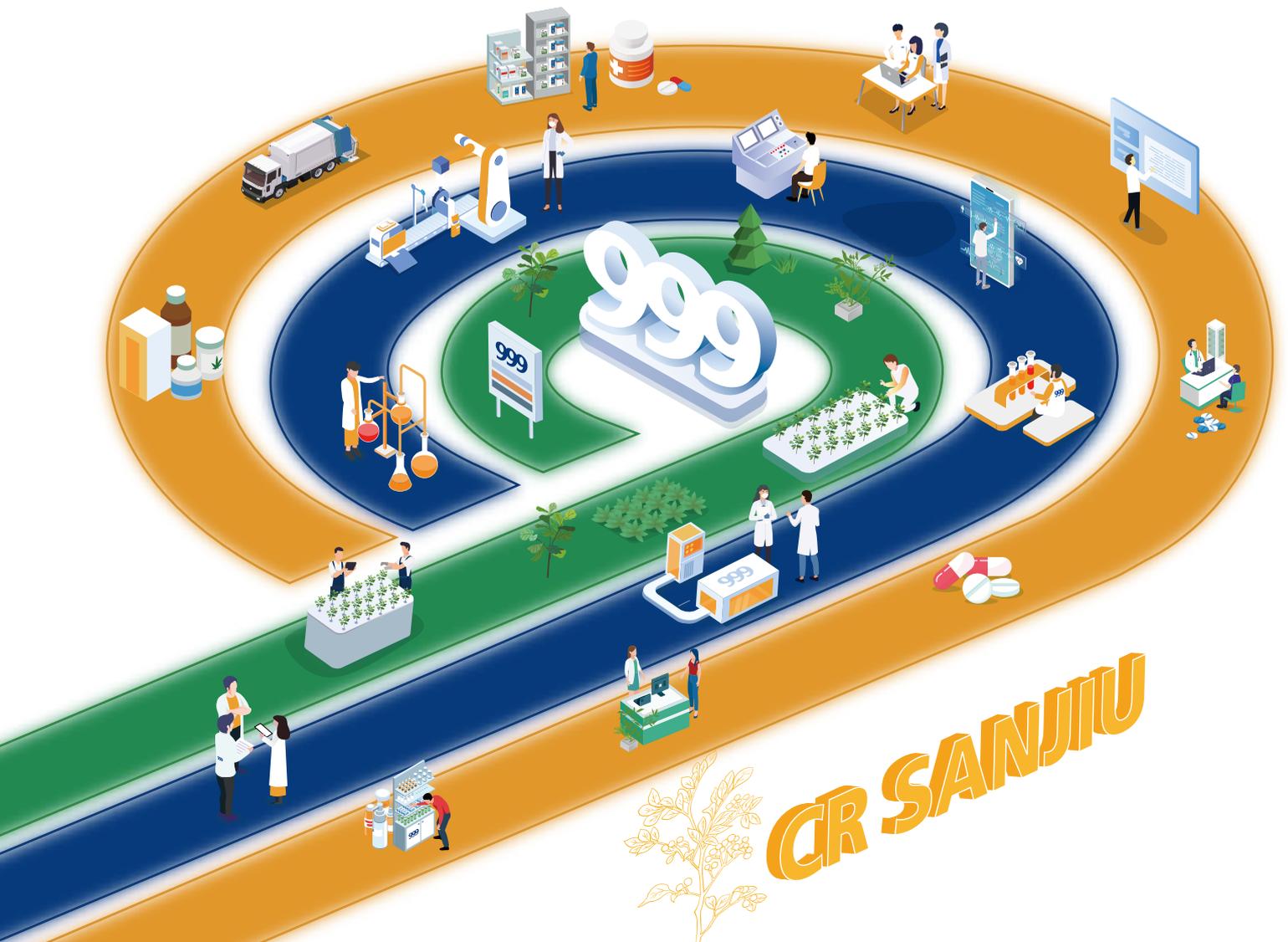


CR SANJIU 2024 SUSTAINABILITY AND ESG REPORT

China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.





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Message from the Executive



The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, a pivotal year for realizing CR Sanjiu's "14th Five-Year Plan" strategic goals, and a year of progress for the high-quality development of Chinese medicine. Standing at the starting point of a new era, CR Sanjiu shoulders the mission of a central enterprise, embraces its role, fully implements the new development philosophy, and strengthens the "Trinity" value creation capability. The Company promotes high-quality development through the dual-wheel drive of "Brand + Innovation," actively responds to the expectations of the nation and the people, and provides consumers and patients with "Safe, High-quality, and Efficient" pharmaceutical products and services, effectively fulfilling the social responsibilities, contributing to the construction of a healthy China and the realization of the Chinese dream with Sanjiu's strength.

Adhere to the party building leadership, build the foundation of development. We consistently place Party leadership at the core of the entire corporate development process, guiding the high-quality development of the Company through Party building efforts. By leveraging "political leadership" and "organizational empowerment," we have consolidated and expanded the gains from the thematic education based on Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Furthermore, we foster deep integration between Party building and business operations, utilizing advanced technologies such as 5G and blockchain through the Deep Blue Laboratory to achieve end-to-end control and optimization of the entire production process.

Practice green and low carbon, empower the industry's sustainable development. In response to the national Dual Carbon strategy, we actively explore pathways to achieve carbon peaking and carbon neutrality within the pharmaceutical industry. We have implemented a pilot project for a near-zero carbon emission park and enhanced energy utilization efficiency. By undergoing digital transformation and integrating intelligent manufacturing applications, we aim to enhance green and low-carbon development level establish a green and low-carbon industrial chain, and provide novel insights for the sustainable development of the traditional Chinese medicine industry, empowering the green and high-quality development of the industry, thereby contributing significantly to the promotion of its sustainability.

Delve deeply into core business, build core competitiveness. We are benchmarking against world-class enterprises to enhance our business layout and expanding our core business across the entire self-diagnosis and treatment spectrum. Our goal is to meet the health needs of every family member throughout the full cycle of prevention, healthcare, treatment, and rehabilitation, at multiple levels, through products and high-quality services that offer a superior experience. Additionally, we strengthen the Panax ginseng industry and high-quality Chinese medicines to reinforce our core business, forming a "one body, two wings" business model that promotes the inheritance and innovation of traditional Chinese medicine and fosters high-quality development.

Promote the synergistic development of the whole industry chain and create a model of industry standards. As a leading enterprise in the traditional Chinese medicine industry chain, we actively promote the high-quality development of the entire industry chain. We facilitate integrated industry development through "building alliances," "establishing platforms," "gathering

talents," and "promoting cooperation." We collaborate extensively with upstream and downstream participants in the industry chain, innovate cooperation models, and are dedicated to establishing a new paradigm of high-quality development characterized by "joint construction, sharing, and mutual benefit", aiming to better advance the preservation, development, exploration, and inheritance of the traditional Chinese medicine industry.

Strive for win-win cooperation, create and share better life. We always prioritize product quality and patient safety, implementing strict quality control measures to provide the public with safer, higher-quality, and more accessible medications. Meanwhile, leveraging our industrial advantages, we promote the seamless integration of traditional Chinese medicine inheritance and innovation with rural revitalization, and engage in various public welfare activities. We adhere to a people-oriented approach, safeguard the rights and interests of our employees, and provide a broad platform for talent development.

Continuously deepen reformation and promote high-quality development. We actively undertake the deepening and upgrading of state-owned enterprise reformation, focusing on enhancing core competitiveness and core functions. We strive to position the Company as a key player in scientific and technological innovation, industrial control, and security support within the construction of a modernized industrial system and a new development paradigm, aiming to bolster our capabilities in modern governance and market-oriented operations.

Take on heavy burdens and dare to be a pioneer. CR Sanjiu always keeps its original mission in mind, striving for excellence while adhering to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guiding principle. We fully implement the work deployments and requirements of the CPC Central Committee, the State-owned Assets Supervision and Administration Commission (SASAC), and China Resources Group. Guided by the mission of "Caring for Public Health and Creating a Better Life," we uphold the values and sense of responsibility of pharmacists and embrace the concepts of sustainable development and ESG. With this mission leading us, we will adhere to the values and sense of responsibility of pharmaceutical professionals, practice sustainable development and ESG concepts, and strive towards the goal of "becoming a leader in the public pharmaceutical and health industry."

Feature Story 1

Synergistic Development of the Whole Industry Chain to Create Advantages in the Traditional Chinese Medicine Industry

The development of the traditional Chinese medicine industry has become a powerful engine for revitalizing traditional Chinese medicine and implementing the Healthy China strategy in the new era. It also serves as an effective pathway to align with the "Belt and Road" initiative and build a community with a shared future for mankind. CR Sanjiu deeply implements the major decisions of the CPC Central Committee on the Healthy China strategy and the promotion of traditional Chinese medicine inheritance and innovation. By advancing the high-quality development plan for the industry chain, CR Sanjiu fulfills its responsibility and mission of "Caring for Public Health and Creating a Better Life" through practical measures, driving the high-quality development of the entire industry chain.

Pay Attention to the Planting Management of Chinese Medicine Herbs Guarantee the Quality of the Source

The germplasm resources of traditional Chinese medicine constitute the strategic resources of the country, the core of quality control for traditional Chinese medicine, the foundation of its efficacy, and the source of development for the traditional Chinese medicine industry. CR Sanjiu prioritizes high-quality medicinal materials in its upstream operations, exercising rigorous control over the entire process, from the cultivation of seeds and seedlings of Chinese medicinal herbs to the establishment of planting bases, in order to guarantee the stability and reliability of the quality of Chinese medicinal materials and thereby lay a solid foundation for the development of the traditional Chinese medicine industry.

Breed high-quality seedlings. The Company specializes in breeding high-quality seedlings and selecting core raw materials for OTC products, including wild chrysanthemum, gangmei, trident bitter, two-faced needle and nine miles. Through meticulous seed selection and breeding processes, the Company has cultivated new varieties such as "999 Huaju" and "999 Huangang." Compared to traditional varieties. Successfully planted in Hubei, Anhui, Henan, and other regions, the cultivation of these new varieties has been promoted effectively for more than 200,000 mu, resulting in dual improvements in both quality and mu-yield.

Standardize the planting of medicinal herbs. Exploring the standardized planting model for medicinal herbs, we have led the formulation of several ecological planting technical standards and established over 30 standardized planting bases for Chinese medicinal herbs, covering a planting area of more than 300,000 mu across China, a total of 13 varieties have passed the new version of the GAP extended inspection. The Company has developed a traceability system for the production and management of Chinese herbal medicines that aligns with the national drug informatization traceability system. This system has been promoted to over a hundred planting enterprises, enabling full-chain traceability for the production of core herbs used in major products such as Cold and Flu Spirit, and fostering a collaborative ecosystem across the upstream, midstream, and downstream segments of the traditional Chinese medicine industry chain.



Promote the Intelligent Manufacturing of Traditional Chinese Medicine Improve Product Quality

CR Sanjiu focuses on innovation-driven development, accelerating the creation of new, high-quality productivity. The Company prioritizes the construction of Chinese medicinal herb planting bases and intelligent factories, aiming to transition from traditional "manufacturing" to "intelligent manufacturing" in the planting and production of traditional Chinese medicines. This transformation is intended to improve the quality and safety of Chinese medicine products. CR Sanjiu actively seeks consensus among industry stakeholders, fostering a new ecosystem for the integrated development of Chinese medicine. As a mainstay and integrator, the Company is dedicated to realizing value management across the entire Chinese medicine industry chain, promoting the inheritance and innovation of traditional Chinese medicine, and driving its high-quality development.

Construction of whole industry chain management. From the 5 aspects of "production, academia, research, medicine, and application," we aggregate policy guidance, planting and production, scientific research and transformation, and clinical application to explore new modes for the traditional Chinese medicine industry. Our aim is to promote new integration and development, and to advance the "Chinese Medicine Industry Chain High-Quality Development Plan" in a multidimensional manner. Leveraging the entire industry chain, we concentrate on enhancing its strengths and rectifying its weaknesses.



Participation in Hosting the 11th Chinese Herbal Medicine Base Building and Sharing Exchange Conference

R&D of innovative Chinese medicine prescriptions. The Company conducts basic research on the Chinese medicine industry chain and key issues, enhances its top-level design capabilities, carries out specialized research on the productivity of new, high-quality Chinese medicines and the development of a wide variety of products, explores the clinical value of Chinese medicines, and engages in research on Class I new medicines, classical prescriptions, and hospital preparations. Notably, three classical prescriptions—Ling Gui Jiu Gan Granules, Wen Jing Tang Granules, and Paeonia Radix Glycyrrhizas Sinensis Granules—have been approved for marketing, maintaining the Company's leading position in the industry in terms of the number of approved classical prescriptions.

Deepen research on drug varieties. We partnered with medical institutions and evidence-based medical research entities to undertake evidence-based research on listed Chinese medicinal products, namely Zhengtian Capsule, Ginseng and Forsythia Injection, and Xuesetong Soft Capsule. Our objective was to enrich and enhance the body of evidence-based medical data for these Chinese medicinal products and continually elevate their competitive edge. Notably, select findings from our evidence-based research on Ginseng and Forsythia Injection and Haeseitong Soft Capsule have been featured in prestigious international journals like Critical Care Medicine and JAMA Network Open, earning recognition from our counterparts worldwide.

Explore the intelligent manufacturing of traditional Chinese medicine. Leveraging a self-constructed, comprehensive collaborative cloud manufacturing platform tailored for traditional Chinese medicine, the Company manages production tasks, enforces standardized operating procedures (SOPs), and ensures business operations are mobile and seamless. At its heart, digital twin technology powers factory production simulations, intelligent remote operations and maintenance, and other functionalities, thereby crafting a digital platform that is openly accessible, secure, and reliable. As an example, the automation equipment at CR Sanjiu's Guanlan facility has boosted overall production efficiency by 20%, trimmed operational costs by 20%, cut energy consumption per unit of output value by 12%, and decreased the first-inspection defect rate by 25%.

Strengthen the industrial layout. By emphasizing innovative brands, technologies, and products, we've driven forward multiple M&A integration projects. We're actively engaging with the nation's key strategies to transform traditional industries with new, quality-focused productivity, cultivate new sectors, plan for the future industries, and foster the preservation and advancement of traditional Chinese medicine. Our goal is to support the high-quality development of the traditional Chinese medicine industry chain.

Promote the industry chain cooperation. CR Sanjiu actively promotes the establishment of specialized committees focused on intelligent manufacturing, origins, and processing within the sector. Through specialized meetings organized by relevant authorities, industry events, and the development of specialized platforms, CR Sanjiu creates a platform for industrial cooperation and exchange tailored to the traditional Chinese medicine industry chain, which serves to share insights on industry chain construction and facilitate the formation of industry consensus. By deepening school-enterprise collaborations and enterprise-land partnerships, we continuously enhance the competitiveness of the traditional Chinese medicine industry and promote practical and in-depth collective action across the chain.

Promote the Brand Culture of Traditional Chinese Medicine Continuously Enhance the Brand Influence

CR Sanjiu responds to consumption upgrading, actively spreads the culture of Chinese medicine, strengthens brand building and promotion, launches the 777 Brand, assists in the high-quality development of the Panax ginseng industry chain, improves consumer awareness and recognition of Chinese medicine, and builds a Chinese medicine brand with international influence.

Launch innovative products. We upgrade our products around population, ingredients, packaging and process to fully optimize the medication experience and provide consumers with better quality products.

Exploring marketing models. We have established cross-border partnerships with JD.com and other major online platforms, while concurrently empowering our offline retail customers. Together, we have crafted a new industrial value chain that fuses "Internet, Medicine, and Pharmaceuticals." Our products, 999 Cold & Flu Spirit and 999 Strong Pei Pa Koa Nu, have witnessed significant growth and now lead the pack in new retail channels, particularly O2O.

Upgrade brand communication. We continuously innovate our brand communication strategies by selecting popular dramas for print advertisements and content integration, sparking national conversations and debates. We collaborate with trending variety shows, integrating into diverse scenarios to narrate the product's value. On platforms like Douyin, we implement KOL and short video marketing campaigns, partnering with renowned and high-quality celebrities. Leveraging various trending topics, we effectively convey product benefits, enhancing brand awareness and favorability. Additionally, we introduce the brand's cartoon mascot, "Uncle San," the head of the Warm Heart Healing Institute, to generate strong social engagement and positive communication momentum.



Hosting the 777 Brand Launching Session

Feature Story 2 Leading Green and Low-Carbon Development and Building the Near-Zero Carbon Park

In the face of frequent extreme weather events and escalating climate change, and during the crucial transition from dual control of energy consumption to dual control of carbon emissions, green and low-carbon development stands as the defining theme of our time. It is an indispensable path for enterprises seeking sustainable growth and a testament to the sense of social responsibility. As a significant state-controlled pharmaceutical company listed on the stock market, CR Sanjiu is deeply committed to implementing the national Dual Carbon strategy. The Company actively embraces the era of green and low-carbon development, persistently constructing near-zero-carbon industrial parks and green factories. Furthermore, CR Sanjiu continues to explore the application of renewable energy sources, accelerating the transformation of its energy structure towards low/zero-carbon emissions.

Green Concept-Driven Planning Zero-Carbon Park Pathways

When formulating the overall strategic plan for the Near-Zero Carbon Park, the Board of Directors and the EHS Committee of the Company demonstrated forward-thinking and adaptability, guided by President Xi Jinping's Thought on Ecological Civilization. We actively aligned with the national Dual Carbon strategy, aiming to establish a near-zero-carbon enterprise that sets benchmarks in the industry, committed to advancing the "zero-carbon" transformation of the pharmaceutical industry chain, thereby contributing to CR Sanjiu's efforts to achieve the national goals of carbon peaking and carbon neutrality on schedule. Through these initiatives, CR Sanjiu aims to play a pivotal role in the nation's journey towards carbon neutrality.

"Zero Carbon" energy. We have constructed distributed photovoltaic power generation projects with a total installed capacity of 20.1047 MWp, ensuring that solar power is prioritized for internal use, with any excess power being connected to the grid. By 2024, these projects are expected to generate 10,784,125 kWh of green energy, of which 92.90% will be utilized for production and office operations within the factory area.

"Zero Carbon" commuting. We encourage employees to prioritize the purchase of new energy vehicles and embrace low-carbon travel. All commuter shuttles at the Guanlan base and other business units have been replaced with new energy vehicles. Furthermore, the park has been equipped with DC charging piles to accommodate the charging needs of employees' new energy vehicles and shuttles.

Digital "Zero Carbon". An information platform for energy and carbon asset management has been established. Diagnoses production and operation energy utilization and carbon emissions through real-time data monitoring and analysis, generates the optimal energy-saving and carbon reduction strategies for operation. Simultaneously, a carbon emission management system has been put in place to enhance the reward and punishment system for energy saving and carbon reduction. The Company has integrated system engineering principles, process analysis methods and the concept of cyclic management (planning, implementing, checking, and improving) into its carbon emission management. This approach has established a long-term mechanism for promoting energy efficiency and carbon reduction within the Company.

Promote the experience of building near-zero carbon parks.

CR Jiuxin, CR Sanjiu (Chenzhou), CR Sanjiu (Zaozhuang), and other subsidiaries are continuously advancing the construction of near-zero carbon parks, setting new benchmarks for green and low-carbon development in the pharmaceutical industry. Notably, CR Jiuxin's near-zero carbon park project was successfully included in "the 4th Batch of Pilot Projects for Shenzhen's Near-Zero Carbon Emission Zone" in 2024.



Near-Zero Carbon Park at CR Sanjiu Guanlan



Near-Zero Carbon Park at CR Jiuxin

Synergize Industries Build a Green and Low-Carbon System

The industrial synergy has become a powerful engine for green and low-carbon development during the construction of the near-zero carbon park at CR Sanjiu.

Sharing of technical achievements. Sharing of green and low-carbon technological achievements within the near-zero carbon park, for example, within the Guanlan base park, energy operational sites such as photovoltaic power generation, water storage and cooling systems, and energy storage systems are shared to enhance energy utilization efficiency. Utilizing the energy and carbon asset management information platform, relevant park business departments can monitor and analyze energy consumption in real-time and allocate energy resources rationally to prevent wastage.

Technical exchanges and cooperation. We regularly organize internal and external technical exchanges on energy conservation and carbon reduction to share technologies and experiences pertaining to low-NOx combustion retrofits for boilers, central air-conditioning upgrades, air compressor enhancements, and waste heat recovery, among others, aiming to collectively elevate the standard of green and low-carbon technologies. Additionally, we collaborate with universities and scientific research institutions to foster industry-academia-research partnerships, thereby strengthen the research, development, and deployment of innovative green and low-carbon technologies.

Green Factory Establishment, Highlight the Effectiveness of Green Development

The Company integrates the concept of green development deeply into its strategic planning and operational management, continuously increasing investment in green technology research and development, energy conservation, emission reduction, and resource recycling, aiming to achieve green upgrades in production and operations. In the green factory establishment efforts, CR Sanjiu has achieved significant results, demonstrating the responsibility of an industry leader through practical actions.

Significant establishment Achievements

As of the end of 2024, CR Sanjiu has a total of 11 enterprises honored as green factories.

State-level green factories:

- CR Sanjiu
- CR Sanjiu(Ya'an)
- CR HiTech
- CR Jinchan
- CR Benxi Third Pharm
- CR Sanjiu (Nanchang)

Provincial-level green factories:

- Shenyang Saniiu
- CR Sanjiu(Chenzhou)
- Aonuo Pharmaceutical

Municipal green factories:

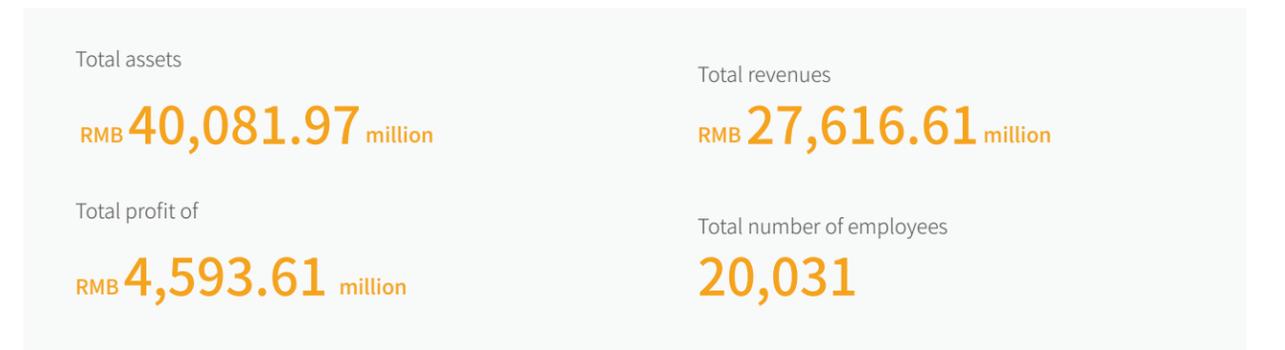
- CR Saniiu(Zaozhuang)
- Zhejiang Zhongyi

About Us

Company Profile

China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. is a large state-controlled pharmaceutical listed company, mainly engaged in the research and development of pharmaceutical products, production, sales and related health services, listed on the Shenzhen Stock Exchange on March 9, 2000 (Stock Code: 000999), and formally entered China Resources (Holdings) Co., Ltd. in 2008.

With the mission of "Care for Public Health, Create a Better Life Together", the company strengthens independent R&D and innovation, improves the quality control level of its products, provides "Safe, High-quality, High-efficiency and Environmentally Friendly" pharmaceutical products and services for the public, safeguards public health and protects public interests, and further builds an influential and sustainable corporate responsibility and ESG brand.



Corporate culture



DNA

- Persist in realizing the great rejuvenation of the Chinese nation
- Pursue creation of a happy life for the people
- Strive for the economic prosperity for the country

Mission

- Care for public health
- Create a better life together

Vision

- Become a leader in the public healthcare industry

Value

- Integrity Performance-Oriented
- People-Oriented Win-Win Collaboration

Spirit

- Dedicate oneself to the cause of the country
- Be the pioneer in innovations
- Forge ahead with perseverance
- Fight for the better

Atmosphere

- Sincerity • Solidarity • Open-mindedness • Proactivity

Cultural Slogan

- Care • Responsibility • Excellence

14th Five-Year Strategy

Mission

Care for public health, create a better life together

Vision and Goals

Become a leader in the public pharmaceutical and healthcare industry

Strive to be a top enterprise in the industry

Fields and Initiatives

Consumer End (CHC) provide products with excellent experiences and high-quality services to meet the health needs of every family member across the entire cycle of prevention, healthcare, treatment, and rehabilitation. Consolidate the position as a leading brand

Medical End (Rx) fully leverage the value-creating capabilities of traditional Chinese medicine and the advantages of integrating traditional Chinese and Western medicine. Focus on core pipelines, enhance hospital brand influence, empower self-diagnosis and treatment businesses, and promote synergistic development across both ends to achieve deep-rooted and flourishing growth.

Capabilities

Innovation and R&D

Whole-industry-chain management of traditional Chinese medicine

Digitalization

Mergers and acquisitions integration

Consumer communication

Academic promotion

Channel and terminal control

Organizational capability

Organizations

Follow the footprint of the Party

State-owned enterprise reform

Safe development

Organizational support

Strengthen enterprise through talent

Supervision and regulation

Foster cultural development

Business Aress and Products

CR Sanjiu is mainly engaged in the research and development, production, sales and related health services of pharmaceutical products, with its main core business set in the areas of CHC health consumer products and Rx prescription drugs. The Company has wide product coverage and continuous enrichment of product lines and varieties. CHC health consumer products mainly cover cold and flu, skin, gastrointestinal, cough, orthopedics, pediatrics, dietary supplements and other categories, its core products hold a high market share. The Company's prescription drug business covers anti-tumor, cardio-cerebral vascular, digestive system, orthopedics, pediatrics, anti-infective and other therapeutic areas, and it owns Ginseng injections, Mitoxantrone Hydrochloride injections for tracing purposes, toadstool tablets and injections, Yixuesheng capsules, Blood Stasis Paralysis Tablets, Wangbi Capsules, Cefpirome Sodium for Injection and other prescription drug varieties, enjoying a high reputation at the medical end of the spectrum.

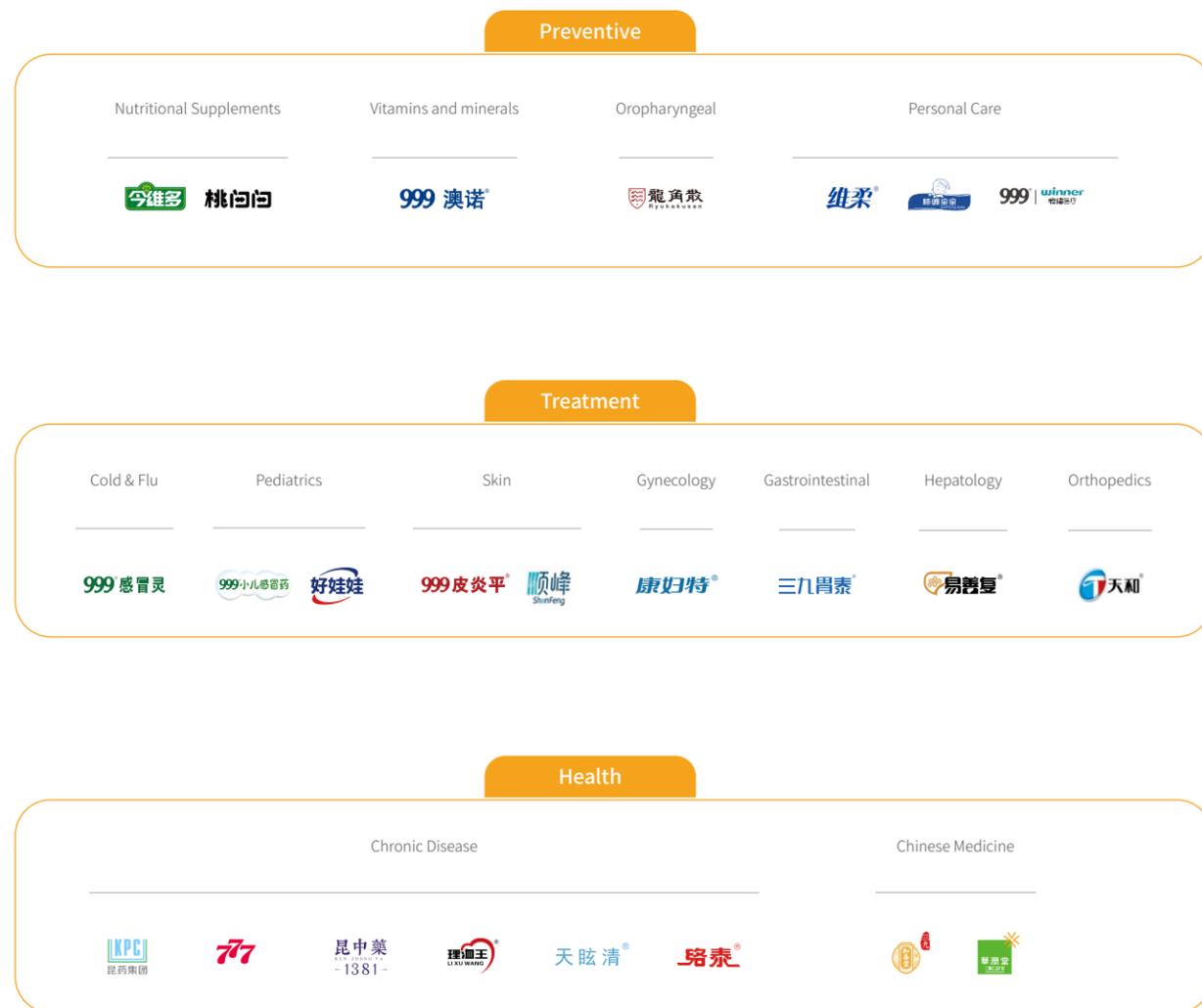
In the field of industry chain business group, CR Sanjiu and its subsidiary Kunming Pharmaceutical Group are mutually empowered and synergistic, making continuous efforts in the development of the Panax ginseng industry and the brand building of "777" and "Kunzhongyao 1381", and promoting Kunming Pharmaceutical Group to become the No. 1 health stock in silver hair economy.



Brand Blueprint

CR Sanjiu has strong brand operation capability and has been listed on WPP's annual list of the top 100 most valuable Chinese brands for many times. The Company adopts "1+N" brand strategy, with "999" as the main brand, which enjoys high recognition among consumers and the pharmaceutical industry and has been honored as "China's Most Recognized Trademark" and "China's Most Valuable Brand" for many times.

The Company has successively expanded its brands such as "Tianhe", "Shunfeng", "Aonuo", "Kangwuite", "777", "Kunzhongyao 1381", etc. which are well recognized by consumers, and are built into professional brands in the fields of orthopedic plasters, skin medication, children's health, gynecological medication, chronic disease management, and high-quality Chinese medicines, respectively, laying a solid foundation for long-term business development.



