |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | 7.2 Environmental Protection Resource Management |
| | A2.5 | Total packaging material used for finished products and, if applicable, with reference to per unit produced | 7.2 Environmental Protection Resource Management |
| A3: The Environment and Natural Resources | General Disclosure | | 7 Environmental Protection |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | 7.3 Environmental Protection Environment and Natural Resource |
| A4: Climate Change | A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them | 7.4 Environmental Protection Combating Climate Change |

Appendix 1 CMS Environmental, Social and Governance Reporting Index - continued

| Environmental, Social and Governance General Disclosure and KPIs | | Corresponding Chapter | |
|--|--------------------|--|--|
| Social | | | |
| B1: Employment | General Disclosure | | 5 People-oriented Practice |
| | B1.1 | Total workforce by gender, employment type and age group | 5.1 People-oriented Practice Employee Responsibility and Development |
| | B1.2 | Employee turnover rate by gender and age group | 5.1 People-oriented Practice Employee Responsibility and Development |
| B2: Health and Safety | General Disclosure | | 5 People-oriented Practice |
| | B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year | 5.3 People-oriented Practice Employees Care Appendix 3 CMS Key Social KPIs |
| | B2.2 | Lost days due to work injury | 5.3 People-oriented Practice Employees Care |
| | B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored | 5.3 People-oriented Practice Employees Care |
| B3: Development and Training | General Disclosure | | 5.2 People-oriented Practice Training and Development |
| | B3.1 | The percentage of employees trained by gender and employees category | 5.2 People-oriented Practice Training and Development |
| | B3.2 | The average training hours completed per employee by gender and employee category | 5.2 People-oriented Practice Training and Development |
| B4: Labour Standards | General Disclosure | | 5 People-oriented Practice |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour | 5.1 People-oriented Practice Employee Responsibility and Development |
| | B4.2 | Description of steps taken to eliminate such practices when discovered | 5.1 People-oriented Practice Employee Responsibility and Development |
| B5: Supply Chain Management | General Disclosure | | 6 Cooperation and Mutual Benefits |
| | B5.1 | Number of suppliers by geographical region | 6.1 Cooperation and Mutual Benefits Supplier Management |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | 6.1 Cooperation and Mutual Benefits Supplier Management |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored | 6.3 Cooperation and Mutual Benefits Sustainable Development of Supply Chain |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored | 6.3 Cooperation and Mutual Benefits Sustainable Development of Supply Chain |

Appendix 1 CMS Environmental, Social and Governance Reporting Index - continued

| Environmental, Social and Governance General Disclosure and KPIs | | Corresponding Chapter | |
|--|--------------------|---|---|
| Social | | | |
| B6: Product Responsibility | General Disclosure | | 4 Product Liability |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | 4.1 Product Liability Quality of Product and Service |
| | B6.2 | Number of products and service related complaints received and how they are dealt with | 4.1 Product Liability Quality of Product and Service |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights | 4.2 Product Liability Protection of Intellectual Properties Rights |
| | B6.4 | Description of quality assurance process and recall procedures | 4.1 Product Liability Quality of Product and Service |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored | 4.1 Product Liability Quality of Product and Service |
| B7: Anti-corruption | General Disclosure | | 3 Compliant Operation |
| | 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 | 3.2 Compliant Operation Anti-corruption |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored | 3.2 Compliant Operation Anti-corruption |
| | B7.3 | Description of anti-corruption training provided to directors and staff | 3.2 Compliant Operation Anti-corruption |
| B8: Community Investment | General Disclosure | | 8 Community Dedication |
| | B8.1 | Focus areas of contribution | 8 Community Dedication |
| | B8.2 | Resources contributed to the focus area | 8 Community Dedication |