Organizational Structure



Focus 2024

Capital market recognition

- Awarded the highest "A" grade in information disclosure assessment by the Shenzhen Stock Exchange for 10 consecutive years
- Won six honors at the 5th "Panorama Investor Relations Gold Award"
- Won multiple awards, including "Golden Bull Most Valuable Investment Award," "Golden Information Disclosure Award," and "Top 100 Most Valuable Mainboard Listed Companies", etc.
- Recognized as "Best Practice for 2023 Annual Report Performance Briefing," "Best Practice Case for 2024 Listed Company Board of Directors," and "Best Practice Case for 2024 Listed Company Board Secretariat"

Promoting Brand Development

- The "999" brand has been recognized as one of the first outstanding product brands in the central enterprises' brand leadership initiative
- The "Sanjiu Weitai" brand has been certified as one of the first batch of "Guangdong Time-honored Brands"
- Listed again in "2024 Cato BrandZ Top 100 Most Valuable Chinese Brands"
- Listed in the "2024 Guangdong, Hong Kong and Macao Greater Bay Area List of Top 100 Most Valuable Chinese Brands"
- CR Sanjiu's subsidiary, Kunming Pharmaceutical Group, has completed the acquisition and joined hands with Sheng Huo Pharmaceutical to jointly build the "777" brand

Driving Technological Innovation

- Awarded again as a benchmark in the special assessment of outstanding pilot enterprises for "Exemplary Scientific Reform Actions" by the State-owned Assets Supervision and Administration Commission
- Awarded the title of "National Manufacturing Single Champion Enterprise" by the Ministry of Industry and Information Technology
- Participated in the project "Construction and Demonstration Application of the Theory and Technical System for Ecological Planting of Chinese Medicinal Herbs," which won the second prize of the National Science and Technology Progress Award
- Contributed to the research project "New Treatment Principles and Efficacy Evaluation Methods for Common Functional Gastrointestinal Disorders Based on 'Brain-Gut Coordination'," which won the first prize of the Beijing Science and Technology Progress Award
- Engaged in the "National Chinese Medicinal Germplasm Resources" project, which won the first prize of the Sichuan Science and Technology Progress Award
- Involved in the project "Construction and Promotion of the Technical System for 'Human Use Experience' in Traditional Chinese Medicine," which won the first prize of the Guangdong Science and Technology Progress Award
- Awarded two first prizes in the Science and Technology Awards of the China Association of Chinese Medicine
- Officially launched the important informatization system for intelligent manufacturing (LIMS)



Advancing In-depth Development

- Signed a product sales cooperation agreement with China Resources Biopharmaceutical
- Co-established the "Innovative Delivery Technology Joint Research Institute" with the Yangtze River Delta Smart Oasis of Zhejiang University
- Initiated cooperation with China Resources Power on new energy projects
- Collaborated with Tencent Cloud to launch the "Sanjiu Health Manager" intelligent entity
- Formed a strategic partnership with Dyne Pharmaceutical to jointly promote Vitamin D drops
- Signed a strategic cooperation agreement with China Mobile
- Entered into a strategic cooperation agreement with Jiuzhou Tong Pharmaceutical Group



Deepen Product R&D

- An ISO international standard for traditional Chinese medicine has been officially released
- Cefpirome Sulfate for Injection (Saibipu®) has been included in the National Reimbursement Drug List
- Obtained the first clinical approval for the indication of "carotid atherosclerosis" in the traditional Chinese medicine industry
- The new product "Terbinafine Hydrochloride Spray" has been approved for market launch.
- The first classical traditional Chinese medicine formula, Linggui Zhuguan Granules, developed by the company, has been approved for market launch
- The classical traditional Chinese medicine compound preparation, Shaoyao Gancao Granules, has been approved for market launch
- The classical formula Wenjing Tang Granules has been approved for market launch
- The first product in the ophthalmology field, "Sodium Hyaluronate Eye Drops," has been approved for market launch
- The internalized medical device product, "Physiological Saline Nasal Spray," has been approved for market launch
- Cefoperazone Sodium and Sulbactam Sodium for Injection, and Ceftazidime and Avibactam Sodium for Injection have been approved for market launch
- CR Jiuxin's Cefazolin Sodium Hydrate for Injection has been approved for market launch in Japan
- "Glucosamine Sulfate Capsules" have been approved
- "Chlorpheniramine Maleate" has been approved for market launch
- "Oseltamivir Phosphate Dry Suspension" has been approved for market launch



Promoting Sustainable Development Together

- Both CR Sanjiu and its subsidiary Kunming Pharmaceutical Group were awarded the "ESG Golden Bull Award Top 100" and "ESG Golden Bull Award Central Enterprises Top 50" at the second Guoxin Cup
- Recognized as a pioneer in ESG governance with the "Responsible Whale Bull Award"
- Ranked first in the Southern Weekend "2023 Pharmaceutical Corporate Social Responsibility Research List"
- Awarded the "2024 Best Practice Case for Sustainable Development of Listed Companies"
- Received the "A-share ESG Value Award" at the China Listed Companies Yinghua Awards
- Ranked in the "2024 China Corporate ESG 100 Index"
- Won the ESG Award of 2024 Shanghai Securities News Golden Quality Award
- Participated in the editing of CASS-ESG 6.0 General Framework for Corporate Sustainability Reporting Guidelines in China



Sustainability Development Management

Sustainability and ESG concepts

CR Sanjiu is committed to sustainable development and ESG management, guided by the principle of "Creating Value for Shareholders, Providing Opportunities for Employees, and Assuming Responsibility for Society." We have effectively integrated the concept of sustainable development into the overall development strategy of the pharmaceutical industry, embedding it across all stages of the product lifecycle, including medicinal herb cultivation, pharmaceutical R&D, and health consumption. While pursuing economic growth, we prioritize safeguarding the legitimate rights and interests of shareholders and creditors, and maintain fair and honest relationships with customers, suppliers, and employees. In our production and operations, we actively promote green and low-carbon practices, aligning with the "Carbon Peak and Carbon Neutrality" policies by implementing energy-saving and emission-reduction initiatives. Additionally, we are dedicated to charitable and public welfare endeavors, such as rural revitalization, community development, and emergency disaster relief. By coordinating our corporate activities with social and environmental goals, we strive to achieve harmonious and sustainable development for both the Company and society.

Sustainability and ESG Work Implementation

CR Sanjiu continuously enhances the sustainable development and ESG implementation mechanism. Guided by the CR Group's "14th Five-Year Plan" for social responsibility, the Company carries out its annual sustainable development and ESG initiatives, closely integrating its business activities with sustainable development management to drive high-quality and sustainable growth.

Governance Framework

CR Sanjiu consistently enhances the sustainable development management system and optimizes its corporate governance structure. The Company has established a top-down sustainable development and ESG governance framework with clearly defined responsibilities, involving the Board of Directors, the Management, and the Sustainability Working Group. This collaborative structure drives the Company's sustainable development initiatives and elevates the level of ESG governance.



Management Guidelines

The Board of Directors of CR Sanjiu consistently strengthens the oversight of sustainable development and ESG matters, driving continuous improvements in the Company's sustainable development governance system, ensuring the integration of ESG considerations into the Company's major decision-making processes and business operations.

CR Sanjiu established the *Management Measures for Social Responsibility Work of CR Sanjiu*, which officially took effect and was implemented in January 2023. The policy applies to all centers, departments, divisions, and business units within the Company. In alignment with the *Management Measures for Social Responsibility Work of CR*, CR Sanjiu continuously refines its sustainable development indicator system and enhances performance management, practice communication, report compilation and dissemination, as well as evaluation and

assessment within its sustainable development management framework. In 2024, we revised the *CR Sanjiu External Donation Management System* to strengthen the management of external donation matters. Additionally, the Company has created an ESG section on its official web operational site to disclose ESG-related policies and practices, regularly publish sustainability and ESG reports.

By 2024, CR Sanjiu have prepared and published social responsibility reports for 16 consecutive years, with steady improvements in both the "quality" and "quantity". Starting in 2022, CR Sanjiu effectively integrated key ESG indicators with CSR indicators, upgrading its original Social Responsibility Report to a Sustainable Development Report. In 2023, the Sustainable Development Report was further upgraded to a Sustainable Development and ESG report.

Statement of the Board

The Board of Directors of CR Sanjiu holds the overall responsibility for sustainable development and ESG-related matters, while the Company's management is tasked with leading and making decisions on the sustainable development management strategy, as well as assessing the risks and opportunities associated with the Company's sustainable development. Under the Board of Directors, a Sustainability Working Group has been established to implement and follow up on tasks assigned by senior leadership. The Public Affairs Center is responsible for the daily management and coordination of sustainable development initiatives. Additionally, each center, department, and business unit are accountable for promoting and implementing sustainable development practices at the operational level.

This report provides a detailed disclosure of the progress and effectiveness of CR Sanjiu's sustainability and ESG initiatives in 2024. Moving forward, the Board will continue to refine and optimize the Company's ESG governance framework.

Risk and Opportunity Identification

The Board of Directors, operating within the framework of the existing internal control and risk management system, evaluates the risks and opportunities associated with the Company's ESG factors. It identifies, oversees, and manages issues and activities related to ESG governance to ensure the effective implementation of the sustainable development strategy.

Evaluation and Assessment

CR Sanjiu encourages all subsidiaries to implement sustainable development and ESG practices in alignment with their business development needs and resource capabilities. Each subsidiary is urged to undertake or participate in relevant responsibility fulfillment projects based on its specific circumstances, fostering deeper progress and impact in these initiatives.

The Board of Directors has established the Remuneration and Evaluation Committee, which is tasked with formulating and reviewing the remuneration structure and policies for the directors and senior management of the Company. The remuneration structure for CR Sanjiu's management team consists of "basic salary + annual target performance

bonus + equity incentives." We have integrated sustainability performance indicators, such as environmental performance, anti-corruption efforts, and compliance, into our current incentive remuneration policy. In the event that we fail to achieve or underperform against the current year's environmental performance appraisal targets, there will be a corresponding deduction in salary. We conduct annual reviews and evaluations of our senior management's performance and disclose information on the remuneration of the Board of Directors and management in our annual report. For further details, please refer to the CR Sanjiu 2024 Annual Report.

Stakeholder Communication

Identify each important stakeholder of CR Sanjiu, explain the expectations and demands of the stakeholders respectively, as well as the communication channels and responsible communication actions carried out by CR Sanjiu to respond to the expectations of the stakeholders.

Stakeholder	Government/ Regulatory Agencies	Clients	Employees	Shareholders/ Executives/Investors
Communication Requirements	Daily communication Working meetings and project cooperation reporting	Customer satisfaction survey Customer relationship management Product quality and safety management	Complaints and feedback Training activities Performance feedback	Business performance improvement Multi-channel communication Governance capability improvement
Communication Response	Implement management requirements Assist rural revitalization Build ESG/sustainable development strategy Create career opportunity	Strengthen quality and safety supervision Expand big health business Raise customer satisfaction Actively handle customer complaints	Protect the rights and interests of employees Caring for employees' life Promote career development Improve democratic communication mechanism	Protect reasonable investment returns Enhance the quality of information disclosure Maintain investor relations Hold performance briefing sessions Sound media communication channels
Stakeholder	Partners	Non-Profit Organizations	Peer Companies	Community
Communication Requirements	Supplier management training Exchange symposium	Dual-carbon goal Implementing Green operation Rising environmental awareness	Forum and conference Working group Networking event	Community communication Social welfare activities
Communication Response	Compliance management Anti-corruption Optimize workflow Deepen project cooperation	Respond to climate change Energy saving and emission reduction Environmental protection Environmental protection publicity and education	Promoting industry development Discuss business opportunities Joint R&D Sharing of experience Participate in ESG industry exchanges	Conduct community service activities Health knowledge promotion Implement rural revitalization



Social Responsibility Gallery

Capacity Building

CR Sanjiu organizes annual professional training sessions for the management and all members of the Sustainability Working Group. These sessions aim to review the achievements of the year's sustainable development and ESG management efforts, share the latest trends in sustainable development, and discuss industry best practices to enhance the Company's sustainable development and ESG management performance. Additionally, CR Sanjiu actively participates in domestic and international communication and exchange activities related to sustainable development. The Company also collaborates with partners and social responsibility/ESG research organizations to conduct relevant training programs.

Key Performance

During 2024,

CR Sanjiu conducted **12** dedicated training programs on sustainable development

amounting to **722** class hours

with **186** participants involved

Materiality Issues Management

CR Sanjiu rigorously adheres to the process of dual materiality assessment, scientifically conducts stakeholder questionnaire surveys, and identifies materiality issues to direct the sustainability management and information disclosure efforts, thereby better fulfilling the expectations and demands of stakeholders.

Impact materiality assessment

<p>Issue identification</p> <p>By analyzing standards and policy requirements for sustainable development management both domestically and internationally, conducting scientific industry benchmarking, and integrating the actual situation and development strategy of the Company, an issue database comprising 46 topics was established.</p>	<p>Issue survey</p> <p>Conduct questionnaire surveys on material issues for both internal and external stakeholders, including shareholders/investors, employees, customers, government/regulators, partners, industry peers, media, non-governmental organizations, and the general public in the community.</p>
<p>Issue prioritization</p> <p>Based on the survey results of the materiality issues, we prioritized the issues in terms of the "importance to business development" and "importance to stakeholders."</p>	<p>Issue review</p> <p>The Company's management, along with external experts, reviewed the results of the issue assessment and finalized 28 materiality issues for key disclosure within the report.</p>

Finance materiality assessment

Experts from CR Sanjiu's Finance Department assessed the financial impact of the issues based on the two dimensions of "continuity of access to resources" and "dependence on relationships".

- **Identification of the continuity of access to resources.** Considering the internal and external environments of the Company, analyze whether the Company can sustainably secure relevant capital resources in the short, medium, and long term, taking into account the impact of various ESG material issues.
- **Analysis of the dependence on relationships.** Analyze whether the Company can sustain positive relationships if it fails to adopt best practices for each material ESG issue.
- **Finance materiality Analysis.** Considering the market price of resources, trend forecasts, the Company's costs in previous years, and non-concessionary revenue factors, we assessed the impact on profits. The Finance Department experts, Sustainability Working Group, management, and Board of Directors at CR Sanjiu, among others, successively reviewed and ultimately confirmed the agreement. We identified a total of 28 materiality issues, of which 9 issues have a high level of double materiality.

CR Sanjiu Sustainability Issues Analysis



Importance	No.	Issue
Highly Important	1	Product/Service Quality Management
	2	Integrity and Compliance
	3	Create Economic Value
	4	Strengthen Risk Control
	5	Product/Service Accessibility and Inclusiveness
	6	Occupational Health and Safety
	7	Adherence to the Party Leadership
	8	Product/Technology R&D Innovation
	9	Protect Rights and Interests of Customers
Fairly Important	10	Anti-Corruption and Anti-Bribery
	11	Adherence to Drug Ethics
	12	Assist in Rural Revitalization
	13	Improve Environmental Management System/Environmental Compliance Management
	14	Addressing to Climate Change
	15	Waste/Emissions Management
	16	Saving Energy Consumption
	17	Intellectual Property Protection
	18	Strengthen Sustainable Development System
	19	Optimize Resource Utilization
	20	Advocate Scientific and Rational Drug Use
	21	Advocate Responsible Marketing and Consumption
	22	Protect Employee Rights and Interests
Generally Important	23	Promote career Development
	24	Protect the Rights and Interests of Small and Medium-sized Investors
	25	Promote Cooperation and Exchange
	26	Promote Industry Development
	27	Promote Supply Chain Responsibility
	28	Biodiversity Conservation

Innovation-Driven Pioneering New Fron- tiers with Technological Breakthroughs

Governance

CR Sanjiu places consumer needs at its core, leveraging the outstanding pilot enterprises for Exemplary Scientific Reform Actions" as an opportunity and focusing on intelligent manufacturing as a key driver. The Company has established a "pyramid" innovation system, strengthening innovation R&D and the development of digital platforms for intelligent manufacturing. It continues to increase investment in innovation, enhances industry-university-research collaboration, and cultivates a team of scientific and technological talents. By building benchmark intelligent manufacturing factories and deeply integrating automation with informatization, the Company accelerates the implementation and transformation of scientific and technological achievements. This drives the digital transformation of its production operations, enhancing production management capabilities and operational efficiency.

Strategy

CR Sanjiu fully recognizes the impact of risks and opportunities related to talent, key technologies, and digital and intelligent transformation on business operations. The Company anticipates potential future financial implications and proactively develops risk control and opportunity response strategies. These include improving the scientific and technological innovation system, building digital and intelligent innovation platforms, strengthening breakthroughs in key core technologies, and recruiting talents specialized in emerging technologies. The Company strives to achieve integration, co-creation, joint development, and shared benefits.



Contribute to the SDGs



Risk and Opportunity Management

Risk/Opportunity	Potential Impact	Response Strategy
Talents and Key Technologies	The biopharmaceutical industry has a robust demand for professional talents, particularly highly skilled talents in areas such as research and development, clinical trials, and production management. However, the global supply of such talents is limited, and the accelerating talent mobility has resulted in intense competition for talents and the loss of core personnel among enterprises. This affects the continuity of R&D projects and the long-term development of companies.	Seize the opportunity of the science and technology reform demonstration project to accelerate innovation and transformation, build an innovative talent management system, introduce artificial intelligence, big data and other emerging technologies to improve the efficiency and accuracy of research and development. Through cooperation with international and domestic advanced enterprises and scientific research organizations, acquire cutting-edge technologies and resources, and cultivate and introduce scientific and technological innovation talents. At the same time, we strengthen the internal training system for enterprise talents, improve the professional skills of employees, and provide them with good career development paths
Digital and Intelligent Transformation	Digital and intelligent technologies complement each other in the development of biopharmaceutical enterprises. The application of digital and intelligent technologies in the production process can realize the automation and fine management of the production process, by improving the efficiency of research and development, optimizing the production process, enhancing the supply chain management, enterprises can better respond to market competition and regulatory requirements	It is necessary to formulate a long-term digital and intelligent transformation strategy based on technological development and market trends, lay out emerging technology fields, optimize the mechanism of scientific research and production management work, strengthen the application of new technologies and new scenarios, enhance the digital coverage of key business segments, cultivate cross-disciplinary and compooperational site talents, and accelerate the construction of digital and informatization systems and platforms.

Targets

Type	Medium and Long-term goals	Progress towards 2024 Targets
Innovative R&D	Efforts will be made to create an innovation highland, strengthen the construction of innovation platforms, and build national research platforms and provincial research platforms. Strengthening cooperation between industry, academia and research, continuously expand the circle of friends and innovative cooperation models, and continue to improve independent innovation capacity through the construction of joint laboratories, technology platforms, etc.	<p>Comprehensively promote the construction of R&D and innovation, and rank among the top three in the "China Traditional Chinese Medicine R&D Strength Ranking" in 2024. The specific achievements are as follows:</p> <ul style="list-style-type: none"> • Construction of innovation platforms and organization system: 12 national research platforms have been successfully built, and a perfect innovation organization system has been established, which provides strong support for technology research and development, achievement transformation and efficient allocation of resources. • Optimization of system and mechanism: more than 60 innovation systems and mechanisms have been formulated and implemented to further optimize the innovation environment and stimulate innovation vitality. • Construction of R&D talent team: the scale of R&D personnel continues to expand, and by 2024, the total number of R&D personnel reached 876, accounting for 4.37% of the total number of employees. • Invention patents and transformation of achievements: 201 new patent applications and 148 new patents were authorized in 2024, with the total number of valid patents held amounting to 1,423, of which the total number of invention patents applied to the main business amounted to 617 • National awards: It has won national awards for 9 times, among which the project of the <i>Construction and Demonstration Application of the Theory and Technical System of Ecological Cultivation of Chinese Medicinal Materials</i> has won the Second Prize of National Scientific and Technological Progress in 2024. • R&D progress: the number of projects under research and development exceeds 100 covering the fields of cardiovascular system, anti-tumor, digestive tract and metabolism, central nervous system, etc.

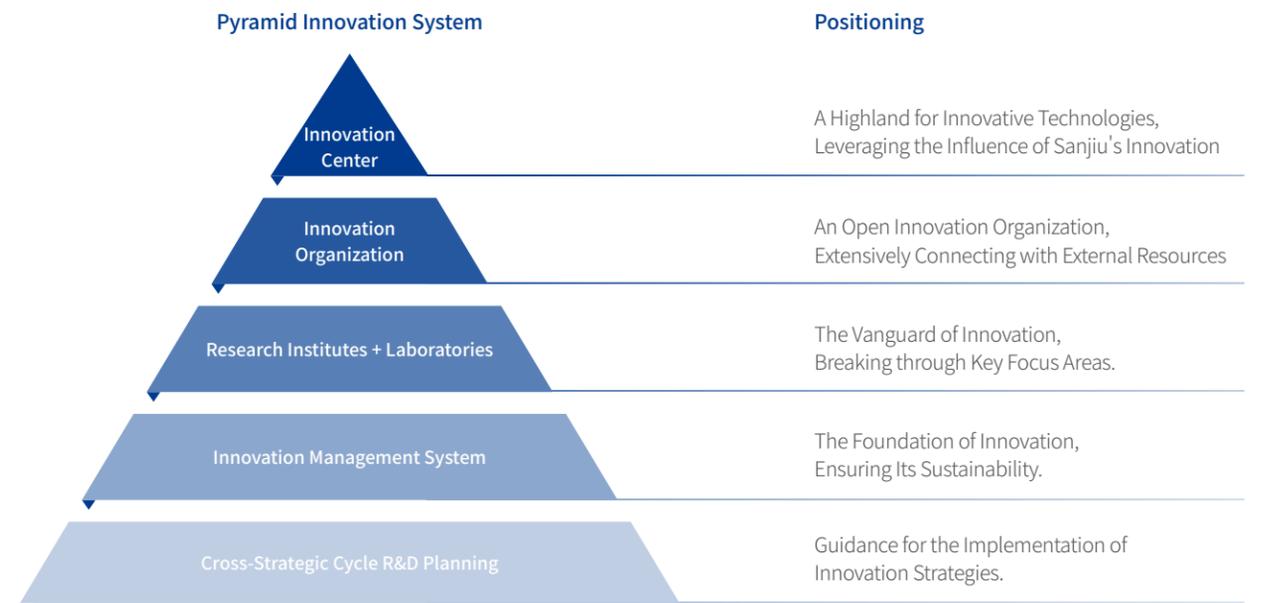
Focus on Innovation and Stable Development

CR Sanjiu leads high-quality development through innovation, accelerates the implementation of innovation-driven strategies, building upon its previously established innovation strategy, continues to "To Do Docus, Build Capacity" capabilities, focusing on the Company's core strategy, and consistently increasing investment in innovation to cultivate and develop new forms of productivity.

Improvement of Science, Technology and Innovation Management

We strictly abide by the *Drug Administration Law of the People's Republic of China*, the *Pharmacopoeia of the People's Republic of China*, the *Statute of the Science and Technology Innovation Committee*, the *Measures for the Management of Scientific and Technological Innovation Projects*, and other national laws and regulations and the relevant systems of the Company, and other national laws and regulations and the relevant systems of the Company, and continue to optimize the "Pyramid"-

type innovation system, adhere to the "1+7+N" science and technology innovation management system centered on "Grasping Project, Strengthening Management, Reviewing, Motivating, and Promoting Transformation", improve the "6E" closed-loop management, promote the exploration of new modes of innovation and development, and form the protection of innovation by multiple parties.



At the pinnacle of the pyramid, the focus is on leveraging key technology platforms to strengthen the construction of scientific and technological innovation platforms, drive the output of innovative achievements, and amplify the influence of innovation. The body of the pyramid establishes an open innovation organization, and an innovation vanguard team based on the "CD + BD + R&D" model, seizing policy opportunities such as "Healthy China, innovation, traditional Chinese medicine, and aging population," and forming an innovation "Horse Racing" mechanism to advance breakthroughs in scientific and technological innovation projects. The foundation of the pyramid is supported by an innovation management system and innovation planning, ensuring the continuous upgrading of innovation management and the sustained improvement of innovation quality and efficiency.



Construction of scientific and technological innovation platforms

We cooperate with internal and external organizations to build national key laboratories, adheres to the orientation of national strategic needs, aims at efficient output of modern Chinese medicine products with remarkable advantages in clinical efficacy and safeguarding people's health, focuses on important breakthroughs in the creation of modern Chinese medicines with classical prescriptions, and provides a technological innovation platform to support high-quality development.

- CR Sanjiu, in collaboration with its business units Kunming Pharmaceutical Group, CR Shenghuo, and Kunming Modern Chinese Medicine, established Yunnan Panax Notoginseng Research Institute Co., Ltd. Additionally, it formed the Yunnan Panax Notoginseng Industry Innovation Consortium with 36 units, including higher education institutions, scientific research institutes, and upstream and downstream enterprises. Taking the Yunnan Panax Notoginseng Industry Innovation Consortium as a platform, the Company submitted 6 research projects related to the Panax Notoginseng industry to the Yunnan Provincial Science and Technology Department for consideration.
- Aonuo Pharmaceuticals established a municipal R&D platform Baoding Industrial Design Center and a municipal R&D platform Baoding National Hi-Tech Zone Vitamins and Minerals Drug Preparation Technology Innovation Center.
- CR Shunfeng established a provincial-level R&D platform, the Guangdong Provincial Dermatology Medical Engineering and Technology Research Center.
- Sanjiu Modern Chinese Medicine established a provincial-level R&D platform Guangdong Provincial Engineering and Technology Research Center for Quality Control and Industrialization of the Whole Industry Chain of Chinese Medicine Formula Granules.
- Jointly registered Shenzhen Biomedical Industry Alliance with Shenzhen Xinlilai Pharmaceutical, Healthyuan Pharmaceutical and many other organizations.

Cultivate innovative R&D talents

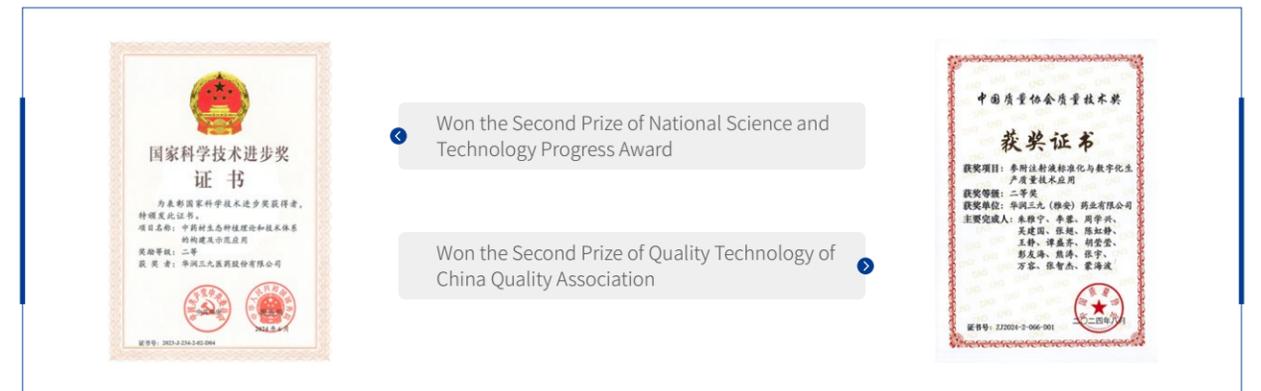
Strengthen the recruitment and cultivation of high-tech innovative talents in R&D and intelligent manufacturing, strengthen the construction and management of talent pool, fully stimulate the endogenous power of scientific and technological innovation through "building a good platform + building a good mechanism + using talents", promote the construction of scientific and technological talents, focus on cutting-edge medical problems, and dedicate to the research and development of groundbreaking therapeutic programs and medicines.

Enrichment of Scientific and Technological Innovations

We continue to implement the capacity building for "Innovation and R&D", gain insights into the trend-driven opportunities of consumption upgrading, conduct in-depth research on consumer demands in terms of product functions and usage scenarios, enhance independent innovation capabilities, accelerate the transformation of innovation results, drive the initiation of new product development projects and achieve breakthroughs in new product approvals, advance the industrialization of the enterprise's scientific research results, and continue to enhance the competitiveness of the enterprise's products.

Accelerate the transformation of innovation results

Continuously increase the investment in R&D resources, and continuously explore the optimization of formulas, process innovation, etc. Build up a complete R&D system to stimulate the momentum of scientific and technological innovation and promote the breakthrough of key core technologies, ensuring the output of high-quality innovation results. Participation in the project of the *Construction and Demonstration Application of Ecological Planting Theory and Technical System for Chinese Medicinal Materials* resulted in winning the Second Prize of the National Science and Technology Progress Award". The two projects of the *Creation and Application of the System for Regulating the Liver and the Spleen in Treating Functional Gastrointestinal Diseases* and the *Creation and Application of the System for Identifying and Treating the Pathogenesis of TCM Tumors and Cancerous Toxins* we involved were awarded the first prize of the Science and Technology Award of the Chinese Society of Traditional Chinese Medicine. Participation in the project of the *Application of Quality Technology for Standardization and Digital Production of Ginseng and Pineapple Injection* won the Second Prize of Quality Technology of China Quality Association. The patent achievement of the *A Kind of Traditional Chinese Medicine for Treating Gas Stagnation and Stomach Pain and its Preparation Method* we declared was awarded the China Patent Excellence Award.



Improve the industrial design work system

Introduced AI tools to solve specific business scenario design needs, and the application case was certified by the Ministry of Industry and Information Technology as an innovative scenario case of "AI-enabled creative design in the field of pharmaceuticals" and shortlisted in the "2024 AI+ Annual List" under the guidance of Cultural Development Center of MIIT. Finalist of Shenzhen Municipal Bureau of Science and Technology's Shenzhen AI Influencing Labor Market Best Practice Case Collection. 2024 design achievements won a total of 15 awards, and a total of 74 domestic and international top design awards. Applied for 5 utility model patents and published 2 design theses in the core journal Packaging Engineering in 2024.



In 2024, Five Utility Model Patents were Applied for

- Shanhuang Hongguo Ointment
- Brick Tea
- Duide Tea
- Steeped Tea
- Foldable Medicine Bottle

Two Design Papers Published in Core Journals (Packaging Engineering)

- Empathic Thinking in New Retail Service Design for Elderly Recreation Products*
- Design Strategies for Ideal Types and Indications of Pharmaceutical Packaging*

AI Empowers Creative Design in Medicine

R&D Innovations Achieved by 2024



Classical Prescriptions Field

3 classical prescriptions have been approved, the number of approved prescriptions is the first in the industry; 3 prescriptions are in the filing stage, the number of accepted prescriptions is leading in the industry. Among them, "Wenjing Tang Granules" was the first one in China and the first one in Guangdong Province to obtain the registration certificate of Class 3.1 (in MAH form) and passed the negotiation of the National Medical Insurance Catalog in 2024, becoming the first gynecological classic formula to pass the national negotiation.



Respiratory Field

Continue to enrich the product line in the respiratory field, achieving basic coverage of the Company's products in the cold and flu category. One new product has been approved. The "Oseltamivir Phosphate Dry Suspension" developed by our Company can meet the clinical medication needs of infants and children who require precise dosing based on their body weight, providing a more convenient option for those with dysphagia.



Dermatological Field

We have obtained approval for one new product, "Terbinafine Hydrochloride Spray", making it the second product in China to pass the consistency evaluation, further enriching the Company's product pipeline in the field of skin diseases.



Orthopedics Field

Approved a new product, "Glucosamine Sulfate Capsules" (0.25g - Glucosamine Sulfate or 0.314g - Glucosamine Sulfate Sodium Chloride) will be approved by the State Drug Administration for listing.



Ophthalmology Field

Approved a new product, the design of "Sodium Hyaluronate Eye Drops" was carried out, which solved the problems of liquid residue in the opening and burrs, and made it easier for patients to use.



Anti-infectives Field

We have been continuously optimizing and expanding our product pipeline, developing generics for multiple anti-infective products. In 2024, 2 new products were approved in this field: Cefoperazone Sodium and Sulbactam Sodium for Injection, as well as Ceftazidime and Avibactam Sodium for Injection. Both are compound preparations consisting of third-generation cephalosporins combined with β -lactamase inhibitors, designed to address the increasingly prominent challenge of drug resistance.

2024 Progress of Key Projects in Generic Drug Consistency Evaluation

In the field of self-diagnosis and treatment, grasping the development opportunity of the reform of China's OTC registration and management system, and oriented by consumers' demand, focusing on the core of the pipeline of therapeutic areas of cold & flu, gastrointestinal, and skin diseases, we strengthened our position in the CHC market by focusing on advantageous categories. We focused on the advantageous categories and enriched the self-diagnosis and treatment product line to consolidate our position in the CHC market.

In the field of prescription drugs, the Company focuses on the key strategic pipeline, laying out in the therapeutic areas of gastrointestinal, orthopedics, oncology, cardio-cerebral, respiratory and so on. Through product introduction, cooperative development and self-development, we will continue to increase the introduction and development of innovative varieties, gradually converge with the CHC pipeline, and realize the synergistic and orderly development of dual terminal.

Obtained approvals for generic drugs

Terbinafine Hydrochloride Spray, Sodium Hyaluronate Eye Drops, Glucosamine Sulfate Capsules, Oseltamivir Phosphate Dry Suspension, Cefoperazone Sulbactam Sodium for Injection, Ceftazidime Avibactam Sodium for Injection, enriching the products of dermatology, ophthalmology, orthopedics, respiratory, and anti-infective fields, and enhancing the ability of R&D and innovation.

Submitted registration declaration

Loxoprofen Gel Patch, Metronidazole Gel, Cefpirome, Cliborol Ointment, Adapalene Gel, Vancomycin Hydrochloride for Injection, Mupirocin Ointment, Desloratadine Oral Solution, to enhance the efficiency of the generic drug declaration, and the output of innovative products is gradually formed into an echelon, expanding the core pipeline of products.

Protection of Intellectual Property Rights

We strictly abide by the *Trademark Law of the People's Republic of China*, the *Measures for the Administration of Intellectual Property Certification* and other relevant laws and regulations, and formulate special work systems such as the *Brand and Authorization Management System of CR Sanjiu*, the *Basic System of Intellectual Property Management of CR Sanjiu*, the *Measures for the Administration of Patents of CR Sanjiu*, the *Measures for the Administration of Published Scientific and Technological Papers of CR Sanjiu*, the *Measures for the Administration of*

Intellectual Property Rights and Counterfeiting Mechanisms and other special work systems, and construct intellectual property management system focusing on trademark rights and covering multiple dimensions such as patents, trade secrets, copyrights, etc., committing to respect and protect its own intellectual property rights and those of others. In 2024, the Company did not experience any major intellectual property infringement that had a significant impact on the Company.

Build a closed-loop management mechanism.

We actively implement intellectual property protection measures, establish both online and offline infringement monitoring systems, and strengthen intellectual property management by introducing processes for patent proposal applications and scientific thesis publication approvals within our Company's OA system. We carry out various online and offline rights protection activities to uphold the Company's intellectual property rights and form a closed-loop management mechanism for the entire process of intellectual property rights protection work.

Enhance intellectual property awareness.

Carry out World Intellectual Property Day promotional activities and provide intellectual property rights training modules in the 2024 legal training and new employee training to enhance employees' awareness of intellectual property rights and ensure effective protection of intellectual property rights.

Deepening Transformation for Sustainable Development

Comprehensively implement the new development concept, accelerate digital transformation, strengthen the application scenarios of new technologies and new scenarios, and enhance the digital coverage of key business processes. With intelligent manufacturing as the focus of promotion, the Company adopts the approach of "Process First → Equipment Automation Upgrade → Information System Integration" to realize the digital transformation of the Company's production business through the in-depth integration of automation and information, to build intelligent manufacturing benchmark factories, and to promote the construction of business ecology and transformation and upgrading.

Accelerated Digital Transformation

We adhere to the strategy of "Digital Sanjiu", actively implement the development of digital transformation, take the initiative to explore new scenarios and modes of application of new technologies in the pharmaceutical field, promote the construction of industrial digital ecology, and implement a series of initiatives to realize the construction of ecology and transformation and upgrading.

Promote Digitization

Cultivate a digital technology team.

Set up a digital technology studio, based on the functions of conducting digital technology seminars, training digital talents, testing digital technology applications, and incubating small-scale digital projects. In 2024, we will build the "Digital Technology Studio" to conduct training sessions and technical seminars on digital technology, addressing five key technical challenges, including industrial ring network storms and automatic liquid loading.

Deepen the digital transformation of finance.

Carry out the construction of treasury platform, operational analysis platform, budget system and other projects to realize the online and automated operation analysis and budgeting of the Company as a whole and 80% of the management organizations, realize the automatic penetration of the treasury's 2,000,000+ data, improve the standard processing and real-time sharing of financial data, and realize the interconnection of financial system data.



Explore Digital Empowerment

Promote the digitization of laboratories. Building intelligent digital laboratories for R&D and production and empower the laboratory's daily business processing capability through an information technology system.

Development and Manufacture of Automated Inspection Instruments

Develop 4 automated equipment and 1 set of centralized control system for automation of pre-processing of manufacturing, automation of pre-processing of pesticide residue, automation of weighing and automation of high-temperature inspection. Carrying out technical seminars, completing the hardware design and optimization of the system, tackling technical problems, and realizing the automated operation of the test methods for Cold and Flu Granules and related raw and auxiliary materials of medicinal herbs.

Construction of Intelligent Sampling Management System

Through the intelligent sample management system, we carry out the operations of sample warehousing, retrieval, and inventorying, realize the automatic shelving and retrieval as well as information management of laboratory samples, and improve the efficiency of the QC laboratory.

Construction of Intelligent Resource Management System

We implement unmanned warehouse management for reagents and test drugs, toxic and explosive substances, and standard substances through the Internet of Things technology, RFID, electronic sensor alarm, and other technologies, enhancing the level of laboratory resource management.

Build a quality digitalization system. Establish an information-based quality assurance system centered around QMS to realize information-based management of change management, document management, measurement management, training management, and supplier management, covering all production points where CR Sanjiu is the MAH. In terms of quality supervision, we have achieved the transformation to a digital supervision model in the cream production workshop, establishing digital supervision standards and an atlas of production process parameters to ensure that the entire production process is stable, compliant, and controllable.

Build a digital marketing platform. Using emerging technologies to promote the construction of online business operation and service system, to build an integrated platform system with OMS+ERP+WMS as the core, to enhance the ability to respond quickly to digital business and improve online business efficiency. Opened up online diversified entrances, improved the "Big Sanjiu" membership system, and launched the Tencent Yuanbao APP and 999 Membership Center mini program in "Uncel San Health Butler" simultaneously to enhance member services and experience and provide customers with better services.

Promoting Intelligent Manufacturing

We are committed to becoming the leader of intelligent manufacturing mode, standard and technology in the traditional Chinese medicine industry. Under the overall goal of "the 14th Five-Year Plan" for Intelligent Manufacturing, which is "effective operation of the production and operation brain to achieve synergy of production and operation and optimization of resources", we have clarified the path of "the 14th Five-Year Plan" for the development of Intelligent Manufacturing. Focusing on key products and production lines, the Company promotes the leap from "manufacturing" to "intelligent manufacturing" in the production of traditional Chinese medicine.

Clear Development Path

In the first phase, with the theme of "standardization and specification", the main goal is to realize the standardization and digitization of intelligent manufacturing infrastructure.

In the second phase, with the theme of "integration and collaboration", the main goal is to realize internal and external collaboration among production networks.

In the third stage, with the theme of "interoperability and promotion", the main goal is to use knowledge or models for business optimization, and by 2025, the smart manufacturing system will initially achieve ecosystem connectivity, prediction, early warning capabilities, etc.

Digital Intelligence Technology Upgrade



IOT Group Control System Expansion

Using AI+IoT technology, the Company has built a "one-screen view" public and auxiliary group control system, which deepens the intelligent control scenes of the air pressure system and expands the intelligent control scenes of the air conditioning system, realizes the centralized remote control of the air pressure system and the air conditioning system, and realizes the precise supply of energy, energy saving and consumption reduction, and the energy-saving rate driven by AI reaches more than 15%.The project has obtained 2 software copyrights, participated in drafting 1 group standard, and won the Green Development Enterprise Award 2024 of "Dingge Award" by *Caijing Magazine*.



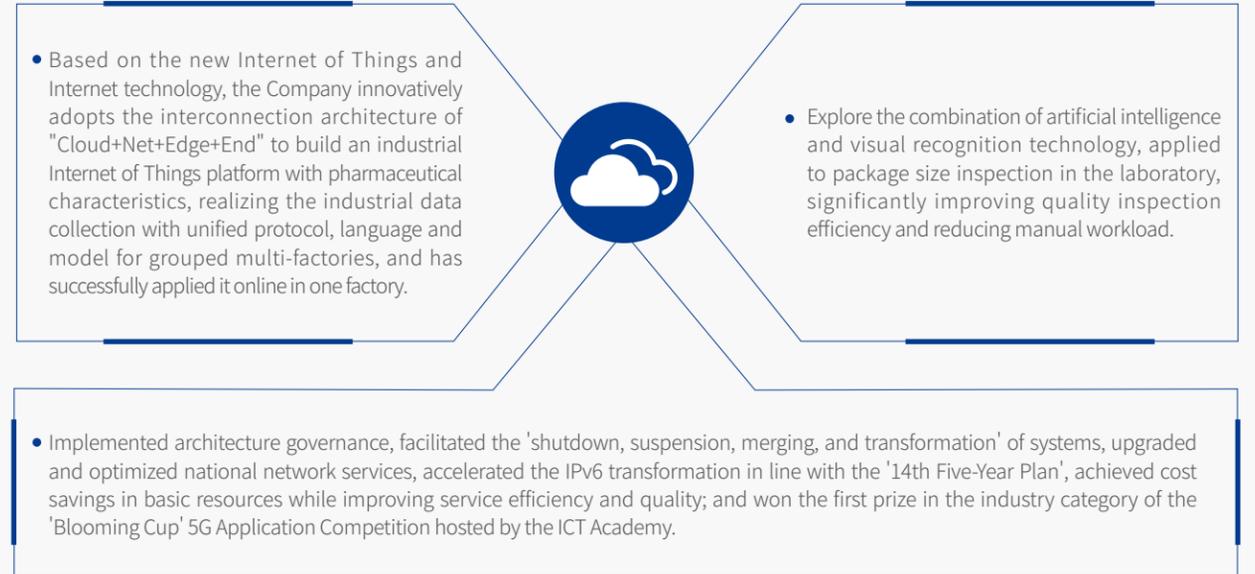
Expansion of Data Acquisition and Monitoring Systems

Promoted the digital upgrading and transformation of old equipment, realized the full coverage of the number sets of production workshops and three-dimensional warehouses in the ACDE zone, and the networking rate of key equipment in the Guanlan base was increased to 92.2%, with a total of 7,099 data points collected. Gradually form data assets, provide real-time data for MES system batch records, support the analysis of quality, process, equipment operation and other process parameters, and provide data support for workshop lean management, process parameter optimization, deviation investigation and so on.

Enabling Business Development

Focusing on key products, key production lines and core units, CR Sanjiu carries out intelligent manufacturing innovation projects at the level of technological innovation to create a new scenario of "new technology + pharmaceuticals"; at the level of business management, it continues to push forward the pilot and promotion of the construction of business digitalization systems; at the level of production units, it creates intelligent manufacturing benchmark factories and production lines; improves quality, increases efficiency and reduces costs, and continuously

empowers the business through intelligent manufacturing. At the level of business management, we will continue to promote the pilot and promotion construction of business digitalization system; at the level of production units, we will build intelligent manufacturing benchmark factories and production lines; and we will improve quality, increase efficiency and reduce costs, and continue to empower our business through intelligent manufacturing.



Honor

- CR JiuXin Passed Level 3 Assessment of Intelligent Manufacturing Capability Maturity
- Shenyang Sanjiu passed the assessment of two-chemical fusion management system
- CR Sanjiu was awarded E-works China Outstanding Green Intelligent Factory
- CR Sanjiu (Chenzhou) was assessed as Hunan Province Intelligent Manufacturing Benchmark Enterprise, Hunan Province Green Factory, Hunan Province Manufacturing Digital Transformation Benchmark Project
- CR Sanjiu (Zaozhuang) was awarded the second batch of DCMM standardization pilot enterprises in Shandong Province in 2024, and the "Morning Star Factory" of digital economy.
- CR Benxi Third Pharm Selected as Liaoning Province Intelligent Factory 2024
- CR Sanjiu was awarded as a model enterprise for digital transformation in Huaibei City.
- The "IOT AI Cloud Intelligent Control" project was honored with the Harvard Business Review's Green Development Enterprise of the Year Award.
- CR Sanjiu (Nanchang) successfully passed the evaluation and acceptance of 5G+ Smart Factory by Nanchang Bureau of Industry and Information Technology.
- The case of "Intelligent Upgrading of CR Sanjiu's Logistics Decision-making System" was honored as one of the Top 10 Pharmaceutical Supply Chain Technological Innovation Application Cases by China Pharmaceutical Business Association.

» Case Self-developed MES System Put into Operation

In 2024, CR Sanjiu autonomous MES system completed IO, OQ and PQ validation in Guanlan base and CR Shunfeng. Guanlan pills (Zhengtian Pills: 1 variety and 2 specifications), capsules (Cold & Flu Ling Capsules: 1 variety and 1 specification), and Shunfeng healthcare workshop cream (6 varieties and 23 specifications) have entered the system online parallel phase, realized 100% EBR, and completed the integration with ERP, WMS, SCADA, IOT system. The system has declared four invention patents (accepted), one software copyright, and the system through the full information technology innovation certification. CR Sanjiu's independent MES system has been put into use, the system is positioned as a safe and controllable, streamlined functionality, easy to operate, rapid deployment, easy to expand the localization of the pharmaceutical MES system. The successful research and development, as well as the deployment of the system, marks a new stage for CR Sanjiu's production and management modes and serves as a milestone in the Company's digital and intelligent transformation and upgrading.

Cultivate professional team

We continue to strengthen the cultivation of the professional team of intelligent manufacturing, play the role of Deep Blue Laboratory in coordinating and promoting the work of intelligent manufacturing, plan the construction of the Company's unified platform for production and manufacturing, coordinate the project management of intelligent manufacturing in factories across the country, build

intelligent manufacturing benchmark factories and benchmark production lines, and build intelligent laboratories. Enhance the knowledge and skills of professionals through D-plan learning activities, professional seminars and conferences, and professional course training.

Key Performance

In 2024

we carried out

32

intelligent manufacturing projects of various types

16

innovation projects



Focus on Ethics of Science and Technology

We continue to evolve and keep pace with domestic and international clinical trials for new drug discovery and development and emphasize the protection of subjects' rights and interests during clinical trials. We strictly follow animal ethics policies and animal protection related initiatives and strive to consistently provide high standards of ethical practice and scientific behavior in all trials, and promote responsible research practices and scientific progress.

Drug Clinical Trial Management

All clinical trial projects conducted by CR Sanjiu have purchased drug clinical trial liability insurance for the benefit of the subjects to ensure their safety and rights. Meanwhile, during the screening of subjects, the investigators need to obtain informed consent from the subjects, fully informing them of the purpose of the trial, the known or possible adverse reactions of the test drug, and ensuring their voluntary participation. If an emergency safety event occurs during the trial, the researcher will promptly take therapeutic measures to ensure the subjects' safety.

Adherence to the Ethics of Animal Experiments

CR Sanjiu animal experiments are entrusted to suppliers qualified to conduct animal experiments, and the commissioned research units strictly abide by the *Code of Practice for the Quality Management of Pharmaceutical Clinical Trials*, the *Declaration of Helsinki*, ICH, and GCP and other principles of medical ethics and relevant clinical regulations, and carry out medical research in accordance with the *Regulations on the Administration of Laboratory Animals* and the *Relevant Provisions of the Guiding Opinions on the Kindness of Laboratory Animals* to ensure that the scientificity, legality and standardization of the research.

In accordance with the *Regulations on the Administration of Laboratory Animals* and other relevant regulations, Kunming Pharmaceutical Group has set up a Laboratory Animal Management Committee and an Ethical Review Committee, which are responsible for the unified deployment and quality supervision and management of the work on laboratory animals. It strengthens the continuing education and training of practitioners and makes higher requirements for the disposal of experimental waste and experimental animal carcasses involving environmental safety, as well as labor protection and safe operation involving practitioners' own safety. The banner "Follow Animal Ethics, Abide by Professional Ethics, Respect Life, Standardize Operation, Safe Production" is prominently posted on the wall of the Company's building steps, which practices the Company's concept of laboratory animal management.



Laboratory Animal Use License



Governance with Wisdom Strengthen Foundations for the Company Development

Governance

CR Sanjiu has established a governance structure with clear positioning, well-defined powers and responsibilities, and standardized processes. This structure ensures standardized corporate operations through institutional safeguards, ensuring the General Meeting of Shareholders, the Board of Directors, the Supervisory Board, and the management fulfilling their respective rights and responsibilities in accordance with the responsibilities outlined in the *Articles of Association*. Within the framework, the Board of Directors of CR Sanjiu has overall responsibility for sustainability and ESG related matters, with the Company's management being responsible for the leadership and decision-making of the sustainability management strategy, as well as assessing the risks and opportunities associated with the Company's sustainable development. Additionally, CR Sanjiu has developed a compliance management system with a clearer division of responsibilities, smoother operational mechanisms, stronger compliance awareness, and more effective compliance risk prevention and control. The Company has implemented a standardized and efficiently operated compliance management system that extends from both the headquarter level and the business unit level.

Strategy

CR Sanjiu thoroughly implements the spirit of President Xi Jinping's important directives and guidelines on the reform and development of state-owned enterprises and Party construction. The Company consistently strengthens the corporate governance foundation, optimizes the corporate governance structure, and reinforces the comprehensive risk and internal control systems. We continuously standardize the "Three Meetings and One Layer" governance mechanism, enhance the Board of Directors' capabilities, and developed a corporate governance framework with statutory rights and responsibilities, transparency, coordinated operation, and effective checks and balances, laying a solid foundation for the Company's high-quality development.



Contribute to the SDGs



Risk and Opportunity Management

Risk/Opportunity	Potential Impact	Response Strategy
Market Monopolization and Fair Competition Risk	It may affect the layout of corporate compliance building, brand image, social trust and market competitiveness; may also have an impact on the ecological balance of the industry and resource allocation	Establish a correct concept of market competition, set up and enhance a sound anti-monopoly and fair competition compliance management system, improve the internal review mechanism of business practices, and standardize business activities. Proactively accept oversight from regulatory authorities and society to ensure fairness and impartiality in market behavior.
Multi-discipline Compliance Risk	It may expose enterprises to various compliance risks, leading to drug quality issues, legal disputes, financial losses, and reputational harm.	Build and improve a comprehensive compliance management system and establish a specialized department coordinate compliance management efforts across all business areas. Enhance employees' compliance awareness and risk prevention capabilities, fostering a culture of compliance throughout the Company.

Targets

Type	Medium and Long-term Targets	Progress towards 2024 Targets
Corporate Governance	Comprehensively improve the level of corporate governance, safeguard the legitimate rights and interests of shareholders and creditors, and deepen the Company's good image in the capital market.	Achieve total revenues of RMB 27.617 billion. No major operational risk events occur throughout the year



Uphold Integrity, Operate in a Sound Manner

CR Sanjiu strictly adheres to the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and other relevant laws and regulations. The Company continuously strengthens the corporate governance mechanism, improves the internal control system and compliance operation management system, and ensures clean and transparent operations. By building and refining a modern enterprise system that embodies both Chinese characteristics and the unique features of CR Sanjiu, the Company remains committed to integrity-based governance, coordinated operations, and transparent management, driving the Company toward high-quality development through sound and sustainable operations.

Deepening Corporate Governance

We comply with relevant national laws and regulations, continuously improve the corporate governance system, and enhance the level of scientific decision-making. We help the Board of Directors to continuously optimize the operational mechanism and improve

operational efficiency; effectively safeguarding the legitimate rights and interests of all stakeholders and building a good corporate image, laying a solid foundation for the Company's sound and long-term development.

Improving Governance Framework

We continuously optimize the Company's corporate governance structure, improve governance standards, revise the *Articles of Association*, and enhance the quality and efficiency of the Company's operations. We consistently strengthen the decision-making system and refine authorization management, improve the list of powers and responsibilities, clarify the boundaries and decision-making processes for the "Three Committees and One Layer," and establish a governance structure system with clearly defined roles and responsibilities, comprehensively enhancing the Company's operational efficiency.

Shareholders and the General Meeting of Shareholders

The convening procedures, attendee qualifications, and voting processes of all previous general meetings of shareholders were in full compliance with the *Company Law of the People's Republic of China*, the *Rules for the Shareholders' Meetings of Listed*

Companies, the *Articles of Association*, and other relevant laws and regulations. The Company provided internet voting for all matters under consideration at the general meetings to facilitate shareholders' exercise of their voting rights.

Directors and the Board of Directors

The election and replacement of directors were conducted in strict accordance with the procedures stipulated in the law and the *Articles of Association*. The Directors of the Company conscientiously and responsibly attended Board of Directors

meetings and general meetings of shareholders, fulfilling their duties as prescribed in the *Articles of Association*. The specialized committees of the Board of Directors and the Independent Directors fully utilized their roles to ensure the objectivity.

Supervisors and the Supervisory Board

Supervisors were elected and replaced in strict compliance with the procedures specified in the law and the *Articles of Association*. The Supervisors diligently and conscientiously fulfilled their duties, attending general meetings of shareholders with a sense of responsibility to shareholders. They also attended Board of

Directors meetings on-operational site, overseeing the decision-making procedures, resolutions, and the Company's operations in accordance with the law. Additionally, they supervised the Company's finances and ensured the lawful performance of duties by the Directors and senior management.

Key Performance

A total of **4** independent directors
accounting for **36.36%**

A total of **2** female directors
accounting for **18.18%**

In 2024, there were **7** times of
shareholders' meetings held and
24 times of board of meetings held

Among them, **6** meetings of the
Audit Committee, **7** meetings of the
Remuneration and Evaluation
Committee, **5** meetings of the
Strategy and Investment Committee
and **6** meetings of the Nomination
Committee were held.

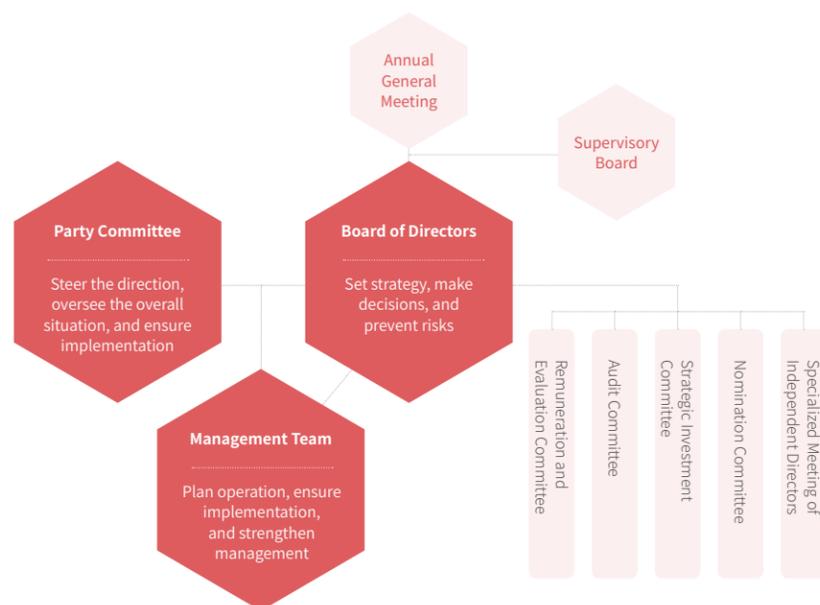
Honors and Awards

Awarded the "2024 Best Practice Cases of Boards of Directors of Listed Companies" and "2024 Best Practice Cases of Board Offices of Listed Companies" by China Listed Companies Association.

Extended Reading

For more information on the duties and members of the Board of Directors and the General Meeting of Shareholders, as well as the specific payment of compensation to Directors and senior management, please see the CR Sanjiu 2024 Annual Report

The Board of Directors fully exercises its role in "Setting Strategies, Making Decisions, and Preventing Risks," and has established the Audit Committee, the Remuneration and Evaluation Committee, the Strategic Investment Committee, the Nomination Committee, as well as the Specialized Meeting of Independent Directors, to ensure the effectiveness of governance is fully leveraged.



We continuously optimize the structure of the Board of Directors. The Board is characterized by a balanced age distribution and diverse professional backgrounds, integrating multi-dimensional expertise in finance, strategic planning, human resources management, and science and technology. By focusing on strengthening specialized committees and strictly regulating the deliberation of proposals, these committees provide professional recommendations to support the Board's decision-making. The Board, in turn, conducts scientific and rigorous analysis and decision-making based on these recommendations, ensuring the scientific rigor and efficiency of decisions.

Board Diversity

- Adhering to the principle of "Optimal Allocation and Diversification," the Company focuses on aligning Directors' expertise with its development strategy. Directors are selected comprehensively, considering factors such as gender, age group, and occupational background.

Board Independence

- The Company has established special meetings for Independent Directors, and implemented the *Working System of Independent Directors*, and revised the rules of procedure for specialized committees.
- The performance of independent directors is regularly disclosed through the *Annual Performance Report of Independent Directors*.

Board Expertise

- Board members possess relevant industry experience and professional knowledge, balancing professional leadership, innovation drive, and risk control, enhancing the scientific rigor and effectiveness of corporate governance.
- The Company conducts professional training for Directors, Supervisors, and Senior Executives to continuously improve their theoretical knowledge and ability to fulfill duties.

Optimization of Shareholding Structure

In accordance with the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and other relevant laws and regulations, we have established a clear, balanced, and reasonable shareholding structure. The Company possesses independent business operations and self-management capabilities, and is independent from the controlling shareholder in terms of business, assets, finance, personnel and organization from the actual controller and its related parties. Major decisions of the Company are made by the general meeting of shareholders in compliance with the law, and the controlling shareholders exercise their shareholder rights in a standardized manner, without engaging in any actions detrimental to the interests of the Company or its shareholders.

Information Disclosure and Investor Relations

CR Sanjiu strictly adheres to the Measures for the *Administration of Information Disclosure by Listed Companies*, the *Work Guidelines for the Investor Relations Management of Listed Companies*, and other relevant regulations, continuously performing well in information disclosure. To establish a rigorous and transparent information disclosure process and accountability system, we have formulated the *Investor Relations Management System* and the *Information Disclosure Affairs Management System*, aiming to continually improve our disclosures quality. In 2024, we revised the *Management System for Insider Information and Knowledgeable Persons* to strengthen the management of insider information and enhance confidentiality measures. Throughout 2024, there were no incidents of the Company being penalized for violations of information disclosure regulations.

Based on continuous legal and compliance-driven statutory information disclosure, we actively explore and develop voluntary and proactive information disclosure tailored to investor needs. This approach assists investors in making informed value judgments and investment decisions while enhancing the depth and breadth of our disclosures. In response to ESG issues that are of growing concern to investors, we address the concerns and expectations of various stakeholders through the regular release of reports and actives such as the "One Chart to Read and Understand" program. We have developed a multi-tiered investor relations management system. We hold high quality performance briefing sessions, during which the chairman and management team of the Company engage with investors, industry analysts, and media reporters. fully communicating with investors about the Company's operating results, business development, commitment to high-quality and sustainable development, as well as future. By adopting a multi-channel, multi-angle, and multi-level communication strategy, the Company has constructed an efficient communication bridge with investors to actively conveying the Company's value through diversified channels and forms, such as performance teleconferences, brokerage strategy meetings, investor consultation hotlines, and the Shenzhen Stock Exchange's interactive e-platform.



Honors and Awards

- Obtained the highest grade of "A" from SZSE for 10 consecutive years.
- Awarded the "Best Practice of Annual Results Presentation for Listed Companies" by China Association of Listed Companies for 3 consecutive years.
- Awarded "2023 Best Practices in Investor Relations Management for Listed Companies" by China Association of Listed Companies in 2024.
- CR Sanjiu Sustainable Development and ESG Report* was awarded **five-star rating** by the Chinese Academy of Social Sciences for 4 consecutive years, and was awarded "Five-star Good" rating for the first time.

Key Performance

In 2024

the Company issued **2**
regular reports and **131** interim
announcements

Conducted **5** batches of telecon-
ferences on performance of regular
reports, quarterly reports and material
matters

Accepted online and offline research
and participated in roadshow and coun-
ter roadshow totaling more than **90**
times

Responded to more than **150**
items on the SZSE interactive platform

» Case CR Sanjiu Special Session on "Understanding My Listed Company - Entering the Greater Bay Area"

In November 2024, the series of activities titled "Understanding My Listed Company - Entering the Greater Bay Area", jointly organized by the CSI Small and Medium Investor Service Center and the Shenzhen Securities Regulatory Bureau, took place in Shenzhen. Representatives from the management of CR Sanjiu participated in the event and engaged in discussions and exchanges with the shareholder observation group, which comprised investors, securities analysts, and financial journalists. On the day of the event, the shareholder observation group toured the CR Sanjiu Exhibition Center and the Guanlan Factory to gain a comprehensive understanding of the Company's development history, operations, and corporate culture. During the discussion and exchange session, members of the group exchanged views on CR Sanjiu's business development, strategic planning, shareholder returns, and other pertinent issues. This activity facilitated investors' understanding of CR Sanjiu, aiding the Company in enhancing the level of its investor relations management and fostering a favorable capital market ecosystem.



"Understanding My Listed Company - Entering the Greater Bay Area" Activity

Optimization of Operations Management

In 2024, the Company continued to deepen its "four reinventions," consolidating its foundation and industry, strengthening R&D and innovation, promoting mergers and acquisitions and reorganization, steadily advancing integration, and building competitive advantages across the entire industry chain. These efforts led to both qualitative and quantitative growth, steadily improving the company's performance and capabilities, and enabling the early achievement of the goals set in the "14th Five-Year Plan." During the reporting period, the Company achieved

total revenues of RMB 27.617 billion, an increase of 11.63% compared to the same period in the previous year. The net cash flow from operating activities reached RMB 4.402 billion, up 5.02% year-on-year. The net profit attributable to shareholders of listed companies amounted to RMB 3.368 billion, reflecting an 18.05% increase over the same period last year. Additionally, the net profit attributable to shareholders of the listed company, excluding extraordinary gains and losses, was RMB 3.118 billion, representing a year-on-year increase of 15.01%.

Ensuring Compliance Operation

We actively implement and advanced the requirements of the State-owned Assets Supervision and Administration Commission (SASAC)'s "Year of Deepening Compliance Management", launching special initiatives to optimize the compliance management system. We steadily promote the development of rule-of-law and compliance management, strengthened the system of governing the enterprise in accordance with the law, and actively explored the integrated management system encompassing law, compliance, risk, and internal control. Additionally, we conduct 100% legal audits of rules and regulations, economic contracts, and important decisions.

Improve the compliance management system. We revised the *CR Sanjiu Compliance Management System*, establishing a compliance governance structure with clearly defined powers and responsibilities and synergistic operations. We optimized compliance management methods for key partners and enhanced the operability and enforceability of system provisions. Furthermore, we revised the management methods for compliance ambassadors and compliance officers, standardized project operations, and strengthened the driving force of the grassroots compliance management organization. A comprehensive legal affairs system has been formed, encompassing the *Contract Management System*, the *Basic Management System of Intellectual Property*, the *Legal Risk Management System*, the *Legal Dispute Case Management System*, the *Management Measures of Antimonopoly Compliance*, and the *Management Measures of Conflicts-of-Interest Prevention*, among others, which has laid a solid foundation for the compliance management system.

Optimize the compliance management system. The in-depth promotion of five key tasks is underway: evaluating the effectiveness of the compliance management system, enhancing the compliance management organization, optimizing the compliance management framework, preventing compliance risks in key areas, and strengthening the support and guarantee for compliance management. These efforts aim to establish a compliance management system characterized by a clearer division of responsibilities, smoother mechanism operation, and a heightened awareness of compliance.

Strengthening compliance publicity and training. For all employees and those in key positions in important areas, we conduct system publicity, system knowledge contests, on-duty examinations for compliance ambassadors, and other forms of compliance system and compliance culture promotional activities annually. These efforts aim to create a positive atmosphere of compliance culture and enhance employees' awareness of red and bottom lines. Additionally, the Company organizes a compliance publicity month for all employees annually and publishes compliance publicity journals every month, which are distributed to all employees through the Company's work platform.

Safeguard an Environment of Integrity

We strictly comply with the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, and other relevant laws and regulations. We adhere to the *CR Sanjiu Code of Business Conduct* and continue to implement the *CR Sanjiu Integrity Provisions*, the *CR Sanjiu Five Commandments for Compliance* and other systems, with detailed requirements for anti-bribery, anti-corruption, and clean practices. We continuously improve the *CR Sanjiu Provisional Measures for the Management of Conflicts of Interest*, the *CR Sanjiu Measures for the Management of Connected Transactions*, the *CR Sanjiu Measures for the Management of Anti-Money Laundering*, and other systems to prevent incidents such as embezzlement, fraud, money laundering, monopolistic practices, and unfair competition. In 2024, there were no major incidents of corruption involving the Company or its employees.

We require all stakeholders including employees, part-time staff and contractors, suppliers, service providers, and customer to strictly adhere to the *Code of Business Conduct* and integrity Systems. To further strengthen our anti-corruption management efforts for all entities engaging with the Group, we comply with and implement the *CR Sanjiu Supplier Code of Conduct* which mandates that suppliers and other business partners commit to adhering to clean business practices and regularly evaluate their business ethics performance.

We routinely conduct business ethics and anti-corruption audits across all of the Company's subsidiaries to assess compliance with the *Code of Business Conduct* and anti-corruption policies. Based on the audit findings, we recommend corrective actions to address any identified issues, ensuring the effective implementation of business ethics principles, including anti-corruption and anti-bribery measures.

In 2024, we conducted a series of business ethics and anti-corruption training sessions and awareness initiatives for our Board of Directors, Supervisory Board, all employees (including interns, part-time staff, and contractors), as well as suppliers. Through activities such as Compliance Awareness Month, promotional magazines, posts on our official account, and specialized offline training programs, we fostered a clean and sustainable business environment.