Appendix 2 CMS Key Environmental KPIs²

| KPIs | Unit | Year 2018 | Year 2019 | Year 2020 |
|--|-------------------------------------|-----------|-----------|-----------|
| Air Pollutants | | | | |
| Sulfur Dioxide (SO ₂) | Kg | 237.1 | 35.5 | 0.0 |
| Nitrogen Oxide (NO _x) | Kg | 2,350.4 | 1,612.6 | 1,838.1 |
| Particulate Matter (PM) | Kg | 354.7 | 245.5 | 157.7 |
| Wastewater and Pollutants³ | | | | |
| Wastewater | m ³ | 86,539.4 | 57,536.7 | 71,298.0 |
| Wastewater intensity | m ³ /million RMB | 14.11 | 8.34 | 8.96 |
| Ammonia Nitrogen (NH ₃ -N) | Ton | 0.1 | 0.1 | 0.03 |
| Chemical Oxygen Demand (COD) | Ton | 0.9 | 1.1 | 0.7 |
| GHG⁴ | | | | |
| Total GHG emission (Scope 1 + 2) | Ton CO ₂ e | 11,852.0 | 12,081.5 | 12,562.3 |
| Total GHG emission (Scope 1 + 2) intensity | Ton CO ₂ e / million RMB | 1.93 | 1.75 | 1.58 |
| Direct GHG emission (Scope 1) | Ton CO ₂ e | 5,566.7 | 5,854.1 | 5,876.0 |
| Indirect GHG emission (Scope 2) | Ton CO ₂ e | 6,285.3 | 6,227.4 | 6,686.2 |
| Solid Waste | | | | |
| Hazardous waste ⁵ | Ton | 0.2 | 0.2 | 4.3 |
| Hazardous waste intensity | Ton/million RMB | 0.00003 | 0.00003 | 0.00054 |
| Non-hazardous solid waste | Ton | 1,782.0 | 1,676.8 | 1,531.3 |
| Non-hazardous waste intensity | Ton/million RMB | 0.29 | 0.24 | 0.19 |

² All the intensity data of environmental indicators in 2018-2020 were calculated as per sales revenue, that is, total emissions or usage amount divided by the sales revenue (million RMB) after the excluding effect of the "two-invoice system" during the corresponding reporting period.

³ Wastewater and pollutant data covers all the control units of the Group.

⁴ The emission factors used in GHG calculation for 2018 to 2020 have been updated to those recommended by the SEHK in the revised *Appendix 2: Guidelines on Reporting Environmental Key Performance Indicators* in 2020.

⁵ During the Reporting Period, the Group's subsidiary Kangzhe Hunan carried out a large-scale treatment and transfer of historical hazardous waste.

Appendix 2 CMS Environmental KPIs -continued

| KPIs | Unit | Year 2018 | Year 2019 | Year 2020 |
|--|-----------------------------|--------------|--------------|--------------|
| Energy | | | | |
| Conversion of electricity for comprehensive energy consumption | kWh | 29,758,236.2 | 30,443,173.8 | 31,600,399.0 |
| Conversion of electricity for comprehensive energy consumption intensity | kWh/million RMB | 4,850.96 | 4,413.85 | 3,971.23 |
| Outsourced electricity | kWh | 7,079,280.2 | 7,010,258.4 | 7,520,182.0 |
| Natural gas | m ³ | 954,116.0 | 875,788.0 | 1,057,711.0 |
| Alcohol-based liquid fuel | Ton | 1,842.8 | 2,095.3 | 1,914.8 |
| Gasoline | Liter | 77,640.0 | 80,272.9 | 59,365.4 |
| Diesel oil | Liter | 3,111.6 | 1,616.9 | 2,117.3 |
| Liquefied gas | Kg | 480.0 | 480.0 | 435.0 |
| Water Resources | | | | |
| Total water consumption ⁶ | m ³ | 148,634.2 | 204,687.8 | 282,685.0 |
| Total water consumption intensity | m ³ /million RMB | 24.23 | 29.68 | 35.52 |
| Packaging Materials | | | | |
| Total packaging materials | Ton | 544.1 | 659.3 | 932.1 |
| Total packing material intensity | Ton/million RMB | 0.09 | 0.10 | 0.12 |

⁶ At the end of 2019 and in 2020, the Group's subsidiary Kangzhe Hunan has replaced and installed additional production equipment, and initiated the new products' test production projects, thus the water consumption increased significantly.