We establish and improve the whistle-blower protection system, opening up reporting and complaint channels, while simultaneously ensuring that the rights and interests of whistle-blowers are effectively protected from infringement. We utilize a combination of "online + offline" and "internal + external" reporting channels, enabling stakeholders to submit reports anonymously through various avenues. The email address CR999-SJB-TS@999.com.cn is publicly accessible, and the reporting platform "99 'Rules' 1" and WeChat official account "Clean 999" both offer for anonymous reporting. We strictly enforce the discipline surrounding the reporting process.



Conduct Centralized Rectification

- Continuously conduct centralized rectification of corruption in the medical field, with a focus on violations of the spirit of the Eight Rules (on improving Party and government conduct), maintaining high-pressure deterrence to create a strong deterrent effect.
- Carry out special rectification efforts targeting corruption issues in infrastructure projects, bidding and procurement, while also strengthen supervision of commercial sales and correcting unethical practices in medical purchasing and marketing.



Enhance Anti-corruption Awareness

- Convening a conference on Party conduct and integrity building, as well as two warning education sessions, to fulfill the "two responsibilities" of comprehensively strengthening Party discipline.
- Conduct thematic integrity talks and launching a special class on "Strictly Abiding by the Bottom Line and Integrity in Practice" at the training camp for new recruits, guiding management and employees to firmly embrace the correct concept that "compliance safeguards development and integrity creates value."
- Strengthen the development of new media platforms such as the "Clean 999" WeChat official account and RunYue account and has published 158 articles throughout the year on publicity and education to enhance ideal and belief education and warning education.



Manage Conflicts of Interest

- Propagate and implement the *CR Sanjiu Management Regulations for the Management of Conflicts of Interest*, and establish a joint team for conflict of interest prevention.
- Conduct centralized reporting on conflict-of-interest prevention for important personnel and special campaigns to identify and address conflict of interest issues in the marketing field, effectively identifying and resolving potential risks.
- Continuously carry out supervision work to ensure fairness and transparency in the selection and appointment of cadres, as well as compliance in their daily behavior.

Key Performance

<p>concluded litigation case of corruption</p> <p>1</p>	<p>lawsuit involving embezzlement, bribery, extortion, fraud, and laundering of illicit funds</p> <p>1</p>	<p>Conducted corporate warning education conferences</p> <p>2</p>
<p>52,872 employee persons/times in anti-corruption training, achieving a 100% training coverage rate.</p>	<p>160,500 hours of hours of employee anti-corruption training, with an average of 8.01 hours/person</p>	<p>Conducted corporate warning education conferences with 47,000 persons/times</p>

Enhance Risk Prevention

We explore the in-depth integration of risk and internal control with law and compliance, insisting on risk governance as the focus and risk prevention as the key. We lay a solid foundation for system management in the areas of strategic risk, operational risk, market risk, financial risk, and compliance risk, and continuously improve and refine the construction of our risk and compliance system. We regularly conduct major risk assessment work, as well as classification, monitoring, and reporting of operational risks, to ensure the Company's stable and sound operation. In 2024, the Company did not experience any significant operational risk events.

The Board of Directors of CR Sanjiu, as the highest decision-making body for the management of the Company's risk control system, is responsible for promoting and guiding the establishment and effective implementation of the risk control system.



We have established the Law and Risk Control Compliance Committee as the leading body for internal control and risk management, with the Chairman of CR Sanjiu serving as its director. The Committee's primary responsibilities include promoting the establishment and oversight of CR Sanjiu's internal control system and driving continuous improvements in the system.



The Legal Compliance Department of the Company is responsible for overall planning, coordinating, organizing, and promoting the implementation of various specific tasks. The Audit Department is responsible for the internal audit, supervision, and evaluation of the risk control system of each subsidiary.

Risk assessment and screening	<ul style="list-style-type: none"> We optimize and improve the risk assessment process, establish and refine the long-term mechanism for controlling major risks, and efficiently advance the risk assessment process. We conduct key inspections on the sales operations of each division, focusing on regulatory hotspots and addressing employee conflicts of interest, procurement bid-rigging risks, and other critical areas. We regularly perform internal control inspections or special audits of major risks, with a particular focus on the management of production units' self-owned business, procurement norms, and production operations, effectively enhancing our risk response capabilities. We regularly carry out risk identification and assessment to ensure timely detection of potential issues and prompt implementation of control measures. In 2024, we developed an annual list of the Company's significant risks in strict accordance with the process of information collection, identification, assessment, and response, and formulated risk response plans based on the assessment results. Additionally, we regularly conduct internal control inspections or special audits of our major risk management processes to ensure the effective operation of our risk management processes.
Strengthening internal control construction	<ul style="list-style-type: none"> In accordance with the <i>Basic Standards Internal Control of Enterprises</i> and its supporting regulations, we continuously update and refine the internal control system to create a scientifically designed, concise, and operating effectively internal control framework. We conduct regular annual projects on internal control assessment, system review, and optimization to ensure the effectiveness of the design and implementation of the internal control system, achieving improvements in system completeness, standardized establishment, process optimization, and full implementation. We have established the Internal Control Compliance Platform (ICCP SYSTEM) to gradually solidify internal control workflows and tool templates, enhancing the quality and efficiency of internal control evaluation.
Strengthening audit supervision	<ul style="list-style-type: none"> We formulated a system for applying audit results and managing internal audit institutions and personnel, established standardized institutional processes, and continued to enhance the application of audit results. The audit management system was introduced for the first time, effectively elevating the level of audit informatization. We implemented quality control throughout all stages of audit execution to mitigate risks across all aspects.
Specialized risk prevention and control	<ul style="list-style-type: none"> To prevent and control capital risks, we have established a comprehensive capital management system, including measures such as regular rotation of capital operation positions, separation of incompatible capital duties, conducting irregular special inspections of capital risks and capital inventory checks, and capital affairs inventory to mitigate capital management risks. To prevent anti-monopoly and anti-unfair competition risks, we continuously improve the risk prevention mechanisms by continuously monitoring legal risks in related fields and carrying out the construction of an anti-monopoly compliance system and conducting special inspections.

Craftsmanship and Responsible Operation

With the goal of "Becoming a Leader in the Mass Medicine and Health Industry," CR Sanjiu continues to deepen the construction of corporate culture and actively promotes the dissemination of responsible branding. Internally, through a series of initiatives, the Company continuously enhances employees' pride, sense of belonging, and sense of identity, ensuring that every employee genuinely feels the care of the enterprise and recognizes their own value. Externally, through practical actions and communication strategies, CR Sanjiu highlights its brand concept and value proposition, demonstrating its commitment to responsibility and brand charisma to all sectors of society.

Corporate Culture

We continuously strengthen the construction of corporate culture, implement high-quality cultural programs, in a subtle and influential manner, integrate the cultural slogan of "Care-Responsibility-Excellence" into the Company's production, operations, and business development processes. Showcasing the Company's comprehensive soft power. We have carried out in-depth corporate culture initiatives, spreading the culture of CR and CR Sanjiu to stakeholders, fostering internal unity and cohesion, and enhancing the external image of CR Sanjiu.

Propaganda ideological and cultural work. Through key quotes from Xi Jinping's cultural thought, weekly highlights, inheriting red gene culture, and propaganda for thematic education, we effectively carry out ideological and cultural promotion work, creating a cultural atmosphere of understanding history and loving the Party.

Corporate culture publicity work. We timely deliver internal news, cultural responsibility stories, and support high-quality business development through the official web operational site, official social media accounts, OA news, RunYue, elevator displays, and other multimedia platforms.

Corporate culture publicity season activities. Centered on the theme of "Inheriting the Red Gene and Inspiring the Power to Advance", we conducted the 2024 Corporate Culture Publicity Season activities. We provided training and empowerment to more than 70 corporate culture practitioners from headquarters and business units, strengthening organizational cohesion and centripetal force. Through new employee training camps and

business team culture integration, we conducted 15 sessions of training on the *History and Culture of CR and CR Sanjiu* for new employees, covering more than 700 employees, promoting the comprehensive implementation of CR Sanjiu's corporate culture across headquarters and business units.

Company's annual recognition ceremony. We held the CR Sanjiu 2023 Annual Recognition Ceremony, showcasing the positive and upward spirit of CR Sanjiu employees through honorary recognition, fostering a culture of mutual support and high efficiency among employees and the Company, creating an atmosphere of learning from the advanced and excellent, and supporting high-quality business development.

Construction of the new exhibition center project. We completed the construction and opening of the new exhibition center in the Kechuang Building, fully demonstrating the Company's comprehensive strength and brand image to stakeholders and supporting the Company's high-quality development.



The 10th CR Sanjiu Corporate Culture Publicity Season



Honors and Awards

CR Sanjiu was recognized as "Best Practice Case of Culture Construction for Listed Companies in 2024" by China Listed Companies Association, "Top 100 Employee Culture Brands" by China Enterprise Culture Summit, "Top 10 Demonstration Units" by Guangdong Enterprise Culture Construction, and "Best Practice Unit" by Guangdong Enterprise Culture Construction. "Best Practice Unit of Enterprise Culture Construction in Guangdong Province" among other honors.



Creating a Brand of Responsibility

We adhere to the principle of putting consumers at the core, continuously strengthening brand and social responsibility construction, and enhancing brand value and influence. The Company thoroughly studies and implements President Xi Jinping's important instructions on accelerating the construction of world-class enterprises and the "Three Transformations", fully implements the deployment requirements of the SASAC and the China Resources Group on the "Brand Leadership" action and centered on the Company's "1+N" brand strategy. We continuously improve the brand management system, establish a brand leadership working group, increase investment in brand building, optimize systems and processes, and enhance the public opinion management system. Based on in-depth consumer insights, we continuously optimize category planning, innovate consumer communication methods, and expand brand communication channels. By providing high-quality products and services, along with the emotional connection of "Warmth and Care," we have earned the trust and praise of consumers, achieving sustained growth in brand influence.

Responsible Brand Communication

- Focusing on consumers' concerns, the Company integrates its brand with concerns and conducts brand communication through comprehensive channels such as advertisements, program sponsorships, short videos, and multi-platform interactions. This ensures that the brand image of "Warmth and Care" continues to resonate with consumers, winning their favor.
- The Company continuously strengthens social responsibility efforts across the upstream, midstream, and downstream of the supply chain, fostering a positive interaction between social responsibility and corporate development, and building a responsible brand.

Public Opinion Management System

- The Company has established the CR Sanjiu Public Opinion and Crisis Management Committee to ensure orderly public opinion crisis management, comprehensively enhancing the ability to prevent and resolve ideological risks.
- The Company strengthens full-coverage public opinion monitoring, effectively managing public opinion monitoring, prevention, control, and specialized response and disposal to ensure a healthy and controllable overall public opinion environment.
- The Company enhances the management of public opinion positions, refines the position management system and information release process, strictly implements the "Three Reviews and Three Proofreading System," and strengthens content management and the main responsibility of the Company's accounts.



CR Sanjiu was Honored with Economic Observer's "Most Respected Company Award 2023-2024"

» Case CR Sanjiu Responds to Consumption Upgrading and Continues to Improve Brand Influence

With the accelerated shift in consumer/patient demand for drugs from traditional channels to online platforms such as pharmaceutical e-commerce in recent years, CR Sanjiu's OTC Department has continuously improved its nationwide channel business system. It has actively explored new marketing models in this evolving environment, engaging in cross-border collaborations with major online platforms like JD.com. Simultaneously, it empowers offline chain terminal customers, building a new industrial value chain of "Internet + Medicine + Pharmaceuticals", enabling more precise services for patients and enhances brand communication efficiency.

The Company closely monitors changes in the media environment and consumer behavior, effectively combining the 999 Brand with content that resonates with consumers. We continuously innovate brand communication methods to keep the brand youthful, fashionable, and healthy. For example, the Company collaborates with popular dramas such as The Rampage, popular mobile games like Game for Peace, and platforms such as Douyin (TikTok) to create trending topics and expand the brand image. Additionally, it has introduced a cartoon brand mascot, "Uncle San", the director of the Warm Heart Cure Institute, to comprehensively convey the warmth of the 999 Brand. This youthful brand marketing strategy enhances the influence of the 999 brand among young consumers, further driving brand development and business growth.



Warming Supplies for Da Ji Da Ling

Key Performance

Public opinion information in 2024 is dominated by positive and neutral information, accounting for about **99.42%**.

Honors and Awards

"999" brand has been recognized as one of the **first batch of outstanding achievements in the "Product Brand"** category under the Central Enterprises Brand Leadership Initiative.

Sanjiu Gastro-Therapeutic brand was recognized as one of the first batch of **"Guangdong Traditional Brands"**.

CR Sanjiu was listed on the **"2024 Cato BrandZ Top 100 Most Valuable Chinese Brands"**.



Strengthen Party Construction and Compliant Operation

CR Sanjiu continuously strengthens Party construction, adheres to the "Two Consistencies," and integrates Party leadership throughout the entire process of corporate governance. We fully leverage the central role of the Party organization in guiding direction, managing the overall situation, and ensuring implementation. The Company continues to promote the integration and mutual reinforcement of Party building and business operations, ensuring the internal unity of its political and economic attributes, and safeguarding the Company's sound and compliant operations.

<p>Play a Leading Role in Political Construction</p>	<ul style="list-style-type: none"> Organized 14 "First Topic" studies and established an implementation record for the "First Topic". The Company formulated a working system and supervision methods for implementing the important instructions and directives of President Xi Jinping and promoted the construction of the traditional Chinese medicine industry chain and the "deepening of the implementation of the reform of state-owned enterprises," as well as other key work. Launched the theme of "Promoting Growth and Winning Strategies" to further enhance the effectiveness of the deep integration of Party building and business operations.
<p>Implement Ideological and Cultural Propaganda</p>	<ul style="list-style-type: none"> Earnestly studied and implemented the spirit of the Third Plenary Session of the 20th CPC Central Committee, conducting "central group studies," "three meetings and one lesson," and "thematic preaching" sessions to further understand and internalize the session's spirit. We deeply studied and understood the spirit, effectively translating it into entrepreneurial practice. Strengthened theoretical armament and formulated a long-term mechanism to consolidate and expand the results of the thematic education on learning and implementing President Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Continuously improved the Company's corporate culture system, incorporating courses with distinctive red cultural characteristics into the talent training system and employer brand construction through various measures, promoting the thorough implementation and integration of the red gene. Emphasized the major theme promotion to consistently build a robust ideological defense.
<p>Strengthen the Party Members' Organization</p>	<ul style="list-style-type: none"> Built up and strengthened the Party's grassroots organizations, adjusting and optimizing the management structure of the Party organizations within the Company. The Company also directed 25 Party organizations to renew or add to their membership. Leveraged the pioneering and exemplary leadership of Party members, conducting activities such as the "July 1st" Party Day themed with "Making Contributions Based on Positions" actively guiding Party members and the masses to strive for excellence in production and operation. Deepened the mechanism of "double cultivation and transportation," conducting training courses such as the "Central Enterprise Cadre Study Class" and "Central Enterprise Party Member Joint Learning Class" to enhance the political quality and comprehensive abilities of Party members and cadres. Deepened the construction of the Party building system, sorting out and improving 20 Party building systems, laying the institutional foundation for Party building in the new era. Systematically promoted the cultivation and selection of the Company's Party building brand, formulating the <i>CR Sanjiu Party Building Brand Building Work Program (2024-2026)</i> and the <i>CR Sanjiu Party Building Brand Building Work Guidance Manual</i>, as well as other long-term mechanisms for Party building and brand building, to create attractive and representative characteristic brands.
<p>Give Full Play to the Advantages of United Front Forces</p>	<ul style="list-style-type: none"> Did a good job in youth guidance, labor union, and women's work, deepening the project of improving the spiritual quality enhancement program of young people, and promoting the implementation of democratic management of enterprises, the development of female workers, and the "I do practical things for the masses" initiative. Leveraged the advantages of the united front holding the "Rallying Hearts and Strengths for Development, Striving Unitedly to Write a New Chapter" theme activity, and setting up the "CR Sanjiu Think Tank Advice Studio." This played a role in pooling wisdom and strengthening ideological and political leadership.

Key Performance

The Company has a total of **2,820** Party members, accounting for **14.08%** of the total number of employees.

Quality Escort New Quality Productive Forces Promote Development

Governance

With the goal of "Building an Efficient and Controllable Group Quality Control Model", CR Sanjiu has deepened the construction of our quality management system for the entire life cycle of medicines and built a leading quality management system in the traditional Chinese medicine industry. The Board of Directors, as the highest organization for the quality of medicines and accessibility of medicines and healthcare, oversees and promotes the implementation of related work through the Sustainable Development Working Group, and conducts discussions, deliberations and adopts improvement plans, programs and key issues related to quality and accessibility risks. The Company has developed and implemented a system of quality management and service management and continues to implement and report on the progress of drug quality control measures to ensure the quality and safety of drugs in all aspects.

Strategy

During the "14th Five-Year Plan" strategic period, CR Sanjiu has made solid progress on the road of striving to be the head enterprise of the industry, benchmarking against world-class enterprises, improving business layout, expanding the core business to the whole field of self-diagnosis and treatment, carrying out product quality control. With well-designed products and premium services, we will satisfy the health needs of every family member from prevention-health care-treatment-rehabilitation in the whole cycle and at multiple levels, and drive CR Sanjiu to realize innovative development and high-quality development.



Contribute to the SDGs



Risk and Opportunity Management

Risk/Opportunity	Potential Impact	Response Strategy
Inadequate Quality System Risk	If the quality control system fails to accurately cover the entire process of raw material procurement, production and processing, finished product testing and other processes, it may lead to fluctuations in the quality of medicines, affecting the brand image of the enterprise and market trust.	Establishment of a comprehensive quality management system to realize the whole process of controlling and tracing the quality of medicines, and to produce medicines that instill confidence in customers and meet their satisfaction.
Medication Access Risk	Fluctuating drug prices affect patients' purchasing power; problems such as poor supply channels resulting in delays or shortages in drug supply; insufficient coverage in remote areas and primary healthcare markets limit companies' ability to expand their markets.	Formulate reasonable pricing strategies to stabilize drug prices; expand diversified sales channels to improve the efficiency of drug distribution; expand market coverage to improve drug accessibility.
Policy Support Opportunity	Promoting the inheritance and innovation of traditional Chinese medicine has made the development path clearer, supporting the development of a modernized industrial system for traditional Chinese medicine, and seizing opportunities will help enterprises elevate their status in the industry.	Focus on opportunities for policy support and integration of high-quality resources, strengthen quality management, provide high-quality services, and develop new forms of productivity in traditional Chinese medicine.

Targets

Type	Medium and Long-term Targets	Progress towards 2024 Targets
Quality Management	Our primary goal is to provide safe, healthy, and high-quality products. We rigorously screen product quality at every crucial stage of the supply chain to ensure the safety of consumers' medication.	Maintaining a 100% pass rate of drug sampling tests
Client Service	We will substantially improve the customer service system to enhance consumer satisfaction.	Complaint handling rate 100%, product and service satisfaction 100%

Secure Medicine Sources, Safeguard Public Health

CR Sanjiu adheres to the quality philosophy of "Integrity, Sincerity, and Craftsmanship in Pharmaceutical Manufacturing" and continuously improves our quality management system. Guided by the principles of "Strengthening the System, Controlling Risks, and Digitalization," it exercises strict selection of raw materials, standardized operations in the production process, and meticulous inspection of finished products. By deepening the quality control of key links and the entire lifecycle of pharmaceuticals, CR Sanjiu ensures the safety and quality of its products in an all-round manner, thus consolidating a strong defense for public health.

Enhancing Quality Management

We fully implement the primary responsibility for product quality and strictly adhere to the laws and regulations such as the *Law of the People's Republic of China on the Administration of Pharmaceuticals* and the *Regulations for the Implementation of the Law of the People's Republic of China on the Administration*

of Pharmaceuticals. We ensure product quality throughout the production process and take responsibility for the health of our customers. During the Reporting Period, no major safety and quality liability accidents related to products and services occurred.

Quality management assessment and evaluation:

We have established the Quality Policy and Objectives Management *Policy*, covering areas such as quality system construction, digital quality system construction, quality culture construction, and risk prevention. We set annual targets and break them down to ensure accountability in quality management. We regularly assess the completion of quality objectives by each production unit and conduct evaluations at the end of each year to ensure the achievement of quality objectives. By regularly analyzing and evaluating the quality information and data of each subordinate enterprise and combining it with the on-operational site quality audit evaluation, we supervise the quality management work of each unit and continuously evaluate and assess the completion of quality objectives, promoting continuous improvement in each subsidiary.

Quality audit and rectification

We have established the CR Sanjiu Quality Audit Management *System* to continuously promote the improvement of quality management and mitigate quality risks. Professional auditors conduct periodic and special on-site annual quality audits for each subsidiary and regularly follow up on the rectification of audit deficiencies, incorporating the rectification progress into the annual quality management assessment. In 2024, CR Sanjiu has completed quality audits of 25 of our subordinate production enterprises, with a total of 59 internal audits conducted and a 100% completion rate for defect rectification across all enterprise.

Product quality sampling evaluation

We organize annual sampling and evaluation of products circulating in the market. We conduct regular precautionary testing to evaluate and prevent possible quality and safety problems, further reducing quality risks. Based on the risk assessment of the products, we organized and completed annual internal products in-house sampling testing and evaluation of 16 key products in 2024. Each subordinate enterprise carried out sampling evaluation for 119 listed products, totaling 405 times of internal sampling in 2024, and the results of sampling evaluation were all in line with the requirements of quality standards, so as to ensure the risks of product quality are controllable.

Digital quality control

We have constructed the capability for digital quality management and advanced the construction of quality information systems such as QMS and LIMS. We have also established a traceability system for Chinese herbal medicines, ensuring the traceability of the sources, destinations, and responsibilities of these medicines. This initiative provides a precedent for the innovative application of full industrial chain traceability in traditional Chinese medicine.

Refining the Quality System

We keep continuously improving the construction of the full life cycle quality management system, benchmarking against international common rules and world-class enterprise management practices, and implementing initiatives such as standardization of quality management, risk control, and laboratory construction, to build an efficient and controllable group-wide quality management system.

We have implemented the relevant requirements of the *Guidelines for Comprehensive Risk Management of Central Enterprises* issued by the State-owned Assets Supervision and Administration Commission (SASAC) and the *Basic Standards for Enterprise Internal*

Control and its supplementary guidelines issued jointly by the Ministry of Finance and four other ministries and commissions, considering the actual situation of CR Sanjiu. We have established the *CR Sanjiu Quality Risk Management Rules* to continuously promote the in-depth and orderly progress of quality risk management at CR Sanjiu and further enhance our ability to identify, analyze, and respond to risks. In 2024, we continued to use the annual Top Ten Risk Management Model for quality risk management, urging 24 subordinate production enterprises or business units to implement risk control work and ensuring controllable quality risks.

Key Performance

During Report Period, a total of

24

quality-related standard system certifications were obtained.

7

operational sites have passed the ISO 9001 certification.

During the Report Period, we successfully passed

136

on-operational site supervision and inspection visits by drug regulatory authorities.



Promote Quality Culture

We have thoroughly implemented the spirit of the 20th National Congress of the Communist Party of China, the second and third plenary sessions of the 20th Central Committee, and the relevant requirements of the *Outline of the Construction of a Quality-Powerful Country* issued by the Central Committee of the Communist Party of China and the State Council. We have established a quality culture led by leadership and participated by all employees, continuously promoted the publicity of quality culture, carried out various forms of cultural publicity, enhanced the influence, permeability, and coverage of quality culture, improved the quality awareness of all employees, promoted the participation of all employees in quality management, and created a good atmosphere for quality culture. We have further elevated our political consciousness, adhering to the important discourses of President Jinping Xi on new quality productivity, high-quality development, and food and drug safety as our guiding principles. We have earnestly implemented the decisions and plans of the Central Committee of the Communist Party of China and the State

Council regarding the accelerated construction of a quality-strong country. We have firmly established the awareness that quality comes first in the minds of all employees and earnestly fulfilled our corporate responsibility for quality. To further strengthen the quality risk awareness of all employees, during the Reporting Period, CR Sanjiu has conducted a series of annual quality control trainings and product safety training to ensure all employees have mastered the core skills of quality control to better fulfill the quality requirements in their daily work. Combined with the business characteristics of CR Sanjiu and the current situation of product quality management, we organized the "Quality Month" activities in 2024 for all employees, and widely carried out activities such as publicity, training and education, quality competitions, quality and safety inspection, quality improvement, internal and external exchanges, etc., so as further improve the quality awareness and skills of the whole staff. This helped further improve the quality awareness and skills of all staff, and continuously elevate the quality level.

Organized and carried out quality-themed skill competitions such as identification of Chinese herbal medicines and "Internal Trainer" skill competition to promote further improvement of quality skills.

Organized various subordinate enterprises to carry out a special product quality action learning program called 'Quality Excellence' targeting their weak links and improve the quality and safety awareness and ability.

The Group and all subsidiaries carried out quality-related safety training for suppliers every year in conjunction with the results of supplier audits, analyze defects and explain corrective measures article by article, and provide systematic training on weak modules to help suppliers make continuous improvements.



GuanLan Base 2024 "Quality Month"

Key Performance

The annual quality system-related training covers

100%

of our employees.

The annual quality system-related training covers

100%

of our suppliers.

Organized

132,168 person-times

quality trainings, with a total training duration of

319,589 hours



Optimizing Services, Protecting Health

CR Sanjiu always places customer needs at the forefront, continuously dedicating efforts to improving the customer service system. From optimizing consultation and response processes to accelerating after-sales response times, every detail is meticulously attended to ensure the best possible service, leading to a steady increase in customer satisfaction. The Company focuses on enhancing the supply and security capabilities of medicines and health services, while actively promoting the development of primary healthcare. This allows more people to conveniently access high-quality medical services, contributing to the improvement of public health and well-being.

Protecting Customer Rights

We adhere to the *Law on Protection of Consumer Rights* and fully implement the respect and protection of customers' legal rights. In our daily operations, we prioritize the security of customer information and privacy protection, striving to establish a comprehensive defense system. We actively expand diversified communication channels, including customer service hotlines, emails, text messages, and social media platforms, ensuring that every customer's voice is heard in a timely manner. We have established a robust consumer complaint feedback mechanism to ensure that every customer request is handled properly. In terms of service, we aim to provide a "Five-Heart" level of care—reliable, sincere, thoughtful, attentive, and enthusiastic. We integrate care into every detail of customer interaction. By continuously optimizing service processes and improving service quality, we steadily increase customer satisfaction and inject strong momentum into the ongoing improvement of product quality and service standards.

Information privacy protection

In accordance with the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and other relevant laws and industry standards, we have developed and implemented policies such as the *CR Sanjiu Information Security Management Measures*, *CR Sanjiu Data Security Management Measures*, and *CR Sanjiu Data Backup and Disaster Recovery Management Measures*. These measures focus on network security protection, data backup and disaster recovery management, and establishing an emergency data security response mechanism, continuously strengthening information security and confidentiality management. We built and continuously improve our information security governance structure and establish the Digital Intelligence Leadership Committee as the highest decision-making level of CR Sanjiu's information security management, which consists of the chairman of CR Sanjiu as the director, the CIO as the deputy director, and the person in charge of Digital Intelligence at the headquarters as the executive secretary, to continually strengthen the prevention and control of information security

risks and guarantee the effective promotion of information security work. The company gradually strengthens the management of security incident reporting, builds an information security liaison system, and clearly notifies the relevant departments at all levels to timely dispose of and correct the information security incidents reported by employees at different levels, so as to strongly safeguard information security. We regularly conduct information security knowledge training for employees, external partners, and customers through various channels. We strengthen the protection of personal privacy and commercial secrets, enhance data leak prevention technologies, and safeguard core data from unauthorized disclosure, providing customers with higher-quality, secure services. In 2024, the Company did not experience any data security incidents or customer privacy leaks.

» Case Cybersecurity Education of CR Sanjiu

In 2024, the headquarters of CR Sanjiu had coordinated and collaborated with various units to carry out types of cyber security propaganda and education, with a propaganda reach of more than 10,000 people and a reach rate of about 70%, which includes:

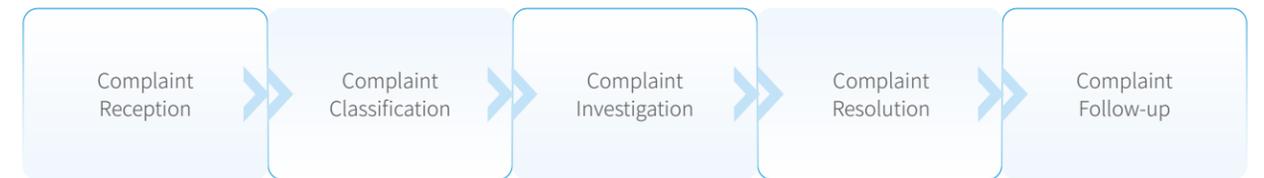
Network security activities: *2024 National Security Awareness Month, Network Security Awareness Week, etc.*

Network security training: *Special test for phishing emails, new employee training, etc.*

After-sales complaint handling

We have developed the "Customer Complaint Management Operating Procedures" to further standardize complaint management measures, covering complaint classification, customer complaint reception procedures, complaint investigation and handling, and response to complaints. This ensures that complaints are handled in a timely and effective manner,

improving the quality and efficiency of complaint resolution. A dedicated customer service hotline, 400-800-0999, has been established to ensure complaints are properly addressed while also meeting customers' product inquiry needs. This is part of our ongoing efforts to improve the customer service system and enhance consumer satisfaction.



CR Sanjiu Customer Complaint Response Process

Promoting medication safety

We further strengthen the management of drug safety signal detection, adverse reaction monitoring, label revisions, and GAP (Good Agricultural Practice) labeling standards. Taking advantage of "International Consumer Rights Day (3·15)," we actively engage with communities to conduct medication safety awareness sessions, continuously educating more stakeholders on the importance of drug safety and promoting safer medication practices.

Improving public health literacy

In response to the national initiative that "everyone is the first responsible person for their own health," we leverage our industry advantages to innovatively create the brand event "Sanjiu Health Day" (March 9th). In collaboration with partners such as JD Pharmacy, Keep, Hongshan Forest Zoo, and chain pharmacies, we organize a series of online and offline public welfare health activities. These include science popularization lectures, community health check-ups, the "3.9-kilometer Health Walk," and public welfare advertisements on escalators, among other initiatives. Through these efforts, we aim to raise public health awareness, promote healthy and civilized lifestyles, and actively contribute to the development of China's health industry.

Key Performance

A total of

117 complaints

were received regarding products and services throughout the year

The complaint resolution/handling rate was

100%

Customer service satisfaction reached

100%



Promoting Responsible Marketing

We always uphold the core principle of putting consumers first, actively practicing responsible marketing and advertising. We are committed to ensuring full transparency of product information for customers. At the same time, we are committed to innovation, exploring and developing new marketing models, and continuously expanding diverse marketing channels.

Responsible marketing and compliance promotion. We express advertising content truthfully, legally, and healthily. Strictly prohibiting false or misleading promotions. We fully comply with regulations such as the *Advertising Law of the People's Republic of China*, *Medicinal Product Administration Law of the People's Republic of China* and *Provisions for Drug Insert Sheets and Labels*. Our commitment is to be responsible to consumers and all advertising and promotional materials undergo a rigorous pre-approval process to comply with regulatory standards. We strictly adhere to compliance and ethical standards in our marketing activities. We have gradually established a mature internal review mechanism for advertising placements and regularly conduct third-party audits of e-commerce platform marketing, advertising, and sales activities. During the Reporting Period, CR Sanjiu did not receive any complaints or legal proceedings about misleading or deceiving consumers by publicity. In order to ensure all employees deeply understand and follow responsible marketing principle, we conduct annual responsible marketing training, we provide media knowledge and responsible marketing training for all internal marketing staff, engaging all relevant employees in these programs to enhance their professionalism and awareness of responsibility in marketing.

Pharmaceutical Advertising Material Review Process



» Case

Compliance as a Guardian, Co-Creating a Better Future—CR Sanjiu Successfully Concludes the 2024 Compliance Promotion Series

In 2024, with the deepening implementation of policies in the pharmaceutical industry and the continuous upgrading of compliance regulations, the Company organized a series of trainings on responsible marketing and advertising practices. These initiatives aimed to enhance the awareness of compliance boundaries and red lines among all employees, standardize marketing practices, and drive sustainable business development. Additionally, the Company conducted in-depth interpretations of newly released marketing compliance regulations, policies, and case studies monthly. Through our corporate communication platform, the Company regularly distributed compliance promotion newsletters to all employees.

Innovative marketing approaches. By gaining insights into the core needs of consumers, we conduct innovative marketing activities across multiple platforms and channels. We focus on holiday themes, cross-industry collaborations, and popular TV show IPs to implement integrated online and offline marketing strategies. This approach enhances media communication efficiency, increases customer attention, and continuously infuses fresh elements and vitality into the Company's brand.

» Case

"One Step Ahead", a New Paradigm for Innovative Pharmaceutical Brand Marketing



999 Dermatophyte "Green Summer" Campaign

Dermatophyte takes "Gel for Immediate Itch Relief, One Step Ahead" as its core proposition, focusing on the core demand of "Rapid Itch Relief" for dermatitis sufferers, and relying on the differentiated property of its gel formulation, which provides "Refreshing and Repairing" effects, ensuring consistency in brand communication content. On the one hand, it outputs highly relevant creative content centered around the product's uniqueness, conveying brand message through inducing scenarios such as high-pressure work environments and humidity sensitivity, further enhancing brand memorability. On the other hand, it carries out innovative content marketing targeting opportunity scenarios and segmented audiences. Through scenario-based artwork and empathetic insights to close the emotional distance with users, accurately targeting the minds of segmented audiences. At the same time, it lays out a social media search strategy, targeting keywords such as "Dermatitis Itching", and collaborates with high-quality influencers and doctors for science popularization, precipitating brand assets for Dermatophyte's itch relief among actively searching audiences. It establishes itself as an industry benchmark for long-term growth in multiple dimensions for pharmaceutical brands.

Ensuring Drug Safety

We continue to enhance and refine the product lifecycle management system, aiming to "create an efficient and controllable quality control model." From raw material control, drug production, warehousing and transportation to product traceability and pharmacovigilance, we integrate risk management throughout every stage of the product lifecycle. By ensuring the delivery of excellent and safe products, we uphold the foundation of the Company's survival and development, taking responsibility for public health.

Flowchart

1 Source Control

We extend the quality management system to our upstream of our supply chain by establishing the "National Medicinal Herb Seed and Seedling Base" and "Standardized Medicinal Herb Planting Base." We rigorously conduct quality audits and dynamic risk management for material suppliers. We implement strict inspection procedures during the entry of medicinal herbs, and strengthen audits of medicinal herb suppliers. We regularly assess suppliers' planting environments, production processes, and other factors, ensuring the quality of medicinal herbs is tightly controlled from the source.

2 Pharmaceutical Production

We increase investment in R&D and continuously improve product quality standards, enhancing internal control standards for materials and products. We build a process technology platform to enhance product quality and effectively mitigate quality and safety risks in contract manufacturing. We ensure that all subsidiaries strictly implement the responsibilities of the Marketing Authorization Holder for drug quality and safety in contract manufacturing. This includes strengthening quality supervision and management over contract manufacturers to mitigate potential quality risks.

3 Warehousing and Logistics

We promote the integration of transportation, centralizing the management of both production logistics and sales logistics. We have established a standardized transportation management process and set of standards to ensure the safety and quality of product transportation.

4 Drug Traceability

We have established the *CR Sanjiu pharmaceutical information traceability Policy*, using ERP, WMS, TMS, OMS, and logistics decision-support systems to ensure end-to-end traceability of logistics operations. Through the Mashang Jicha app, we scan traceability codes to track and update product flow, ensuring transparency in product information and movement.

5 Emergency Response

The EHS Committee is responsible for handling food and drug safety emergencies. We have established policies and procedures such as the *CR Sanjiu Food and Drug Safety Emergency Response Guidelines* and the *CR Sanjiu EHSQ Incident Management Procedures*. These guidelines ensure the establishment of a robust mechanism for responding to food and drug safety emergencies and quality incidents. We provide clear guidance and standardized emergency response procedures to handle quality and safety emergencies efficiently. This system improves the speed and coordination of emergency responses, effectively controlling the escalation of incidents, and minimizing personal injuries, property damage, and social impact. Ultimately, we aim to safeguard public drug safety and life security.

6 Product Recall

We have developed the *CR Sanjiu Product Recall Management System*, which outlines the recall process following the identification of adverse drug events. Both the Company and our subsidiaries promptly organize investigations and evaluations of drug safety risks, and after assessment, a recall plan is formulated. The recall is then implemented, and a summary report is generated, along with corrective and preventive actions. We also track the implementation of these actions and assess their effectiveness. In addition, we regularly conduct mock recalls to ensure readiness. We have revised the *CR Sanjiu Finished Product Return and Rework Management Guidelines* to further strengthen the management of returned finished products and rework processes, standardizing the procedure for returning incorrect drugs to the factory. This ensures the quality of supplied medicines is maintained.

7 Pharmacovigilance

We strictly adhere to regulations such as the *Measures for the Reporting and Monitoring of Adverse Drug Reactions* and *Specifications for Pharmacovigilance Quality Management Standards*. A Drug Safety Committee has been established to oversee major risk assessments, respond to significant or urgent drug events, make risk control decisions, and manage other critical pharmacovigilance matters. Additionally, we have set up a dedicated Pharmacovigilance Department and appointed specialized pharmacovigilance officers. We have established a comprehensive pharmacovigilance system that standardizes activities throughout the entire lifecycle of pharmaceutical products, ensuring the effective monitoring, identification, assessment, and control of adverse drug reactions and other harmful drug-related events. We have also developed a communication mechanism for drug safety issues, minimizing drug safety risks and protecting and promoting public health.

CR Sanjiu Subsidiary Pharmaceutical Safety Management Systems (Partial)

Company Name	Policy Name	Key Performance
CR Shunfeng CR Laotongjun CR Sanjiu(Zaozhuang)	<i>Product Recall Management Regulations</i>	<ul style="list-style-type: none"> During the Reporting Period, the number of products recalls due to health and safety concerns is <div style="font-size: 2em; font-weight: bold; color: #0070C0;">0</div> batches
CR Sanjiu(Yaan)	<i>Product Identity Traceability Code Management Regulations</i>	
Shenyang Sanjiu		with no level 1 or level 2 recall events.
Kunming Pharmaceutical Group	<i>Drug Safety Emergency Response Plan Management Regulations</i>	<ul style="list-style-type: none"> Neither the Company nor our subsidiary manufacturing enterprises experienced any recalls due to quality issues.
Kunming Pharmaceutical Group (Beike zhejiang)		
Guanlan Base	<i>MAH Drug Safety Emergency Response Plan Management Measures</i>	



Enhancing Drug Accessibility

We remain steadfast in our original mission by optimizing production processes and managing costs effectively, ensuring that the public can access safe and reliable health products and services at affordable prices in a timely manner. Through close collaboration

with grassroots medical institutions, we donate medicines and conduct medical training programs to support the widespread coverage of healthcare services across all levels of society. By fulfilling our global health commitments, we aim to benefit more people.

- Rare disease drug development.** We are strengthening independent research and innovation, particularly in the development of "ONC201," a drug targeting H3K27M-mutant diffuse midline glioma (DMG). The drug has already received the Clinical Trial Approval Notice issued by the National Medical Products Administration (NMPA), marking a significant step forward in improving the prevention and treatment capabilities for rare diseases.
- Modern logistics system construction.** We are building a robust, specialized, scalable, and integrated logistics system to ensure the safety, stability, and accessibility of medicines from the supply end. By developing a decision-support system for warehouse network planning, we use algorithms to provide real-time, scientifically sound recommendations for warehouse layouts, improving delivery efficiency. Based on product attributes and production-sales regions, we define warehouse characteristics and adopt a central warehouse + regional warehouse operational model to achieve multi-warehouse collaboration, enhancing logistics capabilities and customer service levels. We are advancing integrated transportation systems, offering comprehensive and professional delivery modes such as full truckload, less-than-truckload, and express shipping to meet diverse business needs. Additionally, we are building lean and intelligent logistics, exploring fixed-capacity transportation models, optimizing routes, and promoting automation in self-managed warehouses to improve delivery efficiency. We continuously refine emergency response mechanisms for logistics operations to ensure timely measures during disruptions, maintaining stable logistics operations.
- Fair and reasonable pricing.** We strictly adhere to laws and regulations such as the *Anti-Monopoly Law of the People's Republic of China* and the *Guidelines on Strengthening Current Drug Price Management*, refraining from interfering with terminal drug prices to protect fair market competition. In accordance with the CR Sanjiu Marketing Department Product Price Adjustment Management Rules, we price products differently to ensure patients can access medicines at reasonable and fair prices. Additionally, in different international markets, we establish fair and flexible pricing mechanisms based on local economic conditions and patients' actual needs and payment capacities. We actively respond to national policies, continuously promoting the inclusion of products in the medical insurance catalog and benefit people's livelihood with better drug prices. Some drugs are included in medical insurance and centralized purchasing, with tiered pricing based on national regulations, allowing patients to enjoy varying levels of medical insurance reimbursement for different categories of drugs.
- Combating counterfeit drugs.** We support government efforts to strictly regulate counterfeit and substandard drugs, protecting the legal rights of consumers and patients. Through platforms such as "Aichuang Regulatory Code" and "Code for Assurance," we have established a comprehensive product traceability system to ensure the production and distribution paths of drugs are traceable. We strengthen inspections and verification during label design and usage to reduce the risk of counterfeit, substandard, or mislabeled drugs entering the distribution system.
- Overseas expansion initiatives.** We actively sign cooperation agreements with countries such as the Czech Republic, Singapore, Canada, Mexico, and Saudi Arabia to promote the establishment of international cooperation platforms. In September 2024, we successfully launched cefazolin sodium pentahydrate and ceftazidime formulations in Japan. We continue to expand our business in emerging markets, with a licorice root extraction and processing base in Uzbekistan. CR Sanjiu is establishing a diversified sales network in Africa, including subsidiaries and partnerships with local pharmaceutical companies, to broaden our sales channels as much as possible. We assist local supply chains in strictly regulating counterfeit and substandard drugs, ensuring efficient and stable drug supply to high-demand regions, and providing high-quality, affordable antimalarial drugs to populations in high-malaria-prevalence areas. In East Africa, such as Tanzania, we have established sales teams to promote products, while strengthening logistics in West Africa and expanding drug sales in other regions. We actively collaborate with African health ministries and national drug agencies to include drugs in national public health programs through government procurement. We also partner with international organizations such as the World Health Organization (WHO) and The Global Fund to help countries and communities more effectively address malaria and other diseases. During the reporting period, CR Sanjiu implemented more than ten national-level foreign assistance projects and foreign aid training programs. Our malaria prevention and control projects were successfully included in the Ministry of Commerce's catalog of exemplary foreign aid training programs. We are committed to improving the professional capabilities of management and technical personnel in

malaria prevention and control in recipient countries, leveraging our professional resources to empower health initiatives in Belt and Road countries and other developing regions. We deliver antimalarial drugs, other medicines, and medical equipment to African countries, providing aid to economically disadvantaged patients and ensuring the health and safety of local patients. In 2024, CR Sanjiu participated in artemisinin-based antimalarial drug aid projects in Uganda and other countries. By the end of the reporting period, our antimalarial drugs had reached over 20 African countries, benefiting millions of patients.



Kunming Pharmaceutical Group's Anti-Malaria Drug Aid Project and Foreign Aid Training Session in Uganda



Kunming Pharmaceutical Group Sharing Experiences at the "International Health Development Cooperation and Health Financing Seminar" and the "Medical Products International Public Market Procurement Exchange Seminar"

» Case

Anchoring the Silver Hair Economy, Kunming Pharmaceutical Group Strives to Be a Leader in Health Services

As a subsidiary of CR Sanjiu, Kunming Pharmaceutical Group has set a new strategic goal of becoming "a leader in the silver hair economy, a pioneer in elderly health and chronic disease management, and a frontrunner in premium traditional Chinese medicine." The Company is committed to building a benchmark for the Panax notoginseng (Tianqi) industrial chain and the "Kunzhongyao 1381" premium TCM platform, focusing on the aging population to contribute to the health accessibility of the elderly.

In 2024, Kunming Pharmaceutical Group officially launched the "777" brand, marking a new phase in its silver hair economy health initiatives and demonstrating its proactive response to the national strategy for addressing population aging. The Company continues to increase its R&D investments, focusing on the secondary development of existing botanical drugs and adhering to the "small yet comprehensive + differentiated" R&D strategy. It remains dedicated to therapeutic areas such as cardiovascular and orthopedic diseases. Through a combination of independent R&D, investment and acquisitions, collaborative research, and licensed introductions, the Company has established an innovative R&D pipeline covering oncology, cardiovascular, metabolic, immune, and orthopedic fields. The pipeline includes a wide range of technologies, such as chemical drugs, rare Category 1 TCMs, and Category 2.4 improved new drugs with expanded indications.

From a production and manufacturing perspective, Kunming Pharmaceutical Group has established a comprehensive quality system, with seven manufacturing platforms that meet national standards, continuously empowering the elderly health industry.

Low-Carbon Leadership Jointly Creating a Green Home

Governance

CR Sanjiu has established a top-down environmental governance structure to ensure the efficient management and supervision of environmental issues. A three-tier governance structure has been formed, consisting of the Board of Directors, the EHS Committee, the EHS Management Department, as well as other departments, business units, and affiliated enterprises. The Board of Directors serves as the highest governing decision-making body for Company's environmental management strategy and related performance indicators, who finalizing and overseeing the establishment and implementation of environmental management policy and environmental performance. The EHS Committee serves as the management level, which responsible for the overall deployment and coordination of eco-environmental protection, coordinating and reviewing the major policies, systems, and strategic plans, and assessing key environmental risks and opportunities. The EHS Management Department, other departments, business units, and subsidiaries serve as the execution level, responsible for carrying out the specific work of eco-environmental protection.

Strategy

Guided by Xi Jinping 's Thought on Ecological Civilization, CR Sanjiu adheres to the red line of ecological and environmental protection red lines, actively implements the strategy of building a Beautiful China, and persists in taking the path of green and low-carbon development. We deeply integrate the concept of green and low-carbon development into the entire life cycle of product research and development, design, manufacturing, packaging, transportation, use, and waste treatment. We have formulated medium and long-term plans for ecological and environmental protection, focusing on environmental risk control, pollution prevention and control, green and low-carbon transformation, waste recycling, and the efficient utilization of energy and resources. Through technological upgrading and transformation and management optimization, we continuously promote the early realization of the goals of green and low-carbon development. We guide the partners in the industrial chain to jointly participate in the construction of a Beautiful China through the supplier performance assessment mechanism, and continuously build a green ecosystem for sustainable development.



Contribute to the SDGs



Risk and Opportunity Management

CR Sanjiu incorporates environmental-related risks into the comprehensive risk management system, using questionnaires and on-site interviews to fully identify environmental-issue risks. Risks are classified based on likelihood of occurrence, regulatory compliance, and consequence severity. Risk control priorities are set according to risk levels and improvement urgency. Control is strengthened through technological upgrades and management optimization to prevent risks from becoming hazards. Major risks are reviewed by the EHS Committee and then submitted to the Board of Directors for approval. The Company promptly monitors and follows up the progress of environmental-risk control and reports to the Board. Meanwhile, in response to changes in regulations and policies, climate change risks, market-demand shifts and technological innovation opportunities, the potential impacts are analyzed, and coping strategies are formulated to ensure the effective allocation of resources and the smooth realization of management goals.

Risk/Opportunity	Potential Impact	Response Strategy
Changes in Policies and Regulations	New environmental protection regulations may increase compliance costs and operational pressure.	Closely monitor regulatory and policy changes, conduct timely compliance evaluations, improve relevant systems, update response strategies, and strengthen training on policies, regulations, and system dissemination. Stay updated on policy developments, promptly update compliance measures, and enhance employee training.
Climate Change Risks	Extreme weather may affect production operations and the stability of the supply chain.	Strengthen the identification and control of climate risks, enhance monitoring and early warning, formulate contingency plans, conduct employee emergency response training and drills and improve the risk-resistant capacity of operational sites.
Changes in Market Demand	Consumers prefer green products, and market competition intensifies.	Increase the intensity of research and development of green products and enhance the environmental performance of products.
Technological Innovation Opportunities	The clean technology revolution brings opportunities for energy efficiency breakthroughs and the appreciation of carbon assets.	Invest in and introduce advanced and mature environmental protection technologies to promote process upgrades.
Reputation and Brand Impact	Environmental incidents can damage the enterprise's reputation and affect market trust.	Integrate environmental responsibility into corporate strategy, plan environmental protection work from a strategic level, strengthen environmental risk identification and control, eliminate environmental hazards at their inception, prevent hazards from developing into environmental incidents, and enhance emergency management and public opinion management.

Targets

Type	Medium- and Long-term Targets	Progress towards 2024 Targets
Environmental Compliance Management	Build a full-cycle environmental compliance management system to achieve zero environmental violations and create a model of compliance for sustainable development.	The environmental management system has been improved, and in 2024, no sudden environmental incidents occurred. Key pollutant-emitting units did not experience any environmental violations or non-compliance.
Climate Change Response	Implement the national dual - carbon strategy, carry out energy-saving and carbon-reducing renovations, continuously reduce greenhouse gas emissions, and dynamically identify and control climate change risks.	In 2024, the greenhouse gas emission intensity decreased by 13.58% compared with the previous year, 46.71% lower than the target value; the greenhouse gas emissions decreased by 19.65% compared with the previous year.
Energy Management	Carry out the low/zero-carbon transformation of the energy structure, strengthen energy informatization management, improve energy utilization efficiency, reduce energy consumption per unit of output value, and promote energy conservation and efficiency improvement.	In 2024, the comprehensive energy consumption per 10,000 RMB of output value (at comparable prices) decreased by 8.25% compared with the previous year, 25.12% lower than the target value; the comprehensive energy consumption per 10,000 RMB of added value (at comparable prices) decreased by 10.82% compared with the previous year, 17.83% lower than the target value.
Pollutant Reduction	Continuously reduce the generation and emission of various pollutants such as wastewater, waste gas, and solid waste to avoid environmental pollution.	The pollutant reduction targets from 2020 to 2024 have all been achieved.
Resource Recycling	Adhere to the principles of legalization, reduction, recycling, and harmless treatment, maximize the utilization rate of waste resources, and achieve the zero - waste goal.	In 2024, the treatment of industrial solid waste was legal and compliant. The recycling rate of general industrial solid waste is 96.65%, and the generation of hazardous waste was legal and compliant. The recycling rate of general industrial solid waste is 96.65%, and the generation of hazardous waste decreased by 19.93% compared with the previous year.

Strengthen Control, Advocate Green Development

CR Sanjiu complies with the *Environmental Protection Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations. The Company actively responds to the strategy of Beautiful China, supporting high-quality development through a high-quality ecological environment. CR Sanjiu is committed to a green, low-carbon development path and has developed and implemented the *CR Sanjiu Ecological Environment Protection Policy* and related environmental management policies. Through a series of measures including improving the environmental management system, strengthening environmental audits, and enhancing pollutant control, the Company has perfected our environmental management system to ensure that relevant policies cover all key areas of environmental management.

Robust Environmental Management System

The Company has always adhered to the original aspiration of green development, integrating environmental protection into all aspects of our business operations. We actively promote the certification of the environmental protection management system and establish and improve scientific, standardized, and efficient

environmental management processes. By formulating aid conducting comprehensive emergency management policy and plans, and regularly conducting risk hazard inspections, emergency training, and drills. We enhance the environmental risk prevention awareness and emergency response capabilities of all employees.

At the end of Reporting Period

15

subsidiary companies have passed the ISO 14001 certification,

with the certification rate reaching

43%

At the end of Reporting Period

8

subsidiary companies have passed the

ISO 50001 certification

with the certification rate reaching

23%

At the end of Reporting Period

The targets for pollutant and greenhouse gas reduction from 2020 to 2024 **have all been achieved.**

Number of EHS emergency drills is

617 in 2024



1 Environmental governance structure: CR Sanjiu attaches great importance to ecological and environmental management, forming a three-tier governance structure of the Board of Directors - EHS Committee - EHS Management Department and other departments, divisions and subsidiaries. The Board of Directors is the decision-making level, the EHS Committee is the management level, and the EHS Management Department and other departments, business units and subsidiaries are the executive level. CRC Sanjiu headquarters and each business unit sign an EHS responsibility letter at the beginning of each year, in which specific management objectives for energy saving and environmental protection, pollution reduction and carbon reduction, production safety, occupational health, etc. are defined, relevant data are dynamically monitored, and performance assessment is carried out at the end of the year.

2 Environmental management policies: The Company carries out the formulation and revision of environment-related system policies which regulates the management of all aspects of environmental protection involved in the Company. Enterprises at all levels under the subordinate companies have articulated the preparation of the *Provisions on the Prevention and Control of Wastewater, Waste Gas and Noise Pollutants*, *Provisions on the Standardized Management of General Industrial Solid Waste* and *Provisions on the Standardized Management of Hazardous Waste* and other internal policies in accordance with the system of the Group, relevant laws and regulations, standards, norms and policy documents and in light of their own reality. Furthermore, CR Sanjiu formulated and conducted the *CR Sanjiu Work Plan for Accelerating Green Development and Promoting the Construction of a Beautiful China*, *CR Sanjiu EHS Annual Assessment and Evaluation Management Measures*, and the *CR Sanjiu EHS Hazard Source Management Measures* in 2024.

3 Environmental risk control: CR Sanjiu refers to the internationally accepted COSO risk management framework, combines with our current condition, and built the "Three Lines of Defense" risk management system composed of business units, functional departments such as EHS, internal audit, and discipline inspection and supervision departments, clarifying the organizational structure and responsibilities for environmental risk management work. The Company formulated and implemented internal policies such as the *CR Sanjiu EHS Hazard Source Management Measures* and the *CR Sanjiu Environmental Risk Classification and Grading Evaluation Measures* and carries out risk management work through the "Five-step Method" of risk identification, risk assessment, risk response, risk monitoring, and risk reporting, effectively reducing the negative impact of the Company's production and operation ecological environment and natural resources.

4 Enhancing emergency response capabilities: The Group has established the *CR Sanjiu Comprehensive Emergency Plan for Sudden Environmental Incidents*. Subordinate enterprises at all levels, in accordance with the Group's policies and regulations and combined with their current condition, prepare emergency plans for sudden environmental incidents, file them with the local ecological and environmental department, and regularly conduct emergency plan drills and revision work. During the Reporting Period, CR Sanjiu conducted number of 617 EHS emergency drills, with a cumulative total of 16,687 employees participating in the drills, which effectively improved the ability of emergency personnel to properly handle EHS incidents. This effectively improved the ability of emergency personnel to appropriately handle EHS accidents and incidents in emergency situations.

5 Initiating EHS improvement: CR Sanjiu actively provided assistances to business units with weak EHS performance. We implemented the *Implementation Plan for the EHS Capability Improvement Action of Kunyao Group* and the *Implementation Plan for the Three-year EHS Improvement Action of the Sinopharm Business Division*, conducted EHS performance improvement projects, consolidated the EHS management foundation and improved our EHS management level.

6 Conducting environmental protection training: To improve the professional skills of environmental protection management personnel, the Group has organized 135 environmental protection trainings in 2024. Subordinate enterprises at all levels participated 8 times relevant trainings organized by the Ministry of Ecology and CR Sanjiu. Furthermore, a total of 192 employees, including the leaders in charge of enterprises at all levels, EHS leaders and environmental protection managers, have participated in the CR Sanjiu Group's eco-environmental protection professional competence training and certification.

Environmental Audit Conduction

To effectively improve the level of environmental protection management, comprehensively identify and control various environmental risks, we continue to strengthen the internal and external environmental audits, find hidden environmental risks, environmental management shortcomings and environmental protection facilities, constantly analyze and summarize, innovate the work methodology, implement classified and hierarchical control of environmental risks identified by environmental audits, and use the EHS information management system to achieve closed-loop tracking of rectification and correction of the hidden risks.

• **Formulate an environmental audit system.** To standardize environmental compliance evaluation and potential hazard investigation, CR Sanjiu has formulated an environmental audit system and adheres to the *CR Sanjiu EHS Supervision and Management Measures*, the *CR Sanjiu EHS Hazard Source Management Measures*. It classifies and manages environmental risks in accordance with the *Measures for Classifying and Grading Environmental Risk Assessment Environmental Risk Classification and Grading Evaluation Methodology*. Additionally, subsidiaries and business units have formulated supporting regulations, including the *EHS Management Compliance Evaluation System and the EHS Hidden Risk Investigation and Remediation System*.

• **Internal environmental audit.** CR Sanjiu organizes and carries out EHS audit every year with the production safety month as an opportunity. In 2024, our internal environmental audit has covered 100% of the production-oriented subsidiaries. Regarding emergency management for unexpected environmental events, safety operation management of environmental protection equipment and facilities, solid waste, energy-saving and environmental protection qualifications, and compliance management of pollution source automatic monitoring. During the Reporting Period, CR Sanjiu has conducted 5 internal audits on environmental compliance management and other aspect. Additionally, CR Sanjiu organized environmental remediation actions and warning education for enterprises located in the second and third batches of the third round of the central environmental protection inspection regions. CR Sanjiu also statistically analyzed the use of environmental protection equipments and automatic monitoring equipments at all levels of enterprises to ensure the safe and stable operation of equipment. In 2024, subsidiaries organized 339 environmental protection inspections at all levels to proactively prevent and resolve various environmental risks and hazards..

• **External environmental audit.** In 2024, CR Sanjiu's subsidiaries at all levels conducted external environmental audits, including commissioning third parties to carry out environmental hazard investigations, compliance evaluations, and pollutant testing. These audits also supported inspections of automatic monitoring equipment and the operation and maintenance of environmental protection facilities, as well as government-led clean production audits, greenhouse gas emission report verifications organized by environmental authorities, and both online and offline environmental protection inspections. At the end of Reporting Period, 18 subsidiary enterprises have conducted clean production audits, 12 of which were carried out voluntarily.

• **Improve environmental protection management for construction projects.** CR Sanjiu enhances environmental management for construction projects by improving relevant management systems. We specify that new, renovation, and expansion projects must undergo environmental analysis, risk assessment, and environmental impact evaluation, and obtain approval for the environmental impact assessment (EIA). During the implementation of all projects, "three simultaneous" management is enforced, ensuring strict adherence to pollution prevention and control measures outlined in the EIA and its approval documents. Additionally, environmental protection testing, acceptance, and filing are carried out upon project completion, and all required qualifications, licenses, and documentation are obtained in accordance with legal regulations, ensuring they remain valid during the project's lifetime.

Water Resource Management

Water is the source of life and an important resource for the sustainable development of enterprises. We attach great importance to the protection and rational utilization of water resources and have established a sound water resource management system. Through measures such as reducing the consumption of fresh water, regulating process water use, and promoting the recycling of reclaimed water and cooling water, we improve the reuse rate of water resources. During the Reporting Period, CR Sanjiu achieved all the water resource management targets.

Targets and Achievements of CR Sanjiu's Water Use Efficiency Indicators from 2020 to 2024

Number	Indicator Name	Indicator	Year					Change from the previous year in 2024	The Rules for Target-setting During the "14th Five-Year Plan" Period
			2020	2021	2022	2023	2024		
1	Fresh Water Consumption per 10,000 RMB of Output Value (at Comparable Prices)	Actual Value (tons/RMB 10,000)	2.4668	2.1663	2.2657	2.6082	2.3854	Reduce 8.54%	Based on 2020 as the benchmark, decreasing by 2% annually - (The baseline value of Kunming Pharmaceutical Group has been incorporated in 2023)
		Target Value (tons/RMB 10,000)	2.4668	2.4175	2.3681	2.7547	2.7263		
		Whether the Target is Achieved	N/A	Yes	Yes	Yes	Yes		
2	Industrial Water Reuse Rate	Actual Value (%)	—	—	66.06%	83.11%	85.89%	Increase 3.33%	Based on 2022 as the benchmark, increases by 1% year-by-year (The benchmark value of Kunming Pharmaceutical Group has been incorporated in 2023)
		Target Value (%)	—	—	66.06%	67.38%	68.70%		
		Whether the Target is Achieved	—	—	N/A	Yes	Yes		

Remarks:

- When there are changes in the production scale and quantity of enterprises included in the statistics, the target values of the indicators can be adjusted accordingly.
- In 2023, as Kunming Pharmaceutical Group has been included in the statistical scope, after incorporating the benchmark value of Kunming Pharmaceutical Group, the corresponding target values of the indicators have been adjusted accordingly.

Formulate Environmental Protection Policies and Strengthen Resource Management.

- The Group has formulated management measures such as the *CR Sanjiu Energy and Resource Conservation Management Measures and the CR Sanjiu Energy Conservation and Ecological Environmental Protection Supervision and Management Measures* to guide the water resource management work. Multiple measures are taken to reduce resource consumption. Various measures have been adopted to reduce the consumption of resources, encourage consumption, and require enterprises at all levels to reduce the amount of fresh water and enhance the reuse rate of industrial water through a number of measures such as upgrading water-using equipment, regulating the use of water for processes, strengthening the maintenance of water-using equipment, and implementing the recycling of water and condensate. At the same time, employees are encouraged to develop good habits of resource conservation, fostering a strong corporate culture focused on resource savings.

Sign EHS Liability Agreements and Implement Assessment Mechanism.

- According to the *CR Sanjiu EHS Target and Responsibility Management Measures*, at the beginning of each year, the Group signs EHS liability agreements with each business unit. The water use efficiency targets are decomposed and issued to each business unit. At the end of Reporting Period, performance appraisals are carried out on each unit in accordance with the EHS liability agreements. According to the *CR Sanjiu EHS Commendation and Reward Plan*, units and individuals that have achieved outstanding results in EHS management, including water management, are commended.

Track the Achievement of Targets and Improve Water Use Efficiency.

- The water use efficiency indicators are statistically analyzed on a quarterly basis. Business units are then guided to implement technical and management measures to strengthen water usage management, minimize fresh water consumption, increase the reuse rate, and ensure the achievement of the targets.

Pollutant Prevention

CR Sanjiu strictly adheres to laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Air Pollution* and the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, and has formulated and issued the *CR Sanjiu Pollutant Prevention and Control Management Measures*, the *CR Sanjiu Energy Conservation and Ecological Environmental Protection Supervision and Management Measures* other policies to guide and standardize the pollutant prevention and control work of enterprises at all levels, aiming to control and reduce wastewater, waste gas, industrial solid waste, noise, and new pollutants emission. We strictly monitor the emissions of various pollutants, continuously optimizing production processes to achieve source control. We adopt advanced and mature pollution prevention and control technologies and implement detailed management of environmental protection facilities to ensure that emission concentrations are better than national, local, and industry standards, maintaining strict compliance with environmental regulations. At the end of Reporting Period, all the pollutant emission reduction targets of CR Sanjiu have been achieved, as detailed in the table below.

CR Sanjiu's Pollutant Reduction Target Setting and Achievement from 2020 to 2024

Number	Pollutant	Indicator	Year					Change from the previous year in 2024	The Rules for Target-setting During the "14th Five-Year Plan" Period
			2020	2021	2022	2023	2024		
1	SO _x	Emission (t)	9.50	3.50	2.66	4.70	3.47	Reduced 26.71%.	Based on 2020 as the benchmark, decreasing by 2% year - by - year
		Target Value (t)	Permissible Emission	9.31	9.12	10.1689	9.9525		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		
2	NO _x	Emission (t)	35.01	35.65	38.44	66.34	47.87	Reduced 27.84%	2020 as the benchmark, decreasing by 2% year - by - year from 2024
		Target Value (t)	Permissible Emission	Permissible Emission	Permissible Emission	Permissible Emission	65.01		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		
3	Particulate Matter (PM)	Particulate Matter Emission (t)	6.8796	1.4783	1.44	10.00	8.19	Reduced 18.10%	Based on 2020 as the benchmark, decreasing by 2% year - by - year
		Target Value (t)	Permissible Emission	6.7420	6.6044	11.5742	11.3279		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		
4	Volatile Organic Compounds (VOCs)	Emission (t)	377.8655	12.1292	11.23	8.87	5.87	Reduced 33.82%	Shall not exceed the permissible emission
		Target Value (t)	Permissible Emission	Permissible Emission	Permissible Emission	Permissible Emission	8.69		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		
5	COD	Emission (t)	62.20	55.47	58.77	67.14	60.02	Reduced 10.60%	Based on 2020 as the benchmark, decreasing by 2% year - by - year
		Target Value (t)	Permissible Emission	60.956	59.712	67.4077	65.97		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		
6	Ammonia Nitrogen	Emission (t)	3.04	1.91	1.68	2.39	2.01	Reduced 15.90%	
		Target Value (t)	Permissible Emission	2.9792	2.9184	4.4390	4.3445		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		

Remarks:

- Allowable emissions: The total allowable emissions of pollutants or the total control amount specified in the pollutant discharge permit as set by the ecological environment authority of the enterprise's location.
- When there are changes in the production scale, number of enterprises, etc., the target values of the indicators can be adjusted accordingly.
- In 2023, due to the inclusion of Kun Pharmaceutical Group in the statistical scope, the baseline values of Kun Pharmaceutical Group were incorporated, and the corresponding indicator target values were adjusted accordingly.