Appendix 3 CMS Key Social KPIs

| KPIs | Unit | Year 2018 | Year 2019 | Year 2020 |
|---|--------|----------------|-----------|-----------|
| Employment | | | | |
| Total number of employees | Person | Non-disclosure | 4,052 | 4,372 |
| Number of male employees | Person | Non-disclosure | 1,903 | 2,024 |
| Number of female employees | Person | Non-disclosure | 2,149 | 2,348 |
| Number of contracted employees | Person | Non-disclosure | 4,052 | 4,372 |
| Number of dispatched employees | Person | Non-disclosure | 0 | 0 |
| Number of employees aged under 30 | Person | Non-disclosure | 2,150 | 2,180 |
| Number of employees aged 30-50 | Person | Non-disclosure | 1,782 | 2,042 |
| Number of employees aged over 50 | Person | Non-disclosure | 120 | 150 |
| Employee Turnover | | | | |
| Turnover rate of employees | % | Non-disclosure | 18.6 | 13.9 |
| Turnover rate of male employees | % | Non-disclosure | 19.9 | 14.2 |
| Turnover rate of female employees | % | Non-disclosure | 17.3 | 13.7 |
| Turnover rate of employees aged under 30 | % | Non-disclosure | 20.1 | 19.3 |
| Turnover rate of employees aged 30-50 | % | Non-disclosure | 17.4 | 7.9 |
| Turnover rate of employees aged over 50 | % | Non-disclosure | 5.5 | 6.8 |
| Occupational Health and Safety | | | | |
| Number of work-related fatalities | Person | 0 | 0 | 0 |
| Proportion of work-related fatalities | % | 0 | 0 | 0 |
| Working days lost due to work-related injury ⁷ | Day | Non-disclosure | 338 | 240 |
| Proportion of employees with occupational health checks | % | 100 | 100 | 100 |

⁷ During the Reporting Period, employees were injured at work due to traffic accidents, collisions and accidental falls.

Appendix 3 CMS Key Social KPIs -continued

| KPIs | Unit | Year 2018 | Year 2019 | Year 2020 |
|--|-------------|----------------|----------------|-----------|
| Training and Development | | | | |
| Total employees training expenditure | Million RMB | Non-disclosure | 2.9 | 5.3 |
| Training coverage of employees ⁸ | % | 100 | 83.0 | 70.7 |
| Training coverage of general employees | % | Non-disclosure | 83.4 | 70.5 |
| Training coverage of senior management | % | Non-disclosure | 35.3 | 78.9 |
| Training coverage of male employees | % | Non-disclosure | Non-disclosure | 72.6 |
| Training coverage of female employees | % | Non-disclosure | Non-disclosure | 69.1 |
| Employees training duration per capita | Hour | Non-disclosure | 34.1 | 18.5 |
| Training duration per capita for general employees | Hour | Non-disclosure | 34.4 | 18.6 |
| Training duration per capita for senior management | Hour | Non-disclosure | 3.2 | 12.6 |
| Training duration per capita for male employees | Hour | Non-disclosure | Non-disclosure | 20.2 |
| Training duration per capita for female employees | Hour | Non-disclosure | Non-disclosure | 17.0 |
| Supplier Management | | | | |
| Total number of suppliers ⁹ | Number | 87 | 106 | 116 |
| Number of Mainland China suppliers | Number | 75 | 87 | 78 |
| Number of HK SAR, Macao SAR, TWN and overseas suppliers | Number | 12 | 19 | 38 |
| Quality and Safety of Product and Service | | | | |
| 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 | Number | Non-disclosure | 150 | 137 |
| Anti-corruption | | | | |
| Corruption lawsuits | Number | 0 | 0 | 0 |
| Participation in Public Service Activities | | | | |
| Total donation amount of public service activities | Million RMB | 0.2 | 0.2 | 18.8 |

⁸ During the Reporting Period, due to cancelling of offline trainings caused by COVID-19 pandemic and the increase of employee number, the training coverage of employees decreased comparing with 2019.

⁹ During the Reporting Period, the statistical method of suppliers was changed. In order to be consistent, the 2019 data has been updated simultaneously.