Signing Responsibility Agreements, Target Breakdown, and Performance Evaluation

In accordance with the *EHS Supervision and Management Measures*, the Group signs annual EHS responsibility agreements at each business unit, breaking down pollutant reduction targets. Regular statistical analysis of indicator data is conducted, and at the end of the year, performance evaluations are implemented in line with the *EHS Annual Evaluation and Assessment Management Measures*. Business units with outstanding performance would be recognized and rewarded.

Environmental Performance as a factor in executive and employees' compensation

We have incorporated environmental management performance into the current incentive compensation policy for executive and all employees. Job-specific environmental management responsibilities are clearly defined, and performance levels are assessed through annual reporting and evaluation, which are linked to bonus distribution, strengthening responsibility implementation.

Source Control

All subsidiaries are required to prioritize the procurement of low-energy, low-pollution, and low-noise models when purchasing new equipment. The use of outdated processes and equipment that have been officially phased out is prohibited. On the basis of meeting process requirements, the substitution of high-pollution raw materials is promoted, and priority is given to the use of low-toxicity and harmless materials to reduce pollutant generation and toxicity.

Monitoring Pollutants

Each of CR Sanjiu's subsidiaries develops a self-monitoring plan at the beginning of each year. Some environmental protection facilities are equipped with automatic monitoring devices connected directly to the ecological environment supervision platform. For facilities without automatic monitoring equipment, self-monitoring is carried out according to the self-monitoring plan. During the Reporting Period, the automatic monitoring data and inspection reports show that after treatment by environmental protection facilities, the concentration of pollutants in wastewater and waste gas, comply with national, local, and industry standards, and the total emissions have not exceeded the allowed limits.

Waste Gas and Wastewater Treatment

Selecting equipment and facilities with fewer pollutants and non-toxic and harmless raw materials to achieve source control. We have installed waste gas and wastewater prevention and control facilities with low risk, mature technology and high treatment efficiency, and keep strictly monitoring the operation and maintenance status of environmental protection facilities and automatic monitoring equipment. All environmental protection facilities have certain anti-load capacity, and formulate emergency plans for possible abnormal situations. We implement fine management for environmental protection facilities and automatic monitoring equipment with high risk. And arrange special personnel or hire professional third party company for operation and maintenance, relevant rules and regulations, operation procedures on the wall management, operation and maintenance personnel after training and examination qualified post. During the Reporting Period, all of the Company's environmental protection facilities and automatic monitoring equipment have kept operating safely and smoothly.

Noise Control

When introducing new equipment, we prioritize devices with high energy efficiency and low noise levels to reduce noise at the source. During operations, we use noise meters to detect and identify noise sources comprehensively and throughout the entire process in accordance with noise control standards. CR Sanjiu controls noise pollution from three aspects: sound source, transmission pathways, and receptor protection. Also, we apply noise reduction measures such as mufflers, sound insulation, and vibration damping to control noise at the source. We keep using sound barriers, sound-absorbing materials, and greening to mitigate noise during transmission. In the mean time, we regularly distribute protective equipment to employees exposed to noise, ensuring compliance with national and local standards while safeguarding employee health.

Waste Disposal

CR Sanjiu follows the principles of compliance, minimization, recycling, and harmlessness for the classification and treatment of waste. For hazardous waste, temporary storage areas are set up in strict accordance with regulations, and the waste is classified, packaged, and temporarily stored in designated zones. Qualified professional agencies with the necessary qualifications and capabilities are entrusted to handle the waste in a lawful and compliant manner. For non-hazardous waste, priority is given to small-scale internal recycling within units, medium-scale recycling

between units, and active participation in the development model of social large-scale recycling. The focus is on expanding and evaluating methods for waste recycling and disposal. During the Reporting Period, all waste generated from CR Sanjiu's production and operational activities was handled in compliance with legal and regulatory requirements. CR Sanjiu's subsidiaries, CR Benxi Third Pharm and CR Shunfeng, were recognized as "Waste-Free Factories" in Benxi City and Shunde District, Foshan, respectively.

General Industrial Solid Waste Management.

CR Sanjiu has established and implemented a standardized management policies for general industrial solid waste, sets up temporary storage areas with clear labeling and signage, assigns dedicated personnel for management, maintains accurate records in ledgers, and ensures proper inspections and maintenance. We strengthen the entire process of waste reduction management, minimize waste generation, and prioritize recycling and reuse wherever possible. For general industrial solid waste that cannot be recycled, it should be delivered to a third party with recycling capabilities or used as raw or auxiliary materials for production. Units generating general industrial solid waste that require third-party transportation, utilization, or disposal must verify the qualifications and technical capabilities of the third party, legally sign written contracts, and include pollution prevention requirements in the contracts. Environmental pollution prevention information must be publicly disclosed in a timely manner according to the law, and social supervision should be accepted.

Hazardous Waste Disposal

CR Sanjiu has developed and implemented management policies and emergency plans for hazardous waste, including the creation of management plans, specialized temporary storage areas, and clear signage, labels, and tags. Classified and zoned temporary storage is enforced. Hazardous waste reduction is carried out through technical and management measures to minimize generation at the source, in compliance with relevant laws, regulations, and standards. Hazardous waste is entrusted to professional agencies with the appropriate qualifications and technical capabilities for disposal, following the transfer and tracking system to ensure standardized disposal and traceability. The Company has fully completed the standardization of hazardous waste management, achieving unified standards and regulated management.

Disposal of Expired Medicines

All expired medicines and waste pharmaceutical products are treated as hazardous waste and disposed of by an external party in accordance with relevant regulations. Third-party disposal agencies with the necessary qualifications and technical capabilities are selected, and hazardous waste disposal agreements are signed to ensure the legal and compliant disposal of expired medicines.

Use of Packaging Materials

CR Sanjiu encourages subsidiaries to use green, biodegradable, low-carbon, and recyclable packaging materials, reduce single-use packaging designs, and minimize the use of plastic packaging materials to achieve sustainability and reduce packaging waste. Packaging waste is subject to hazard identification and classified treatment. Packaging waste without hazardous characteristics is treated as general industrial solid waste and is recycled and reused as much as possible. Packaging waste with hazardous characteristics is legally and compliantly disposed of as hazardous waste.

Setting and Achievement of Solid Waste Emission Targets of CR Sanjiu from 2020 to 2024

Number	Indicator Name	Indicator	Year					The rules for target-setting during the "14th Five-Year Plan" period
			2020	2021	2022	2023	2024	
1	Hazardous Waste	Total Generation (t)	488.96	627.63	835.93	1252.35	1,002.75	All Hazardous Waste Must be Disposed of Legally and in Compliance with Regulations.
		Target Value (t)	All Legally and Compliantly Disposed					
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes	
2	General Industrial Solid Waste	Total Generation (t)	32,214.45	36,250.50	26,094.72	134,557.22	144,261.22	All general Industrial Solid Waste Must be Treated Legally and in Compliance with Regulations.
		Target Value (t)	All Legally and Compliantly Disposed					
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes	

Remarks:

- Permissible Emission: The annual allowable total pollutant emission given by the ecological environment department where the enterprise is located.
- When there are changes in the production scale and quantity of enterprises included in the statistics, the target values of the indicators can be adjusted accordingly.
- In 2023, as Kunming Pharmaceutical Group has been included in the statistical scope, the corresponding target values of the indicators have been adjusted accordingly.
- Solid waste disposal methods include recycling and harmless disposal, incineration, landfill, etc.

Multi - Dimensional Carbon Reduction, Protecting Our Green Future

With the ongoing rise in global temperatures, climate change has brought severe adverse impacts and risks to humanity, transmitting through a "cascade of risks" from natural ecosystems to economic and social systems. This poses a serious threat to the human living environment and the safety of life and property. In the face of the increasingly severe climate crisis, actively addressing climate change and implementing green, low-carbon transformation has become a key driver of green, high-quality development. We are committed to multi-dimensional carbon reduction and are embedding the concept of green, low-carbon development into every aspect of our production and operations. Through technological innovation, energy optimization, and process improvement, we aim to reduce energy consumption and our carbon footprint.

Response to Climate Change

CR Sanjiu actively responds to the climate change initiatives of the *Paris Agreement* and supports the *UAE Consensus* through action. The Company thoroughly implements the national dual-carbon strategy and steadily carries out energy-saving and carbon-reduction efforts. In accordance with the *Carbon Emission Management System Requirements and Guid*, CR Sanjiu has improved our carbon emission management system. The Company has developed systems such as the *CR Sanjiu's Medium- and Long-Term Plan for Peaking Carbon Emissions* and set greenhouse gas reduction targets into 14th Five-Year Plan, based on the *Science-Based Targets initiative (SBTi)* methodology. At the same time, CR Sanjiu dynamically identifies and manages climate-related risks and opportunities, fully referencing TCFD recommendations to effectively manage climate change risks and ensure proper information disclosure.

Governance

A solid governance structure and clear management responsibilities are key to a Company's effective response to climate change. CR Sanjiu places high importance on managing climate-related risks and opportunities, establishing a three-tier governance structure consisting of the Board of Directors, the EHS Committee, the EHS Management Department, and other departments, business units, and subsidiaries. The Board of Directors serves as the highest decision-making body, responsible for approving the climate change strategy and relevant targets. The EHS Committee acts as the management body, overseeing the overall deployment and coordination of climate change-related work, developing and reviewing major policies and strategic plans, and assessing climate-related risks and opportunities. The EHS Management Department, along with other departments, business units, and subsidiaries, forms the execution layer, responsible for implementing specific actions to address climate change.

Strategy

Mitigation and adaptation are the two key strategies for addressing climate change. Mitigation focuses on reducing greenhouse gas emissions and enhancing carbon sinks, while adaptation focuses on preventing and reducing the adverse impacts and risks of climate change. Both are complementary and indispensable. In responding to climate change risks, we emphasize both mitigation and adaptation, continuously enhancing the Company's ability to address climate change in the short, medium, and long term. We require subsidiaries at all levels to develop "Carbon Peak and Carbon Neutrality" action plans.

Mitigation: We aim to optimize the industrial structure and layout, focus on resource conservation and efficient utilization, optimize energy management and usage structure, and continuously develop and apply renewable energy. CR Sanjiu has clearly defined energy-saving and carbon-reduction goals and has implemented six key actions for carbon peak action. We continue to establish green factories and near-zero/zero-carbon parks, improve energy information infrastructure, and professionally develop a robust energy management system. We consistently enhance energy management levels, strengthen green and low-carbon capacity building. Specially, CR Sanjiu has incorporated energy-saving and carbon emission reduction targets into the annual key performance evaluations of subsidiaries, relevant employees and executives to strengthen our responsibility and accountability. We also further explore effective measures to reduce energy consumption and lower greenhouse gas emissions.

Adaptation: We closely monitor the meteorological department's extreme weather forecasts and warnings, anticipate potential natural disasters caused by extreme weather, and respond with preventive measures and risk avoidance strategies. We have developed emergency rescue plans, set up a tiered emergency response system for extreme weather, strengthened disaster prevention measures, and established emergency rescue teams with regular drills. When extreme weather occurs, we will promptly and orderly initiate emergency response plans. Additionally, we enhance outdoor equipment, facilities, valve pipelines, and electrical instrumentation inspections. We also research and cultivate medicinal plant varieties with high environmental tolerance and rich medicinal properties, promoting their cultivation. We are developing complementary projects using pharmaceutical plants under photovoltaic panels, reducing the impact of high temperatures on medicinal herb planting bases.



Climate Risk Scenario Analysis

The Company refers to the *Shared Socioeconomic Pathways (SSPs)* from the *Intergovernmental Panel on Climate Change (IPCC)* and climate change scenarios published by the *International Energy Agency (IEA)*, in combination with the Company's dual-carbon strategy. Based on previous years' scenario analyses, we have selected applicable low-emission and high-emission scenarios to assess the impact of key physical and transition climate risks on the Company's operations. We use the IPCC SSP1-2.6 and SSP5-8.5 scenario models to assess potential physical risks, and the IEA 2050 net-zero emissions scenario and established policies scenario models to evaluate potential transition risks. We use the IPCC SSP1-2.6 and SSP5-8.5 scenario models to assess potential physical risks, and the IEA 2050 net-zero emissions scenario and established policies scenario models to evaluate potential transition risks.

Physical Risks		Transition Risks	
SSP1-2.6 Low-Emission Scenario	SSP5-8.5 High-Emission Scenario	NZE 2050 Net-Zero Emission Scenario	STEPS Stated Policies Scenario
This scenario sets an ideal situation where global CO ₂ emissions reach the net-zero target around 2050.	This scenario simulates the situation where future economic development mainly relies on energy-intensive industries with almost no policy constraints.	This scenario assumes the possibility and impacts of achieving net-zero greenhouse gas emissions globally by 2050. In this scenario, countries will introduce strict policies to promote the application of energy-saving technologies and reduce dependence on fossil fuels.	This scenario assumes the development trends of energy demand and supply without considering the introduction of any new policies or measures.

Climate Resilience Assessment

Physical Risks: The frequent occurrence of extreme weather events and the rise in average temperatures may impact the Company's operations.

Scenario-Driven Factors	The Potential Impact
Frequent Extreme Weather: Frequent extreme rainfall may lead to surface water accumulation, flooding, landslides, and other disasters, which could negatively impact the Company's normal production operations and transportation logistics.	Increasing frequency and intensity of extreme rainfall events. As extreme rainfall events become more frequent and intense, the likelihood of flooding and water accumulation continues to rise. Factories located at lower elevations are more susceptible to flooding. The risk of instability in production operations and supply chain transportation at the Company's production bases increases, leading to higher asset loss risks, increasing the investment to response and rising costs
Rise in Average Temperatures: With the rise in average temperatures, the Company will need to invest more resources to ensure and maintain a normal production operating environment.	The rise in average temperatures may lead to higher operational costs for the factories, such as increased electricity consumption and higher infrastructure maintenance expenses.

The Company anticipates extreme rainfall and flooding disasters and has developed a series of emergency response plans, including specific plans for flood prevention and lightning protection. Measures such as optimizing drainage systems for flood control, installing rooftop photovoltaics to reduce indoor temperatures, providing heat subsidies and heatstroke emergency rescue for employees, and setting up backup power sources ensure the stability of production. Currently, extreme weather events have not caused significant operational disruptions, and the Company will continue to strengthen disaster early warning systems and sustainable procurement strategies, with a focus on improving the climate resilience of the value chain. At the raw material cultivation end, the Company promotes climate-adaptive cultivation, strictly follows the principle of authentic medicinal herbs, selects and breeds high-tolerance, high-quality varieties, establishes a germplasm resource protection system, and implements a harvesting system that ensures sufficient medicinal content. These measures systematically reduce the impact of climate factors on the quality of raw materials and the supply chain.

Transition Risks: Under the influence of risks related to low-carbon transformation, the Company primarily faces transition risks arising from different regions intensifying their low-carbon actions. These risks include stricter low-carbon transition policies and the development and application of low-carbon technologies.

Scenario-Driven Factors	The Potential Impact
Stricter Low-Carbon Transition Regulations and Policies: Driven by the national "dual-carbon" goals, carbon reduction policies for the pharmaceutical manufacturing industry are becoming increasingly stricter.	As various carbon reduction regulations and policy requirements are promoted and implemented, the Company may face increased operational costs to meet compliance requirements, such as increased costs for purchasing trading quotas due to being included in the carbon trading system.
Low-carbon Technology Development and Application: During the Company's transition to low/zero carbon, there is an increased demand for equipment upgrades, energy-saving and carbon-reducing technology development and application.	Cost increases due to the transformation of energy-intensive equipment and the development of energy-saving and emission-reduction technologies.

To address transition risks, the Company strengthens its carbon emission management system, with a focus on promoting innovation and application of energy-saving and carbon-reduction technologies. This includes improving energy efficiency through process optimization and intelligent production technologies, advancing intelligent upgrades and energy-saving transformations of equipment to reduce energy losses, deepening the recovery and utilization of waste heat (such as condensate, air compressor, and boiler waste heat), establishing a multi-stage waste energy recovery system, and relying on energy information systems for detailed management.

Climate Change Risk List

Based on climate change risk scenario analysis and previous years' risk identification, we have refined the climate change risk list relevant to the Company using intuitive experience analysis, considering industry characteristics, market changes, technological upgrades, local policies, geographic features, extreme weather, and other factors. This list has been integrated into CR Sanjiu's overall risk management system to ensure the implementation of climate change risk management across the entire value chain. The climate change risks we face include both physical risks and transition risks. The major climate change risks and corresponding response strategies are shown in the table below.

CR Sanjiu's 2024 Climate Change Risks and Response Strategies

Risk Type	Risk Description	Response Strategy	Impact Time
Physical Risk	<p>Acute Risk</p> <p>Due to global warming, there is an increase in the instability of the climate system. Extreme weather occurs more frequently and with greater intensity. Extreme weather can impact human health, lead to casualties, and disrupt production and transportation. Factories located in low-lying areas face an increased risk of flooding, and the likelihood of logistics disruptions or delays rises. These factors may disrupt the Company's normal operations and lead to changes in the value chain, including the supply chain and market demand, which may directly or indirectly result in financial losses for the Company. (This is the biggest physical risk.)</p>	<ul style="list-style-type: none"> Formulate emergency rescue plans for extreme weather, set up graded emergency response measures for extreme weather, strengthen disaster prevention and response measures, release natural disaster warnings in a timely manner, and make advance predictions and reasonable management and risk avoidance for extreme precipitation and flood disasters. New production bases must be set up in high-lying areas that are not easily flooded. Require relevant units to attach great importance to the prevention and response work of natural disasters, strengthen the management of key areas and important links such as buildings, new, reconstructed and expanded projects, warehousing and logistics, and do a good job in disaster prevention and avoidance. Optimize the technology of the constant temperature and refrigeration systems in the production workshops to improve the refrigeration efficiency. 	Long Term
	<p>Chronic Risk</p> <p>Persistent high-temperature weather may lead to problems such as reduced production of cultivation of traditional Chinese medicinal herbs and difficulties in preservation, which may bring about an increase in procurement costs and labor costs.</p> <p>Since the production and storage of drugs require a low-temperature environment, in the scenario of climate warming, more energy will be consumed, and the operating costs will increase.</p>	<ul style="list-style-type: none"> Research the artificial planting techniques of medicinal herbs, summarize and formulate technical guidelines, promote the authentic cultivation of medicinal herbs and the protection of germplasm sources, and select suitable environments for cultivation. Build medicine-photovoltaic complementary projects, plant medicinal plants in the shady areas under the photovoltaic panels to reduce the impact of high temperatures on the plants. Select and promote the cultivation of high-quality traditional Chinese medicine varieties with high environmental tolerance and rich medicinal ingredients, adhere to the cultivation and protection of the authenticity of medicinal organisms and their germplasm sources. Encourage energy-saving retrofits of air conditioning systems, such as the use of more energy-efficient permanent magnet synchronous variable frequency centrifugal water storage dual-mode units. Encourage the construction of photovoltaic power generation projects on the rooftops of workshops, install photovoltaic panels on the rooftops, which can reduce the indoor temperature of the workshops to a certain extent. 	<p>Long Term</p> <p>Medium Term</p>

Risk Type	Risk Description	Response Strategy	Impact Time
Transition Risk	<p>Legal Risk</p> <p>The risk of non-compliance brought about by stricter environmental protection, carbon emission laws, regulations, standards and specifications.</p>	<ul style="list-style-type: none"> Strengthen the study and research of laws, regulations, standards and specifications, and actively communicate and contact with government authorities. 	Long Term
	<p>Policy Risk</p> <p>The "dual carbon" policy will directly affect the Company's environmental protection investment and indirectly affect the Company's product layout, production capacity and production scale. To achieve the temperature control target of the Paris Agreement, governments at home and abroad are gradually improving the carbon emission trading management system and the control of the total carbon emission. The number of enterprises included in the list of key carbon emission units is increasing, the expected cost of greenhouse gas emissions is increasing, and the carbon allowances allocated by the government are also decreasing year by year. The subordinate key emission units will increase the purchase of carbon allowances or CCER to fulfill their obligations, resulting in an increase in operating costs.</p>	<ul style="list-style-type: none"> Strengthen the study and research of relevant policies and regulations, maintain good communication with government authorities, be familiar with the carbon market trading mechanisms at the national level and in the locations of business units, and carry out carbon trading in a timely manner. Promote the construction experience of the CR Sanjiu Guanlan near-zero-carbon park project in each business unit, and promote the construction of near-zero/zero-carbon factory areas by business units. Promote eligible business units to jointly develop demonstration projects of carbon sequestration in medicinal herb cultivation with relevant professional institutions, and study the methodology and standards of carbon sequestration. Focus on supervising subordinate key carbon emission units to strengthen energy-saving and carbon-reduction technical transformations and management and reduce the number of key carbon emission units as much as possible. 	Long Term
	<p>Human Resources Risk</p> <p>There is a shortage of professional human resources, and the Company needs to invest more human and financial resources in carbon reduction.</p>	<ul style="list-style-type: none"> Strengthen carbon emission management training, allocate full-time personnel, and do a good job in formulating carbon emission control plans, carbon asset management and carbon trading. Establish an expert database and cooperate with scientific research institutes, associations and third-party institutions to carry out carbon reduction research. 	Long Term
	<p>Technical Risk</p> <p>There may be additional investment costs for replacing and upgrading backward technologies that have a greater negative impact on climate change. In addition, there is uncertainty about whether the Company can adapt to, iterate and use low-carbon technologies, which requires a process, and the operating costs may increase in the early stage. (This is the biggest transition risk)</p>	<ul style="list-style-type: none"> Encourage participation in the formulation of green manufacturing-related standards, application for green manufacturing-related patents, and evaluation of green products. Cooperate with professional units to explore and research energy-saving and emission-reduction equipment, and promote the upgrading of energy-saving and emission-reduction equipment. Vigorously promote intelligent manufacturing. Through the integration of informatization and industrialization, equipment upgrading and scientific scheduling, achieve continuous manufacturing of large varieties, and further improve production capacity and energy use efficiency. Continuously implement energy-saving technical transformations, actively pilot emerging and mature technologies, shorten the adaptation period, and promote their application. Improve relevant incentive systems, promote green technologies and products, and support the development of green and low-carbon industries. 	Long Term

Risk Type	Risk Description	Response Strategy	Impact Time
Transition Risk	Market Risk Consumers' preference for low-carbon products may lead to a shift in consumer preferences.	<ul style="list-style-type: none"> Conduct research on consumer survey trends, understand the market's inclination towards low-carbon products, and assist in product development decisions. Encourage each business unit to actively carry out factory greening, build "garden factories", invite communities, schools and consumer groups to visit the factory environment, and create a green corporate image. Use green packaging for drugs, and require product packaging to meet the requirements of reusability, recyclability and recoverability; promote the business unit - Jiuxing Printing to research and develop green packaging materials. Promote green and low-carbon transportation, jointly discuss scientific scheduling with logistics companies, optimize the transportation structure, reduce intermediate links and ineffective transportation; promote alternative clean energy sources, try to replace fuel vehicles with new energy vehicles, reduce fuel consumption, improve logistics efficiency, and help achieve carbon reduction. 	Long Term
	Reputation Risk Investors have increased their concern for the climate risk response measures of the invested enterprises. Inadequate response measures may affect the Company's reputation in the investment market.	<ul style="list-style-type: none"> The senior management of the Company attaches importance to the management and supervision related to climate change response, and pays attention to the trends of climate-related policies. Strengthen communication with investors and consumers, understand their closely concerned dynamics and market trends. Under the guidance of the mission of "Caring for Public Health and Creating a Better Life Together", in addition to providing high-quality and healthy products, the Company is also committed to improving the health literacy of the whole people and assuming more social responsibilities and practicing the "Healthy China" strategy from multiple dimensions. Dynamically identify and control climate change and biodiversity risks, improve response measures, actively respond to the climate change initiative of the Paris Agreement, and actively participate in the global governance of climate change. Thoroughly implement the national dual-carbon strategy, and jointly fulfill the main responsibility of ecological environment protection with upstream and downstream enterprises. Carry out publicity activities on World Environment Day, Energy Conservation Publicity Week, National Low Carbon Day, etc., actively participate in relevant publicity and training activities organized by government departments and professional associations. Timely disclose the Company's climate change response information on the Company's official website or with the help of Sina Finance and social media, etc., and show the good image of CR Sanjiu's green and low-carbon development to the society. 	Long Term

Climate Change Risk Management

The Company follows the internationally recognized COSO risk management framework, adapting it to the Company's actual needs, and has established a top-down "three lines of defense" risk management system. This system clearly defines the organizational structure and division of responsibilities for climate change risk management. The Board of Directors is responsible for overseeing the overall risk management process, while the EHS Committee serves as the highest decision-making body for climate change risk management matters. The EHS Committee oversees the EHS Management Department, which acts as the daily management body and reports to the Board of Directors on the effectiveness of the risk management system and the control of significant risks. The Company uses a "five-step method" to manage climate change risks, consisting of risk identification, risk assessment, risk response, risk monitoring, and risk reporting. The Company implements a closed-loop management model with "risk identification first, business self-management, and audit supervision follow-up."

Climate Change Opportunity Management

We identify climate change opportunities from aspects such as energy resources, corporate resilience, markets, products, and services, and analyze their impacts. The details are shown in the table below.

Opportunity Type	Opportunity Description	Opportunity Impact	Implementation Duration
Energy and Resource Utilization Efficiency	By carrying out energy-saving and emission-reduction technologies and launching an intelligent operation system, the utilization efficiency of energy and resources can be effectively improved.	Adopting more efficient production methods can effectively reduce operating costs, increase production capacity, and boost revenue.	Long Term
	Optimizing the transportation structure and routes to enhance transportation efficiency can effectively reduce transportation fuel consumption.	Using efficient transportation methods can lower operating costs.	Long Term
	Carrying out waste recycling and reuse to a greater extent to achieve reduction and resource utilization.	Reducing operating costs.	Long Term
	Implementing reclaimed water reuse, increasing the number of water recycling times, and reducing water consumption.	Reducing operating costs.	Long Term
Energy Substitution	Developing and applying renewable energy: Increasing the development and utilization of renewable energy, such as green power trading, photovoltaic development, and biomass energy utilization, can reduce production costs or bring in profits.	By investing in renewable energy, gradually increasing the proportion of renewable energy utilization, reducing the use of fossil fuels, it is possible to optimize the energy structure, significantly reduce greenhouse gas emissions, lower the risk of rising fossil fuel prices in the future, reduce dependence on fossil fuels, and cut operating costs.	Long Term
	Promoting the construction experience of near-zero/zero-carbon parks and attempting to develop CCER projects.	Reducing the risk of greenhouse gas emissions, thereby reducing the sensitivity to changes in carbon trading prices.	Long Term

Opportunity Type	Opportunity Description	Opportunity Impact	Implementation Duration
Resilience	Improving the ability to manage climate change risks, seeking green technologies, increasing production efficiency, optimizing production processes, and developing new products are all within the scope of future development considerations, thus diversifying the Company's products and marketing activities and enhancing the enterprise's resilience.	Enhancing the enterprise's resilience, attracting more investors and customers, and providing funds for business growth.	Long Term
	Developing a sustainable traditional Chinese medicine industry and improving the adaptability of medicinal biological cultivation bases are conducive to the Company's ability to resist climate change risks.	Strengthening the adaptability of medicinal biological cultivation bases helps reduce losses caused by climate risks, thus minimizing the impact on procurement costs and the stability of the supply chain.	Long Term
Market	Policy subsidies: The Company actively responds to climate change incentive policies, including financial subsidies, tax incentives, loan preferences, and quota systems. The Company may obtain additional subsidies or economic support from these policies.	Utilizing channels such as renewable energy and climate change incentive policies may bring additional benefits or subsidies to the Company.	Long Term
Products and Services	Developing low-carbon products: Promoting the development of green product businesses, continuously innovating, and developing new low-carbon products can effectively improve the industry competitive position of enterprises.	Developing low-carbon products is beneficial for enhancing the Company's reputation, attracting more consumers, increasing market share, and enhancing competitiveness.	Long Term
	Shift in consumer preferences: As consumers pay increasing attention to environmental protection and sustainable development, it is necessary to launch green and low-carbon products to adapt to changes in consumer preferences.	Providing low-carbon products or services to cater to the growing market demand may increase sales revenue.	Long Term

» **Case** **Launch of the "Mushroom IoT AI Cloud Smart Control" System**

CR Sanjiu has applied the "Mushroom IoT AI Cloud Smart Control" system in the field of industrial AI. This system deeply integrates technologies such as the Internet of Things (IoT), edge computing, and AI. By collecting operational parameters from energy-consuming equipment and facilities like air conditioners, refrigeration units, vacuum pumps, and air compressors, it provides on-demand, precise energy supply and online adjustments. This results in efficient operations and energy consumption savings. The project achieves a comprehensive energy-saving rate of over 15%, with annual energy savings of approximately 544,000 RMB. It significantly enhances labor efficiency and was awarded the "Dingge Award" for Digital Transformation Pioneers - 2024 Green Development Enterprise Award.

Adherence to Energy Conservation and Carbon Reduction

Energy-Saving and Carbon Reduction as the Path to Sustainable Development. Energy-saving and carbon reduction are essential to achieving sustainable development. We always prioritize improving energy efficiency as a strategic focus, continuously advancing the research, development, and application of energy-saving technologies. CR Sanjiu has formulated systems such as the *Management Measures for Energy and Resource Conservation* and the *CR Sanjiu's Management Measures for Carbon Emissions* to regulate and guide energy-saving and carbon-reduction efforts. The Company has established an energy and resource management team to monitor and analyze energy consumption data and the implementation of energy-saving work across subsidiaries in real-time. Through measures such as upgrading key energy-consuming equipment, optimizing production processes, and continuously developing and applying renewable energy, CR Sanjiu conducted multiple approaches to achieve energy-saving and carbon reduction goals. In 2024, the energy usage efficiency indicators and greenhouse gas emission targets have been achieved, with greenhouse gas emissions reduced by 19.65% compared to 2023. The details are shown in the table below.

CR Sanjiu Greenhouse Gas Emission Reduction from 2020 to 2024

Number	Pollutant	Indicator	Year					Change from the previous year in 2024	The rules for Target-setting During the "14th Five-Year Plan" Period
			2020	2021	2022	2023	2024		
1	CO ₂ (Including Scope 1 and 2)	Emission Intensity (tCO ₂ e/ RMB 10,000)	0.1649	0.1603	0.1627	0.1451	0.1265	Decreased 13.58%	Taking the adjusted emission intensity in 2020 (0.2558 tCO ₂ e/ RMB 10,000) as the benchmark, it is reduced by 2% year by year.
		Target Value (tCO ₂ e/ RMB 10,000)	0.2558	0.2507	0.2456	0.2405	0.2353		
		Whether the Target is Achieved	Yes	Yes	Yes	Yes	Yes		
2	Comprehensive Energy Consumption per RMB 10,000 of Output Value (Comparable Prices)	Actual Value (tons of standard coal/ RMB 10,000)	—	0.0425	0.0428	0.0497	0.0456	Decreased 8.25%	Taking the adjusted value in 2020 (0.0662 tons of standard coal/ RMB 10,000) as the benchmark, it is reduced by 2% year by year.
		Target Value (tons of standard coal/ RMB 10,000)	—	0.0649	0.0636	0.0622	0.0609		
		Whether the Target is Achieved	—	Yes	Yes	Yes	Yes		
3	Comprehensive Energy Consumption per RMB 10,000 of Added Value (Comparable Prices)	Actual Value (tons of standard coal/RMB 10,000)	—	0.0879	0.0876	0.1100	0.0981	Decreased 10.82%	Taking the adjusted value in 2020 (0.1276 tons of standard coal/ RMB 10,000) as the benchmark, it is reduced by 1.6% year by year.
		Target Value (tons of standard coal/ RMB 10,000)	—	0.1256	0.1235	0.1215	0.1194		
		Whether the Target is Achieved	—	Yes	Yes	Yes	Yes		

Remarks:

- When there are changes in the production scale and quantity of enterprises included in the statistics, the target values of the indicators can be adjusted accordingly.
- In 2023, as Kunming Pharmaceutical Group has been included in the statistical scope, the corresponding target values of the indicators have been adjusted accordingly.

Implementing the "Six Major Actions for Carbon Peak" Green Energy Development and Substitution

Through the active promotion and construction of distributed photovoltaic power generation projects, the use of biomass energy to replace fossil fuels, and participation in green electricity trading such as photovoltaic, hydropower, and wind power, CR Sanjiu is increasing the share of renewable energy and reducing dependence on traditional energy sources. In 2024, CR Sanjiu's total installed photovoltaic capacity reached 20.1047 MWp, an increase of 97.80% compared to 2023. The photovoltaic system generated a total of 10.784125 million kWh of green electricity, with 92.90% of the green electricity generated being self-consumed for production and office use. CR Sanjiu also purchased 16.68 million kWh of renewable energy through green certificates and 2 million kWh of green electricity.



CR Jinchan Green Power Purchase Certificates Kunzhongyao Green Power Purchase Certificates

Efficient Energy-Saving, Carbon-Reducing Technology and Equipment Application:

In 2024, CR Sanjiu organized subsidiaries at all levels to fully assess the types, quantities, and energy efficiency distribution of key energy-consuming equipment. The Company compiled the "CR Sanjiu Key Energy-Consuming Product Equipment Upgrade and Renovation Summary Report" and focused on upgrading low-efficiency boilers and electrical equipment. Short, medium, and long-term plans were also developed to guide the upgrade and renovation of key energy-consuming equipment across subsidiaries.

Building a Green, Low-Carbon Industry Chain:

CR Sanjiu has formulated systems such as the "Supplier Quality Management Procedures" and the "Material Procurement and Supply Management Procedures," continuously strengthening supply chain management and supervision. The Company optimized supplier selection standards and conducted environmental and energy management compliance assessments for suppliers. It increased the weight of environmental and energy management criteria in supplier evaluations, guiding suppliers to jointly pursue a carbon-neutral future.

Promoting the Innovation and Application of Low-Carbon, Zero-Carbon, and Carbon-Negative Technologies:

Through increased energy-saving and carbon-reduction efforts, the Company has carried out waste heat recovery, constructed water/ice storage cooling systems, upgraded lighting and intelligent control systems, introduced MVR evaporation concentration systems, eliminated outdated production capacity, optimized process technologies, and improved energy management measures. These actions effectively improve energy utilization efficiency.

Building Carbon Neutral Demonstration Projects and Parks:

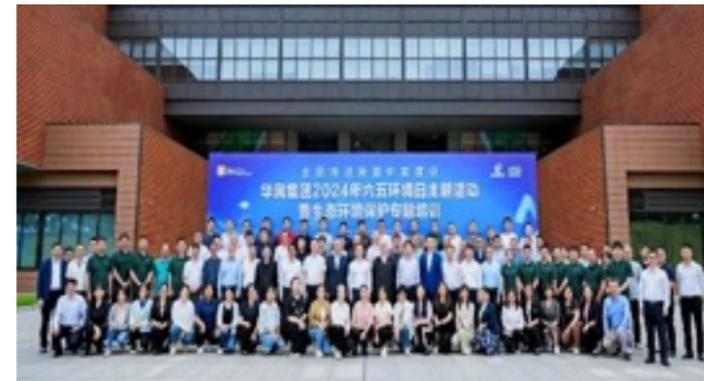
The Company continues to promote the construction of near-zero carbon parks in business units such as CR Jiuxin, CR Sanjiu (Chenzhou), and CR Sanjiu (Zaozhuang), creating new models for green and low-carbon development in the pharmaceutical industry. In 2024, the near-zero carbon park project built by CR Jiuxin was successfully included in the "Fourth Batch of Pilot Projects for Near-Zero Carbon Emission Zones in Shenzhen." By building distributed photovoltaic power generation and adopting energy-saving measures, the CR Jiuxin park has become a demonstration benchmark with pharmaceutical industry characteristics for near-zero carbon emissions.

Accelerating the Improvement of the Carbon Asset Management System:

CR Sanjiu is actively establishing and improving its carbon asset management system, has formulated systematic regulations for carbon emission management, and is comprehensively advancing its carbon emission management efforts. Each business unit has formulated its own regulations for carbon emission management to standardize such management. The Company regularly collects, monitors, and calculates carbon emission data, engages professional institutions either directly or through mandates from government authorities to conduct carbon emission audits, ensuring accurate and transparent carbon emission information.

Conducting Publicity and Education

In order to widely spread Xi Jinping's ecological civilization thoughts, firmly establish and practice the concept that "lucid waters and lush mountains are invaluable assets," promote ecological culture, and popularize ecological civilization, CR Sanjiu mobilizes its employees to actively participate in the great practice of building a beautiful China and achieving modernization with harmonious coexistence between humans and nature. The Company encourages its employees to become active communicators and exemplary practitioners of ecological civilization, showcasing CR Sanjiu's image of green, high-quality development. In 2024, CR Sanjiu's headquarters and subsidiaries at all levels, focusing on themes such as "Comprehensively Promoting the Construction of Beautiful China," "Green Transformation, Energy-Saving Initiatives," and "Green, Low-Carbon, Beautiful China," actively carried out diversified publicity and educational activities.



2024 World Environment Day Themed Activity Photos



2024 National Low Carbon Day Sharing



World Environment Day Promotional Activity Image

Ecological Balance and Green Building

Natural ecological balance is the cornerstone of maintaining the Earth's life system and a prerequisite for human sustainable development. We are aware of the importance of protecting the ecological environment and actively implement an environmentally friendly business model. By enhancing biodiversity conservation, promoting ecological restoration, and advocating green public welfare, we strive to achieve harmony between humans and nature.

Biodiversity Conservation

CR Sanjiu attaches great importance to biodiversity protection and actively responds to the Kunming-Montreal Global Biodiversity Framework. The Company strictly complies with national laws and regulations, such as the *Wild Plant Protection Regulations of the People's Republic of China* and the *Wild Animal Protection Law of the People's Republic of China*, as well as international conventions like the *Convention on Biological Diversity* and the *Convention on International Trade in Endangered Species of Wild Fauna and Flora*. CR Sanjiu has formulated the *CR Sanjiu Environmental Protection Policy* which clearly commits to protecting biodiversity and ensuring zero deforestation.

We dynamically identify and manage biodiversity risks, assess the impact of our business activities on natural ecosystems, and avoid negative impacts on biodiversity. The Company is committed to preserving biodiversity by adhering to the authenticity of medicinal plants and germplasm cultivation, striving to maintain ecosystem diversity, promote biodiversity restoration, and support the healthy and orderly development of the traditional Chinese medicine industry. Our goal is to collectively move toward a vision of harmonious coexistence with nature.

Dynamically identify and manage biodiversity risks

The Company dynamically identifies risks related to biodiversity, formulates and vigorously implements measures for biodiversity conservation. The main identified risks and corresponding strategies are shown in the table below.



CR Sanjiu's 2024 Climate Change Risks and Response Strategies

Biodiversity Risks	Corresponding strategies
<p>The insufficient resources of endangered medicinal herbs, the annual decrease of wild medicinal biological resources, the raw material shortage crisis faced by traditional Chinese medicine varieties, and the damage to biodiversity.</p>	<ul style="list-style-type: none"> Strictly abide by relevant national laws and regulations on endangered protected medicinal organisms and prohibit the use of wild endangered protected medicinal organisms as ingredients in medicine. Research the cultivation techniques of medicinal herb seedlings and artificial planting, summarize them into technical guidelines, vigorously promote the construction of artificial planting bases for Chinese medicinal materials, adhere to the cultivation and protection of the authenticity of medicinal organisms and their germplasm resources, and promote the sustainable development of raw materials. Build a demonstration project of forestry carbon sinks for medicinal materials, increasing the Company's carbon assets while promoting the sustainable development of medicinal materials. Build a zero-carbon demonstration project combining medicine cultivation and photovoltaic power generation. Pay attention to and participate in ecological protection and restoration actions and meetings.
<p>Global warming, the frequent occurrence of extreme weather such as heat, drought, and heavy rain. Both wild and artificially planted medicinal organisms face the risk of difficult survival due to environmental changes, and the biodiversity of medicinal organisms may degrade or even be lost.</p>	<ul style="list-style-type: none"> Strengthen the protection of medicinal biodiversity, actively participate in global governance to address climate change and the deterioration of biodiversity, and dynamically identify and manage the risks of climate change and biodiversity. Select and breed high-quality medicinal herb varieties with high environmental tolerance and rich medicinal ingredients and promote their cultivation. Adhere to the cultivation and protection of the authenticity of medicinal organisms and their germplasm resources. Medicinal organisms in the planting base must reach a sufficient growth period before they can be dug up to ensure they have sufficient medicinal ingredients. Strictly comply with national biodiversity protection policies. Prohibit setting up operation sites, carrying out supply chain activities, and conducting business activities with partners in biodiversity hotspots, ecologically sensitive areas, ecological protection red line areas, and important biological protection habitats announced internationally and nationally.
<p>In a few factory areas, there is insufficient greening, weeds grow densely in the internal corners, and the management is lax, so the ecological environment needs to be improved.</p>	<ul style="list-style-type: none"> Encourage enterprises at all levels to actively carry out greening in factory areas and build "garden factories". Invite nearby communities, schools, and consumer groups to visit the factory area environment and supervise the ecological environment of the factory area.

Impact of Production, Operation and Products on Biodiversity and Action Strategies

Impact Type	Impact of the Company's Production, Services and Products on Biodiversity	Action Strategies
<p>Negative Impact</p>	<p>Most of the Company's products are Chinese patent medicines, with raw materials being medicinal organisms sourced from market procurement and medicinal herb planting bases. When the sources of medicinal herbs purchased from the market are unclear, some raw materials may be derived from wild medicinal organisms. The extent of wild medicinal organism excavation is unknown, which may have a negative impact on biodiversity.</p>	<ul style="list-style-type: none"> For Chinese medicinal herbs purchased from the market, only purchase those with clear, legal and compliant sources. Require suppliers to develop resources reasonably based on the protection of medicinal biological resources to avoid biodiversity loss caused by over - excavation of wild Chinese medicinal herbs. Formulate technical specifications for the cultivation of medicinal herb seedlings and artificial planting. Promote the standardized cultivation of Chinese medicinal herbs through self - built or cooperative planting bases. Strengthen the protection of germplasm resources of authentic medicinal herbs and increase the proportion of raw material supply from planting bases. Harvest medicinal herbs strictly in accordance with their natural growth cycles to ensure that the effective components meet the standards. The Company focuses on the dynamic management of sustainability risks in business partners and the supply chain, protects natural resources, maintains ecosystem diversity, strictly complies with national biodiversity protection policies, and prohibits setting up operation sites, carrying out supply chain activities and conducting business activities with partners in biodiversity hotspots, ecologically sensitive areas, ecological protection red line areas, and important biological protection habitats announced internationally and nationally. Strictly abide by relevant national laws and regulations on endangered protected medicinal organisms and prohibit the use of wild endangered protected medicinal organisms as ingredients in medicine.
<p>Positive Impact</p>	<p>Supported by platforms such as the Institute of Traditional Chinese Medicine Resources at the headquarters R & D center, actively research the cultivation techniques of medicinal herb seedlings and artificial planting, summarize them into technical guidelines, and vigorously promote the construction of artificial planting bases for Chinese medicinal materials.</p> <p>Using medicinal herb raw materials with clear sources, increasing the proportion of Chinese medicinal herb supply from planting bases, adhering to the cultivation and protection of the authenticity of medicinal organisms and their germplasm resources, promoting the sustainable development of raw materials, reducing the excavation of wild medicinal organisms, and prohibiting the use of wild endangered protected medicinal organisms as ingredients in medicine, which helps to restore biodiversity.</p>	<p>In the face of global warming, with the frequent occurrence of extreme weather events such as heatwaves, droughts, and heavy rainfall, medicinal plants are at risk of not surviving due to environmental changes. The Company will strengthen the research and development of high-quality medicinal plant varieties with good environmental tolerance and sufficient medicinal content and promote their cultivation. At the same time, we will reinforce the protection of authentic germplasm sources. Medicinal plants in the cultivation base must reach sufficient growth years before being harvested to ensure they contain adequate medicinal components and prevent resource wastage at the source.</p>

Ensuring the Authenticity and Quality of Raw Materials

Through order-based procurement in authentic production areas, strict implementation of raw material quality audits, and the establishment or joint construction of medicinal plant cultivation bases, the Company has implemented a rigorous procurement quality management system. From the source, we ensure that all medicinal raw materials are legally sourced and of high quality, preventing the entry of unidentified medicinal herbs into the production process. We prohibit the use of medicinal wild endangered species and require suppliers to responsibly develop medicinal plant resources while protecting biodiversity, avoiding the overharvesting of wild medicinal herbs that could lead to the loss of biodiversity.

Building Medicinal Plant Cultivation Bases and Protecting Germplasm Resources

Medicinal plant cultivation bases are carefully selected based on suitable growing environments, historical planting experience, and avoidance of protected areas. Through industry-academia-research cooperation, we have established seedling experimental zones, strictly controlling the quality of medicinal plant seedlings, preventing issues such as the weakening of species or the invasion of foreign species. We actively promote the construction of medicinal herb cultivation demonstration bases in regions such as Guangdong, Jiangxi, and Yunnan. Organic fertilizers are used during the growth of medicinal plants to protect soil and vegetation. Medicinal plants in the cultivation base must reach an adequate number of growing years before they can be harvested, ensuring they contain sufficient medicinal components.

Promoting the Sustainable Development of Raw Materials

Leveraging platforms such as the Company's Research and Development Center for Chinese Medicine Resources, we actively conduct research on medicinal plant germplasm resources, cultivation techniques, production processing methods and standards, full-process information traceability, and comprehensive utilization of medicinal resources. This ensures the quality of medicinal herbs and maximizes the utilization of raw materials, maintaining the balance of medicinal resources and preventing their loss, degradation, and overexploitation. These efforts guarantee the sustainable use of medicinal resources and protect medicinal biodiversity.

Building the Medicinal Plant-Photovoltaic Complement Zero-Carbon Demonstration Projects

We utilize the different light wavelengths required for photosynthesis by medicinal plants and photovoltaic power generation, achieving both power generation and planting simultaneously. Different medicinal plants are grown based on their light requirements, and different photovoltaic panel configurations are designed and installed to meet the light requirements for photosynthesis. This not only avoids occupying additional land but also enhances the overall efficiency of land use. By the end of 2024, six medicinal plant-photovoltaic complementary projects, including those in Yimen Luotai Old and Yimen Xiaoyu Shisha in Yunnan, have been built with a total installed capacity of 610 MWp. These projects provide approximately 222.65 million kWh of green electricity annually, helping reduce carbon emissions by approximately 1,237,934 tCO_{2e} per year.

Building Chinese Medicine Forestry Carbon Sink Demonstration Projects

Artificially cultivating medicinal plants to create Chinese medicine forestry helps reduce the harvesting of wild medicinal plants, protect endangered species, restore natural biodiversity, and create a new ecological model of artificial Chinese medicine forestry. This approach not only promotes the sustainable development of medicinal plants but also increases potential carbon assets.

Actively Promoting Forest Protection

In compliance with the *Forest Law of the People's Republic of China*, the *Implementation Regulations of the Forest Law of the People's Republic of China*, and the *Regulations on Returning Farmland to Forests*, to protect forest resources. We are committed to sustainably and dynamically managing natural resources and raw materials in the supply chain, and tracing the sources of raw materials to ensure they are legal, compliant, and free from deforestation risks. Medicinal plants that have not reached the appropriate growth age in cultivation bases are not harvested. While harvesting artificially cultivated medicinal plants, we also cultivate and plant more medicinal plant seedlings, avoid using office supplies and equipment made from wood materials. We promote paperless offices and recycle waste paper, and encourage employees to actively participate in afforestation activities. We actively carry out greening projects within factory areas and create "garden factories." We also focus on and participate in global ecological protection and restoration initiatives and meetings.

Resource Recycling

CR Sanjiu is committed to creating a production model with efficient resource utilization and actively promotes resource recycling. We strengthen the reduction at the source and classification recycling of general solid waste, exploring new pathways for recycling and achieving efficient circular utilization of resources. In 2024, the proportion of renewable energy in the Company's total energy consumption increased to 6.33%.

Comprehensive Utilization of Traditional Chinese Medicine Residue:



The traditional Chinese medicine residue generated during production is used as raw material. After dehydration and drying, it undergoes pyrolysis and gasification to be converted into biomass gas. This biomass gas is then burned in a gas boiler to generate steam for production. Alternatively, microbial fermentation technology is used to ferment the medicinal herb residues, producing organic fertilizer for soil cultivation. Another method involves using the residue as raw material, drying it, and then burning it in a biomass boiler to produce steam for external heating.

Industrial Wastewater Reuse:



The Company reuses a portion of treated industrial wastewater for the exhaust gas treatment spray tower replenishment, collects rainwater for plant irrigation within the factory area, and reuses boiler condensate water for boiler feedwater. Wastewater generated by purification equipment is used for replenishing the cooling tower. By maximizing the utilization of water resources and reducing wastewater discharge, the Company achieves an eco-friendly approach to its production and operational activities.

» Case CR Sanjiu (Chenzhou) Conducts Resource Utilization of Medicinal Herb Residue

CR Sanjiu (Chenzhou) has established a comprehensive energy station within its park to treat and recycle medicinal herb residue generated during production. By converting the herb residue waste into energy, the Company reduces energy costs, achieving cost reduction and efficiency improvement. This project can reduce carbon emissions by approximately 9,100 tons annually and will continue to optimize its energy structure in subsequent operations, further reducing carbon emissions.



Advocating for Green Living

The Company actively advocates the concept of green office practices, promoting paperless offices, green procurement, energy-saving measures, and other initiatives to create a simple, moderate, and green low-carbon office environment. We encourage employees to lead by example, practicing eco-friendly behaviors such as green commuting, waste sorting, water and electricity conservation. Through activities such as green and low-carbon themed events and the promotion of ecological and environmental knowledge, we guide employees to integrate the concept of green and low-carbon living into their daily lives.

Key Performance

Number of employees trained in environmental protection :	Number of employees covered by environmental protection training :	Number of employees in environmental public welfare activities:	Environmental protection training hours :
17,380 person-times	10,942 person	96 times	273,214 class hours
Number of Rmeet video conferences: More than	Cumulative meeting duration: More than	Number of employees: More than	Number of cloud documents created:
30,400 sessions	18.1615 million minutes	291,858 person-times	81,882

- Promote Paperless Office Work.**
 - The Company has been vigorously promoting informatization construction, implementing the OA system, Rmeet video conferences, and online training. Most office processes can be completed through the informatization system, which improves work efficiency. It advocates paperless office work, reducing the use of paper and the generation of wastepaper. Office documents are revised and transmitted via email.
- Strengthen the Management of Office Supplies and Improve the Office Environment.**
 - Standardizing the procurement, requisition, and usage standards of office supplies to extend their service life. Try to minimize the use of office supplies and equipment made from wood materials. Actively carry out greening in the factory area and build a "garden factory" to provide employees with a pleasant green office environment.
- Energy Conservation in Office and Daily Life.**
 - Turn off office electronics such as computers, printers, and fax machines promptly after work to reduce energy waste. In areas with low lighting needs, such as corridors and passageways, we set the switches to sound-activated controls for automatic management. Property management personnel will turn off lights after working hours or set the switches to sound-controlled switches to automatically manage them, minimizing unnecessary waste as much as possible.

Unite as One Sharing Responsibility for a Harmonious Society

Governance

CR Sanjiu has established a governance structure centered on the Board of Directors, reinforced by a Sustainability Task Force. This framework has built a closed-loop mechanism of "Decision-Making, Execution, Monitoring". It comprehensively covers social issues such as employee rights and interests protection, supply chain responsible governance, and social value co-creation: internally, it builds an employee growth mechanism, externally, it strengthens the ESG compliance management in the whole life cycle of suppliers, and links rural revitalization and public welfare to form an ecosystem of social responsibility. Through the hierarchy of authority and responsibility, dynamic assessment and stakeholder collaboration, we have achieved the comprehensive implementation of employee care and health, employee training management, supplier management, social charity, rural revitalization, etc. from top to bottom.

Strategy

CR Sanjiu fully adhering to the concept of "People-oriented, Win-win Responsibility", continues to deepen the construction of employee health care system and career development channels, and improve the multi-level training mechanism to enhance the comprehensive ability of employees. Meanwhile, the Company actively promotes the sustainable development of the supply chain, and ensures the synergy and efficiency of the industry chain by strengthening the compliance management of suppliers and building social responsibility. In the field of social welfare, we focus on rural revitalization and philanthropy, explore innovative modes of assistance, build public welfare brands with social influence, and help realize the co-creation and sharing of corporate and social values.



Contribute to the SDGs



Risk and Opportunity Management

CR Sanjiu incorporates risks related to social issues, such as occupational health and safety risks, training and development risks, supply chain compliance risks, and public communication risks, into its comprehensive risk management system and comprehensively identifies risks related to social issues through questionnaires and on-operational site interviews. Based on the likelihood of risk occurrence and the degree of impact, the risk priority is defined according to the risk level and the

urgency of management improvement, and submitted to the Board of Directors for approval. The Company follows up on the management and control of risks related to social issues in a timely manner and reports the progress of risks to the Board of Directors. At the same time, the Company formulates special development plans for social charities, rural revitalization and other opportunities to ensure the effective allocation of resources and the successful achievement of goals.

Risk/Opportunity	Potential Impact	Response Strategy
Occupational health and safety risks	Employee skill iteration lags technological changes in the industry, which may lead to insufficient product innovation and quality control loopholes, weakening market competitiveness.	Strengthen occupational health and safety management, provide necessary protective measures and training, and create a safe and healthy working environment for employees in an all-round and multi-level manner.
Training and development risks	If the Company fails to provide effective training and development opportunities, it may result in employees' professional competence not being able to meet the job requirements, which may affect the competitiveness of the Company.	Establish a systematic training and development system, provide differentiated and hierarchical training planning to meet the growth needs of different classes and types of employees; and set up a management channel and professional/technical dual-channel promotion mechanism to help choose the appropriate development path.
Supply chain compliance risk	Non-compliance of suppliers leading to production disruption or reputational damage	Strengthen supplier access assessment, conduct training on sustainable development and establish incentives for long-term cooperative suppliers.
Public Communication Risk	Recognition of enterprise product promotion process may be affected, restricting market expansion and business development	Improve the public communication mechanism, enrich the communication mode, and improve the public recognition and reputation of the enterprise's products and services
Social Charity, Rural Revitalization Opportunity	Contribute to the enhancement of the social image of enterprises and promote the harmonious development of enterprises and society	Actively participate in social charitable activities, innovate rural revitalization models, increase resource investment, and create a distinctive brand of assistance

Targets

Type	Medium and Long-term Targets	Progress in 2024
Employee Growth	Improve the talent selection and appointment mechanism, build a multi-path career development platform, create an innovative talent training base to lead the development of the industry, continue to improve the temperature, strength and depth of employee care work, and promote the common growth of employees and the organization.	Continuously promoting the diversification of talent, the proportion of employees with different backgrounds has steadily increased, and employee care satisfaction survey reaches over 84%.
Training Management	To create a future-oriented lifelong learning system, cultivate leading talents in the pharmaceutical and healthcare industry, and build an innovative talent training base to lead the development of the industry.	Annual per capita training hours reached 30.32.
Supplier Management	Build a sustainable supply chain network, lead the development of standards for the Chinese medicine industry chain, and achieve full coverage of social responsibility in the end-to-end value chain.	100 per cent compliance with supplier sustainability assessments.
Social Charity	By carrying out various social welfare and charitable activities, such as disaster relief and assistance, donating money to schools and public welfare, we help social development, build a better home, and show the responsibility of the central enterprise.	Annual social charitable donations amounted to 4.4361 million RMB.
Rural Revitalization	Comprehensively promote the revitalization of the countryside, adhere to the protection and development of Chinese herbal medicines, optimize the industrial layout, and use model innovation, technological innovation and other means to develop the Chinese herbal medicines industry into an industry that helps farmers to increase their income, increases the efficiency of agriculture, and enhances the color of the countryside.	Around industrial revitalization, talent revitalization, cultural revitalization and other aspects of CR Hope Town work, selected two rotating mayor of Jinzhai and Tonghua town to carry out planting assistance and consumption assistance to help revitalize the construction of the countryside in Guangchang County, Haiyuan County, Qingliu County.
Driving the Industry	Creating an open industrial innovation platform to promote the modernization and transformation of traditional medicine.	Participation in the formation of 1 international standard Participated in the preparation of 5 national standards Participated in the preparation of 8 industry standards.

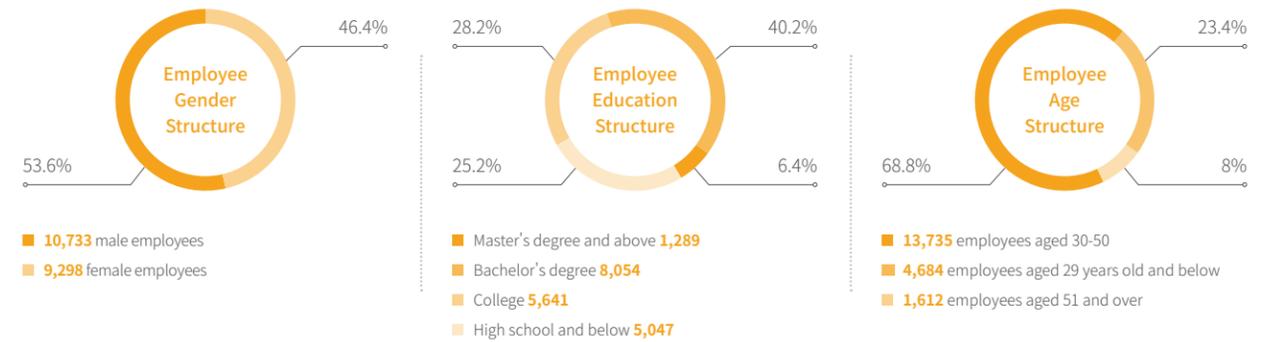
Healthy Companions, Happy Employees

CR Sanjiu always believe that employees are the core driving force of enterprise development and takes "people-oriented" as the value of the enterprise, and actively implements a series of measures to create a fair, harmonious and caring working environment for employees. The Company carries out employee satisfaction surveys every year. Our satisfaction questionnaire covers the dimensions of job satisfaction, significance, happiness and pressure, and comprehensively understands the voices from employees. In 2024, the satisfaction survey of CR Sanjiu's employee care satisfaction survey reaches over 84%.

Protecting Employee Rights and Interests

We strictly comply with relevant national laws and regulations to ensure that our business activities are consistent with the *Ten Principles of the United Nations Global Compact (UNGC)* and the *United Nations Guiding Principles on Business and Human Rights*, and that we effectively safeguard the basic rights and interests of our employees to ensure that each employee works in an equal and fair environment.

Key Performance



Protection of basic rights and interests

We strictly abide by the *Labor Law of the People's Republic of China*, the *Regulations on the Prohibition of Child Labor* and other relevant national laws and regulations and protect the rights of employees in accordance with the law. We sign formal labor contracts with our employees, set reasonable working hours and leave systems, and fully protect the legitimate rights and interests of our employees from being infringed upon. We have formulated comprehensive salary and employment policies to ensure the fairness and transparency of the recruitment and promotion process. We have defined our anti-discrimination and anti-harassment requirements in our *Code of Business Conduct*, and we have adopted a "zero tolerance" attitude toward discrimination or harassment due to differences in race, ethnicity, religious beliefs, gender, social identity, status, physical health, sexual orientation, and other factors.

Adherence to equal employment

The Company has always adhered to the principle of equal employment, the values of fairness, justice and non-discrimination throughout the entire process of employee recruitment and talent management. In the recruitment process, the Company strictly adheres to the anti-discrimination guidelines and resolutely eliminates any employment discrimination based on factors such as gender, age, ethnicity, geography, religious beliefs to ensure that every job seeker can participate in the competition in an equal environment and enjoy fair employment opportunities.

Strengthening democratic management

The Company actively promotes the democratic management of enterprises, constantly improves the construction of trade union organizations, guides business units to set up trade union organizations, and supervises the renewal and addition of trade unions. It organizes and convenes staff congresses to consider and resolve issues of common concern to employees.

Fair and compliant recruitment

Revised and released the CR Sanjiu Recruitment and Allocation System and CR Sanjiu Internal Recommendation Management Measures to clarify that both external recruitment and internal competition follow the principles of openness, fairness and meritocracy, so as to systematically guarantee the introduction of high-quality talents, provide equal competition opportunities for talents, and promote the reasonable mobility of talents. At the same time, we have established a regular compliance review mechanism for recruitment activities and arranged a professional team to monitor the recruitment policies and procedures to ensure that follow laws, regulations and industry norms, and to avoid legal risks.

Keeping Employees Safe

CR Sanjiu has always regarded the occupational health and safety of its employees as an important cornerstone of corporate development. The Company continues to improve the occupational health and safety management system and promotes the construction of "healthy enterprise" and "standardized production safety enterprise" steadily with higher standards and stricter requirements.

Safe production management

We strictly abide by the Work Safety Law of the People's Republic of China and other laws and regulations, and have formulated systems such as the CR Sanjiu EHSQ Responsibility Management Approach, continuously improving the work safety management system, realizing comprehensive coverage from the system level to the implementation level, and safeguarding the rights and interests of employees in work safety in all aspects, so as to ensure that the production and operation activities of the Company are carried out in an orderly manner in a safe and compliant environment.

Key Performance

Total investment in production safety

RMB **58,310,000**

Number of full-time safety managers

299

Emergency drills

CR Sanjiu has formulated the *Comprehensive Emergency Response Plan for Production Safety Accidents* and other systems, and actively organized various units to carry out emergency drills to improve the ability of personnel to deal with unexpected accidents and incidents. In 2024, CR Sanjiu units carried out number of 617 EHS emergency drills, with 16,687 EHS emergency drill attendance.

Hidden dangers inspections

We organized and carried out various special inspections, such as special inspection and remedial actions for hidden dangers, identified occupational health and safety risks, continuously supervise the rectification of EHS dangers identified in inspections, with the rectification rate of dangers reaching 99.9% in 2024; with 650,100 hours of employee safety training, and 34,711 hours of related parties safety training.

Safety production training

For all employees, we carry out safety education activities with rich forms and comprehensive contents. The activities cover systematic safety skills training, accident warning education combined with actual cases, etc., and strive to make safety awareness deeply rooted in people's hearts through diversified learning experiences.

Key Performance

Organization of

2,395

safety education training sessions

100%

coverage of safety training

» Case "Safe Date Knowledge" campaign for safety month

In 2024, CR Sanjiu (Zaozhuang) responded to the Company's instructions, closely focusing on the theme of "everyone talks about safety, everyone knows how to respond to emergencies - smooth life channels", and carried out a series of "Safe Date Knowledge" activities during the safety production month to improve the Company's safety management level and employee safety awareness and prevent safety accidents.

Occupational health management

We continue to standardize the process of occupational health management, focusing on the theme of "Happy Work, Healthy Life", and actively organize various health activities to protect the physical and mental health of employees and create a healthy and orderly working environment.

Key Performance

16

business units certified to ISO 45001

Occupational health examination rate

100%

Employee-specific occupational disease checkups

4,523 person-times

Care and protection for special groups

CR Sanjiu focuses on the occupational health of special employee groups, equips women with special protective clothing, provides disabled employees with auxiliary equipment, transfers front-line pregnant women and nursing mothers away from dangerous positions, sets up rest rooms, mother and baby rooms, distributes health books on pregnancy, and equips living electrical appliances and other operational sites to ensure that their working environment is safe and comfortable.

Occupational health education and training

Regular occupational health and safety education and training is carried out to ensure that employees master the use of protective equipment, familiarize themselves with job risks and emergency measures, enhance their self-protection abilities and reduce occupational health risks.

Physical examination, monitoring and management

The Company carries out physical examinations for employees in positions involving occupational disease hazards, requires compliance with the wearing of protective equipment and strengthens inspections; it regularly monitors harmful factors, controls pollution from the source, transmission pathways and receptor protection, and purchases low-noise and low-pollution equipment to protect the occupational health of employees in all aspects.



CR Golden Toad Occupational Health and Safety Management System Certificate



CR Sanjiu (Ya'an) Occupational Health and Safety Management System Certificate

Robust Benefits System

We have established a compensation management system centered on "performance, competence, fairness and competition", and determined the compensation level by combining the value of the position, personal competence and performance results to ensure internal fairness and external competitiveness. On the basis of guaranteeing the timely payment of basic benefits, we provide a wide range of non-pay benefits for all employees of the Company, and build an incentive mechanism that combines short, medium-, and long-term incentives to support business development and talent retention through a differentiated and phased incentive design that strengthens the value-oriented approach of responsibility, competence, and contribution.

Statutory benefits	
Basic benefits Pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, housing provident fund, high temperature allowance, one-child fee, etc.	Vacation benefits National holidays, annual leave, maternity leave, marriage and funeral leave, breastfeeding leave, family visit leave, Parental leave, care leave, etc.

Supplementary benefits
Regular benefits Holiday benefits, birthday benefits, wedding ceremony, shuttle bus, free parking, meal benefits, staff dormitory and so on.
Protection benefits Enterprise annuity, maternity allowance, annual physical examination, commercial insurance, etc.

Key Performance

100%

social insurance coverage rate

Average number of paid leave days per year

8 days

Supporting Employee Development

To fully release the innovative potential of our employees and stimulate the vitality of the organization, we have constructed a smooth career development channel and an all-round skills enhancement system. We support employees to improve their professional skills and overall quality and promote the synchronous development and win-win progress of individuals and the Company.

Key Performance

98.68%

employee training coverage

30.32

hours of annual per capita training hours

Total annual training attendance

308,876 person-times

Investment in various types of training amounting to

RMB 10,432,000

Performance appraisal system

The Company combines safeguard and incentive, takes into account internal fairness and market competitiveness, relies on management methods to improve human efficiency in stock business, provides incentives for incremental business, explores medium- and long-term incentive mechanisms for key positions, especially R&D and technology innovation business, and realizes the "consistency of responsibility and interest, capability and value, performance and benefit" in staff salary distribution, and to promote the implementation of the Company's strategic initiatives, enhancement of organizational capacity and corporate culture.

The Company has established a perfect performance feedback and complaint mechanism to provide guidance and suggestions for employees. Every year, we set up multiple performance evaluation methods for different positions, such as "goal-oriented" goal management method, 360-degree performance evaluation, etc., to motivate employees to accomplish their personal goals and team goals. We provide effective feedback and communication of the assessment results to the employees. If the employees have any doubts about the performance appraisal process or results, they can appeal to their supervisors, human resources department and other relevant departments. Upon receipt of a complaint, the relevant person in charge shall communicate with the complainant, explain the principles and basis of the performance assessment, and carry out auditing, investigation and processing to ensure the fairness and impartiality of the performance appraisal.

Talent training system

Combined with the advantages and characteristics of its own pharmaceutical industry and the "14th Five-Year Plan" talent strategy, the Company adopts a hierarchical and categorized cultivation model, and develops a suitable cultivation plan for each employee.

Deeply implement the "Green Lotus Plan", which is a training program for "three types" of talents (management, science and technology, and professional and technical talents), to empower the training of core talents. Continuously organize and carry out labor and skill competitions, strengthen technical exchanges, and improve the technical business and innovation ability of employees.

CR Sanjiu's "Three Types of Talents" Cultivation Program

Management Talent Training Program	Technology Talent Training Program	Professional Skill Talent Training Program
<ul style="list-style-type: none"> CR Xuechuang: Deputy Class of Directly Managed Cadres of CR Group CR Xuechuang: The Way of CR Manager Training, Excellent Young Cadre Class CR Sanjiu: Leader Program (general manager class) CR Sanjiu: Industrial Chain Senior Talent Development Class Elite Talent Development Program CR Sanjiu: Sword Sharpening Program CR Sanjiu Eagle Program New Employee Training Camp 	<ul style="list-style-type: none"> Intelligent Manufacturing Plan D Metamorphosis Camp for R&D Innovation Project Managers Digital Talent Development 	<ul style="list-style-type: none"> R&D Professionals Functional Professionals Production Professionals Marketing Professionals Grassroots Employee Job Training Grassroots Employee Skill Competition

CR Sanjiu's "Three Types of Talents" Cultivation Program

Continuously forging management talent team:

for senior, middle and grassroots leaders, the Company has successively carried out and completed various training programs: Leader Program (general manager class), industrial chain senior talent development class (director or above), Lighthouse Program (middle and senior management), and Sword Sharpening Program (first-line managers in the production system), etc., to accelerate the selection and cultivation of young and outstanding reserve leaders.

Accelerating the construction of scientific and technological talents:

mainly oriented to high-tech innovation talents such as R&D and intelligent manufacturing, CR Sanjiu has carried out the R&D professional talents training program and the intelligent manufacturing talents development D program, etc., which provide more learning and development opportunities for the Company's scientific and technological talents.

Strengthening professional skills training efforts

Committed to cultivating professionals with dedication, excellent skills, a sense of innovation and the pursuit of excellence. To achieve this goal, actively organize activities including but not limited to CR Sanjiu Eagle Plan, Skill Cup, quality awareness month and focused subjects.

» Case CR Sanjiu management trainee program - Eagle Program

The Company attaches importance to the introduction and cultivation of talents, especially for newcomers to the workplace set up a trainee program. The Eagle Program, as a brand project of CR Sanjiu's training of trainees, aims to help trainees achieve the four major goals of "cultural integration, role transformation, goal setting and career development". The program includes workplace general knowledge training and on-the-job practical training, and involves a number of professional courses such as corporate and party education.



CR Sanjiu 2024 Eagle Program

At the same time, the Company carries out talent succession planning to ensure that there is always a reserve of candidates for key positions, covering middle and senior managers in key departments, cultivating and empowering core talents, and retaining reserves for key positions.



Organized industry chain senior talent development classes

Degree enhancement program

Based on the Company's strategic innovation requirements, focusing on the "introduction" and "cultivation" of scientific and technological talents, the Company has established cooperation with Fudan University, China Pharmaceutical University and other colleges and universities in the field of biomedicine and other fields, and carried out the joint cultivation project of school-enterprise doctoral degree, etc. The project is open for application by all qualified employees, and provides reimbursements. The purpose of this program is to further deepen the collaborative education between schools and enterprises, and to cultivate high-quality talents with both solid theoretical foundation and rich practical experience.

Enhance promotion system

We construct a dual-channel promotion mechanism for management and professional/technical, helping employees' career development. We dynamically adjust individual grades to empower employees' growth in an all-round way. We revise and improve the *Management Measures for Employee Promotion in CR Sanjiu Headquarters and Guanlan Base*, further simplify the conditions for employee promotion, increase the process of employee competency certification, and stimulate the potential and value of employees.

Caring for Employees' Life

CR Sanjiu actively practices the corporate culture of "Care, Responsibility, Excellence", continuously carries out the employee caring project, pays attention to the physical and mental health of employees, and creates a "happy work, healthy life" working environment, and enhances the cohesion and sense of belonging of employees.

Employee Grievance Channel

The Company has formulated formal employee grievance procedures, established open communication channels to ensure that the reasonable demands of the complainant are effectively resolved, and at the same time ensured that the grievance information and its contents are kept strictly confidential.

Employees can communicate, exchange and complain internally through [Sanjiu Forum] [Discipline Inspection Complaints] modules on Company's office system, and [Employee Voice Platform] on "Run Work", which on one hand provides employees with a convenient communication channel, and on the other hand creates a positive and sunny corporate culture atmosphere for the Company. The Company has set up the Labor Dispute Mediation Committee and formulated the workflow of labor dispute mediation. The applicant can apply for labor dispute mediation, and the mediator will carry out the mediation work within the scope of mediation acceptance and in line with the other party's willingness to mediate.

The complaint handler shall correct the non-compliance based on the findings of the investigation and implement penalties such as warnings, demerits and termination of the labor contract; violations of the law shall be referred to the judicial authorities; the complainant shall be informed of the outcome of the complaint in a timely manner, and if the complainant has any comments on the outcome of the complaint, he or she may file another complaint.

Solve the difficulties of employees

The labor union of CR Sanjiu attaches great importance to the care of employees in difficulties and establishes a perfect file management system for employees in difficulty. Strictly adhering to the principles of one person, one file and dynamic management, it grasps the real situation of the families of employees in difficulty in a comprehensive, for employees in difficulty, difficult employees' children enrollment, sick employees actively work. In 2024, the labor union of CR Sanjiu carried out visits, condolences and relief work, covering a total of 141 employees in difficulty, and distributed a total of RMB 789,150 of condolences.

Creating a warm workplace

CR Sanjiu builds an employee care system in all aspects. On cultural life, traditional festival activities, sports events and cultural and sports associations are organized throughout the year to enrich the cultural life of employees and enhance organizational cohesion. The Company provides on-time issuance of holiday benefits, birthday gift packages for new employees onboarding gift packages, etc., to carry out staff dormitory upgrading and renovation projects, to assist in applying for public housing, equipped with commercial insurance, regular organization of physical examination, set up a Chinese medicine clinic in the park, with senior authoritative experts sitting in the clinic. The Company actively help the development of employees, organizations apply for young talent gathering project, high-level talent subsidies, enhance the sense of belonging to the talent, create a good organizational atmosphere, and promote the common growth of enterprises and employees.



2024 Women's Day Event



2024 Women's Day Event



2024 Corporate Basketball League in Shenzhen



2024 CR Sanjiu Employee Games

Care for female employees

The Company takes care of female employees who have given birth and pays the full amount of government subsidies to reduce the pressure on the payment of maternity leave wages to female employees who have given birth. In 2024, the Company assisted 46 employees in successfully applying for maternity allowances, amounting to a total of 1,780,000 RMB. The Company actively implements the childcare leave system, granting ten days of childcare leave per year to employees' children up to the age of three. In addition, the Company has also thoughtfully set up breastfeeding rooms to create a warm, private and exclusive space for working mothers.

Care for employee mental health

Continuously upgrading the service mode of EAP projects such as "Run Xin Fang", unveiling the establishment of "Run Xin Fang - Sanjiu Branch", psychological counselors enter one-on-one consultation to provide employees with psychological counseling services. In 2024, a total of 5 Run Xin Fang one-on-one counseling, serving more than 30 employees, has carried out 3 psychological lectures on emotional management, stress management, energy management, etc. to enhance employees' ability to regulate their emotions and self-mental adjustment, and to protect their physical and mental health. In 2024, a total of 5 one-on-one counseling sessions were conducted, serving more than 30 employees, and 3 psychological lectures on emotion management, stress management and energy management were held to enhance employees' ability to regulate their emotions and self-adjustment, and to safeguard their physical and mental health.



CR Sanjiu establish "Run Xin Fang - Sanjiu Branch"

Optimizing Supply to Serve Society

Adhering to the concept of social responsibility and the pursuit of excellence, we focus on optimizing the supply system, from strengthening supplier management, preventing risks, ensuring the quality of supply to working with suppliers to win-win, and other dimensions, and is committed to building a sustainable, safe and efficient supply ecosystem, to provide the community with better quality products and services.

Strengthening Supply Management

Suppliers are pivotal strategic partners in the Company's development journey. We steadfastly uphold the core principle of collaborative win-win partnerships, employing rigorous and scientific selection criteria to meticulously identify every partner. In compliance with the CR Sanjiu Supplier Code of Conduct, we have established management protocols such as the *Supplier Quality Management Protocol* to vigorously drive suppliers' deep integration of sustainable development practices, thereby building a robust supply chain foundation from the source.

Key Performance

Number of suppliers audited	Suppliers terminated due to non-compliance	Potential suppliers rejected due to non-compliance	Supplier signing rate of the Sunshine Declaration
742	7	15	100%

Supplier management

CR Sanjiu strictly adheres to the Supplier Quality Management Protocol. Dedicated teams continuously collect and review suppliers' EHS management status and certifications, closely monitor regulatory updates, and conduct annual social responsibility assessments to ensure suppliers operate legally and compliantly. For centralized procurement suppliers, cross-functional collaboration among the procurement, production, warehouse, and quality departments ensures quarterly collection and analysis of multi-dimensional performance data, including quality compliance, delivery reliability, service responsiveness, continuous improvement, cost competitiveness, external complaints. Based on evaluation results, suppliers are classified into tiers, with corresponding rewards or penalties applied.

Supplier performance appraisal

The Company and its subsidiaries carry out comprehensive quality assessment of direct suppliers and raw material suppliers in accordance with the regulations every year. We take the on-site quality audit score and supply quality pass rate as the key dimensions, and dynamically evaluate suppliers in stages at the beginning of the year in combination with the audit cycle score and the supply quality pass rate of the previous year, formulate differentiated audit and risk control strategies according to the rating results, and eliminate suppliers with poor performance, ensure the quality and stability of the supply chain, and promote sustainable development.

Preventing Supplier Risk

In an increasingly complex supply chain environment, supplier risk can impact business operations at any time. We see the prevention of supplier risk as a key part of supply chain management. By building a sound risk response mechanism and implementing precise and effective measures, we can ensure the stability and security of the supply chain and safeguard the sustainable development of the enterprise.

Supply chain risk monitoring

We have established a risk monitoring indicator of "core material supply risk degree", the core material supply risk degree is a measure of the number of core materials that may have the risk of tight supply or abnormal price fluctuations in the next 3-6 month cycle, and the risk degree of individual material supply is indicated by red, yellow and green lights, yellow lights indicate that there may be general supply risks, and red lights indicate that there may be major supply risks.

Supply chain risk prevention

By continuously carrying out risk assessment and early warning of core material supply, we actively understand the Company's core material supply market situation, formulate short-, medium- and long-term response measures based on the supply risks faced, coordinate the forces of all parties that can help solve supply risks, and establish channels to ensure supply security.

Ensure the Quality of Supply

We actively promote the construction of a professional, large-scale and integrated modern logistics system, and are committed to meeting the medical needs of consumers and patients with high quality and efficiency, so as to ensure that drugs can benefit the general population in a timelier manner.

Warehouse network layout planning

Build a warehouse network layout planning auxiliary decision-making system and a scientific data model and use algorithms to calculate reasonable warehouse network layout suggestions in real time according to the Company's business scale, delivery timeliness, logistics costs and other factors.

Warehouse attribute division

Divide warehouse attributes according to product attributes and production and marketing areas and adopt the operation mode of central warehouse + regional warehouse to achieve multi-warehouse collaboration and improve logistics operation capabilities and customer service levels.

Integrated transportation construction

Carry out unified and centralized management of production and sales logistics, establish a standardized transportation management process, and have a variety of distribution modes such as vehicle, LTL, express delivery, etc., to meet the needs of different business scenarios and ensure the quality and safety of product transportation.

Lean logistics construction

Gradually transform the third-party logistics and warehousing business into a flexible billing model and explore a tiered billing model to reduce warehousing costs; Create a fixed capacity pool transportation mode, and set up fixed round-trip transportation routes through warehouse network planning to realize full-load operation of vehicles, improve transportation timeliness and reduce costs.

Smart logistics construction

Using ERP, WMS and other systems to achieve full-process traceability in logistics, to provide data support for logistics operation and optimization; The self-managed warehouse continues to promote automated operations, has realized fully automatic and unmanned receiving, and will promote automatic loading projects in the future.

Logistics emergency management

Formulate the *CR Sanjiu Logistics Supplier Procurement Management Rules* and other systems, establish a logistics emergency support mechanism for unexpected events, and respond to emergencies such as epidemics and disasters in a timely manner in accordance with the *Logistics Emergency Management Operation Rules* to ensure the stable operation of logistics business.

Work Together with Suppliers for a Win-win Situation

We attach great importance to win-win cooperation with suppliers, and continuously strengthen the capacity building of supplier partners through a series of effective systems and measures. We provide professional technical guidance for suppliers, improve their ability to fulfill their responsibilities, and continuously enhance the sustainable development of the supply chain through on-site technical guidance and information sharing with key raw and auxiliary material suppliers.

100%

completion rate of supplier audit rectification in 2024

The Company's headquarters and subsidiaries organized audit trainings for suppliers, with a total of

2,550 person-times

The total number of training hours was

21,759.5 man-hours

» Case CR Sanjiu (Chenzhou) Strengthens Supplier Management and Builds Safety Defense Line

CR Sanjiu (Chenzhou) examined key aspects such as potential safety hazards of suppliers' operations as well as the environmental impact of suppliers' operations, implements scientific grading and classification of suppliers, and adopts differentiated control measures. In 2024, the Company organized safety education and training activities for 23 related parties. All participants passed the assessments, effectively enhancing the safety awareness and skills of related parties and further strengthening suppliers' sense of responsibility.

Collaborate for Mutual Benefit and Social Contribution

We uphold the concept of open and win-win cooperation, actively build a diversified strategic cooperation system, continuously deepen the collaborative interaction with partners, and make every effort to promote the overall leap of the industrial chain. We work with many partners to continue to expand the breadth and depth of cooperation, so as to achieve a beautiful vision of common development and mutual benefit.

Collaborative Development

We attach great importance to in-depth exchanges with multiple stakeholders such as governments, enterprises, hospitals and international partners, uphold an open and cooperative attitude, actively build communication bridges, and continuously deepen cooperative relations with all parties. Integrate the superior resources of all parties, realize information sharing, resource complementarity, and jointly promote industry progress and innovation.

School-enterprise cooperation

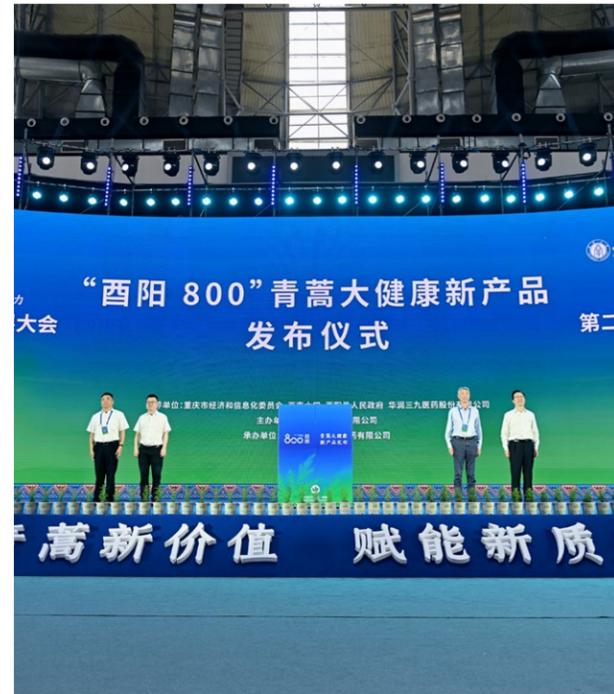
Based on the Company's strategic innovation requirements, focusing on the "introduction" and "training" of scientific and technological talents, it has established cooperation with Fudan University, Sichuan University, Chongqing University and other universities in the field of biomedicine, carried out joint projects of doctoral and master's degrees in engineering, and further deepened school-enterprise collaborative education for all qualified Company employees, and cultivated high-quality talents with a solid theoretical foundation and rich practical experience.

Industry alliance cooperation

We have led the establishment of many industrial platforms such as the Traditional Chinese Medicine Industry Innovation Alliance, and have joined forces with many traditional Chinese medicine enterprises, universities, scientific research institutions and upstream and downstream suppliers to jointly promote the standardization, modernization and international development of the traditional Chinese medicine industry. By integrating industrial chain resources, we optimize the industrial layout and achieve efficient resource allocation and coordinated industry development.



Joint Laboratory of Medicine and Food Homology Industry - Unveiling Ceremony



Conference on the High-quality Development of Artemisia Annua Industry

Driving for Industry Development

We firmly promote in-depth strategic synergy with our partners, and regularly hold business negotiations, industry forums and industry summits to discuss market and technological innovation, realize resource sharing, and explore new paths for industrial development. At the same time, we build an academic exchange platform, actively participate in industry activities, implement national policies, and enhance the influence of the industry. Actively participate in and lead the formulation of industry standards, make efforts in terms of product quality and production process, improve the overall quality and operational efficiency of the industry, and promote the innovation and development of the traditional Chinese medicine industry.

Key Performance

Participated in the formation of

1

international standard

Participated in the preparation of

5

national standards

Participated in the compilation of

8

industrial standards

Caring for the Community and Giving Back to Society

CR Sanjiu actively participates in social welfare undertakings, responds to the national strategy with practical actions, and contributes to the construction of rural revitalization. We give full play to its business advantages in the field of medicine and health, actively participate in social services, empower community construction, and promote local economic development and social progress.

Building a Caring Community

CR Sanjiu understands its own development is closely linked to the interests of the surrounding communities, and to build a harmonious relationship between the enterprise and the community, we are committed to maintaining a smooth communication mechanism with the surrounding communities.

» Case

Leveraging the Platform of NPC Deputies to Promote Community Co-construction and Industrial Development

The deputies of the 39th People's Congress of China Resources actively performed their duties, and put forward four targeted and constructive suggestions, including the *Suggestions on Strengthening the Rectification of Safety Hazards on Qingji Road and Preventing Traffic Accidents* in key areas such as industrial development, talent housing, and traffic improvement. In the process of communication with the public security and law departments, it has promoted the solution of the surrounding road traffic problems and contributed to the social development of the surrounding people.



Feedback from National People's Congress deputies attending the meeting

» Case

Strive to be a caring person for the masses and serve the society with "Warmth"

In 2024, the Party Committee of CR Sanjiu will stick to its original aspiration, fulfill its mission, deepen the practice of "I Do Practical Things for the Masses", and complete 147 practical projects. Among them, the Party Branch of the Southern District of China Resources Sanjiu OTC Business Division and Jiangxi Yifeng Pharmacy went to the nursing home in Xihu District, Nanchang City to carry out loving condolences, talk cordially with the elderly, learn more about the physical condition and living conditions of the elderly, and send 200 health gift packages to the elderly.

Practice Charity and Public Welfare

Under the guidance of the mission of "caring for public health and creating a better life together", CR Sanjiu actively fulfills its social responsibilities as a central enterprise and carries out diversified public welfare activities such as education assistance, donations, free clinics, and visits to CR Hope Town. Through these practices, CR Sanjiu has continuously strengthened its brand image of social responsibility and contributed to the high-quality development of its business. In 2024, the Company's total public welfare donations will reach 4.4361 million RMB. There were 243 participants in volunteer activities, with 507 hours of volunteer service.

» Case Conveying the Power of Love Through Hand-in-Hand Assistance

CR Sanjiu (Tangshan) attaches great importance to fulfilling its social responsibilities and continuously responds to the local government's 'Hand-in-Hand' assistance work plan. To effectively implement the assistance work, on June 12, 2024, the Party Branch of CR Sanjiu (Tangshan) set up a Runtong Volunteer Service Team composed of Party members, carefully prepared the "999 Pediatric Paracetamol, Chlorpheniramine and Pseudoephedrine Granules Gift Pack", and visited Anjiazhuang Village in the High-tech Zone to send warmth and care to poor children.

» Case "Feeling the Pain and Cultivating Dreams into Light"

From 2007 to 2024, Kunming Pharmaceutical Group and its employees spontaneously organized "One-to-one" student assistance activities for students in impoverished areas for 17 consecutive years. In June 2024, the "One-to-one" student assistance public welfare project was launched again in Sandan Township, Kuanzhuang Township, Fumin County, Kunming City, and Yunlong Township, Luquan County. This year, a total of 195 students were supported, including 149 primarily in Fumin County and others in Luquan County, with each aided student receiving a scholarship of 1,000 RMB annually. As of 2024, a total of 2,534 poor students have been supported, with scholarships totaling 2.534 million RMB donated.



Kunming Pharmaceutical Group's "One-to-one" student assistance activity

Rural Revitalization, Rich and Beautiful Society

CR Sanjiu actively responds to the national strategic deployment and unwaveringly implements the rural revitalization policy. The Company focuses on the all-round development of local industries, talents, culture and ecology, and takes industrial assistance and education assistance projects as the key investment direction and strives to achieve the comprehensive revitalization of rural areas through precise policies. We have actively built a resource sharing platform with various stakeholders, fully integrated the superior resources of all parties, and contributed to the industrial upgrading, talent training, cultural inheritance and ecological protection of rural areas.

Education and Talent Revitalization

Education is an important cornerstone of national rejuvenation and social progress, and it is a moral and political project that will benefit the present and future generations. Over the years, CR Sanjiu has always adhered to a strong sense of social responsibility, actively participated in the cause of rural education, and helped the revitalization of local education and talents with practical actions.

» Case "The Original Intention does not Change, the Rain Drops Cultivates the Heart", China Resources Sanjiu Helps Rural Education

Since 1997, China Resources Sanjiu (Ya'an) has donated to build a total of 8 Sanjiu Primary Schools across six counties in two districts of Ya'an. Over the past 27 years, it has continuously funded education, with a cumulative investment exceeding 5 million RMB, benefiting more than 30,000 teachers and students. With the support of the local government and caring individuals, the Sanjiu Primary Schools have improved their teaching facilities, optimized educational resources, and significantly narrowed the gap between urban and rural schools, as well as among different schools, greatly enhancing their attractiveness. In the past five years, the number of students has increased from over 2,000 to nearly 4,000, effectively ensuring high enrollment and progression rates among school-age children. Currently, some students who have received the Sanjiu Scholarship have chosen to join our company after graduating from university, in order to give back to society.



Ya'an Sanjiu Primary School theme activities

» Case Hubei's First "Xiaoping Science and Technology Innovation Laboratory" was Unveiled

On October 24, 2024, the "999 Aonuo Xiaoping Science and Technology Innovation Laboratory", jointly built by the China Youth Development Foundation and 999 Aonuo, was unveiled in Lenin Primary School in Hong'an County, Hubei Province. "999 Aonuo Xiaoping Science and Technology Innovation Laboratory" is used for primary and secondary school science courses and science classroom special teaching, promoting the revitalization of rural education and stimulating young people's enthusiasm for scientific exploration. Since 2020, three "Xiaoping Science and Technology Innovation Laboratories" have been donated and built in Xinjiang, Shaoshan, Hunan, and Hong'an, Hubei.



The activity site of the Xiaoping Science and Technology Innovation Laboratory of the Aonuo Hope Project

Industrial Revitalization

Based on the development strategy of the whole industry chain, CR Sanjiu deeply integrates the development of the Chinese herbal medicine industry with the rural revitalization strategy, from the whole chain of Chinese herbal medicine seed and seedling breeding and breeding, standardized planting of Chinese herbal medicines, and fresh processing of Chinese herbal medicines, through various cooperation modes such as "Order Agriculture" and "Company + Cooperative + Farmer", and in the way of "Demonstration Base + Radiation Base", it vigorously develops the standardized planting of Chinese herbal medicines, solves the employment of rural labor, improves the structure of agricultural industry, and helps rural revitalization.

In 2024, CR Sanjiu built 40 varieties of Chinese herbal medicine planting bases in 21 provinces, nearly 100 counties and more than 400 villages across the country, promote more than 33 million mu of medicinal material planting bases, and build or jointly build 10 production and processing bases to process nearly 10,000 tons of Chinese herbal medicines; More than 140 cooperatives and village committees have been driven, and tens of thousands of rural households have been promoted.

» Case Government-Enterprise Collaboration for Poverty Alleviation and Wealth Creation

The Kun Traditional Chinese Medicine and Shuangbai County give full play to the advantages of government-enterprise linkage, combine product strategy and industrial poverty alleviation and upgrading needs, and tap the characteristic resources of Chinese herbal medicine production areas. After carrying out the investigation, we cooperated with the local government to build a demonstration base for the standardized planting of authentic medicinal materials. Through the model of "Company + farmer + base", Kun Traditional Chinese Medicine not only ensures the quality and supply of medicinal materials, but also drives the income of growers. Kun Traditional Chinese Medicine actively purchases local authentic medicinal materials, and cooperates with Taihua Fenggong, Shuangbai Yunling and other enterprises with an amount of 50.498 million RMB. Help more than 20,000 Chinese herbal medicine planting farmers in 8 townships and towns in the county to help farmers increase income.



The Listing Ceremony of the Standardized Planting Demonstration Base

Ecological revitalization

Deeply combining the regional characteristics of the origin of medicinal materials and guided by the "Two Mountains Theory", CR Sanjiu unswervingly contributes to the coordinated development of rural revitalization and ecological environmental protection, and realizes the transformation of lucid waters and lush mountains into gold and silver mountains.

The Company actively explores and vigorously promotes the barren mountains and understory ecological planting models of Chinese medicinal materials such as Gangmei and Trifurans, improves the ecological environment of barren mountains, and successfully transforms the originally barren mountains into resources with economic value, with a total area of 88,000 acres of Chinese medicinal materials planted under the forest.

» Case A Small Chrysanthemum, Sowing Big Hope

In 2024, CR Sanjiu will combine the promotion model of "courtyard economy" in Jinzhai County to solve the problem of abandoned land and rural idle labor employment, promote the planting of wild chrysanthemum in Wujiadian Town of about 8,500 mu, build the Dabie Mountain Medicinal Botanical Garden, collect more than 300 species of wild medicinal plants, and 139 wild chrysanthemum germplasm resources.



Farmers Grow Their Own Wild Chrysanthemum Gardens

Health Support

CR Sanjiu actively carries out rural health assistance, continuously gathers the strength of various parties, gathers broad consensus, continuously improves the fairness and accessibility of health services, improves the level of primary medical services, and consolidates the health cornerstone of rural revitalization by promoting the sinking of high-quality medical resources. The Company continued to carry out the "Healthy Village" public welfare project and donated 1.5 million RMB in cash and materials with a total value of about 800,000 RMB through the China Women's Development Foundation.

» Case Promote the modern management of grassroots hospitals

CR Sanjiu, together with China Resources Shuanghe, China Resources Pharmaceutical Commercial, China Resources Boya Biotech, Dong'e Ejiao and other units, has cooperated with the Capacity Building and Continuing Education Center of the National Health Commission, and has completed 6 training sessions and trained 951 hospital presidents.

The students were organized to walk into Dong'e Ejiao Industrial Park, Sanjiu Guanlan Base, and Jiangzhong Medicine Valley to deepen the dean's understanding of the development history, brand products, and red culture of the China Resources Pharmaceutical Department, which was widely praised by the students.



Training Event

Consumption Assistance

In 2024, the State-owned Assets Supervision and Administration Commission of the State Council will actively encourage central enterprises to carry out the "cohesion action" of consumption assistance, and help and support counties through procurement and marketing, strong foundation empowerment, exchanges and mutual learning, etc., and CR Sanjiu will actively participate in it, and organize the purchase of agricultural products of 1.0792 million RMB during the event.

Outlook for 2025

In 2025, as the key period for the "14th Five-Year Plan" draws to a close, it will also be a year of deeper reforms. CR Sanjiu shoulders the important responsibility of advancing the development of traditional Chinese medicine and safeguarding public well-being. We will continue to give our all in this mission. Guided by the mission of "Caring for Public Health and Creating a Better Life Together," we will remain steadfast in our values and sense of responsibility as pharmaceutical professionals. We will fully integrate ESG principles (Environmental, Social, and Governance) into our management processes and practice our social responsibility and mission in areas such as economic, social, environmental development, and the innovation of TCM, progressing boldly in the tide of the times.

Deepening quality innovation to drive the new productive force of TCM. We have always prioritized improving product quality and safety. We will continue to enhance our quality management system, strengthen key quality control processes, and ensure comprehensive, all-around, and high-quality protection for public health. We will adhere to the "Innovation + Brand" dual-driven approach, continuously enhancing our independent R&D capabilities, accelerating the integration of intelligent manufacturing and TCM R&D, and providing society with more "safe, high-quality, efficient, and environmentally friendly" pharmaceutical products and services.

Practicing green development and building an eco-friendly pharmaceutical ecosystem. We firmly believe that "Lucid waters and lush mountains are invaluable assets" and will incorporate the concept of green low-carbon development into every aspect of our operations. We will continue to optimize production processes, improve resource utilization efficiency, reduce energy consumption, and aim to be a leader in building green enterprises. We will actively respond to the "Dual Carbon" strategy, implement the carbon peak and carbon neutrality action plan to high standards, accelerate the transformation to green and low-carbon operations, and contribute more to the development of a beautiful China.

Strengthening responsibility and engaging in diverse social causes. We are deeply committed to the well-being of society. By leveraging the advantages of the TCM industry, we will support rural revitalization through industrial assistance, technical training, and other methods, promote the development of TCM herb planting and related industries, and help increase farmers' income. We will continue our charitable and public welfare work, including donating medical products, offering free clinics, promoting health education, and organizing volunteer activities, bringing real benefits to people's lives.

Deepening ESG practices and shaping a responsible corporate image. We will deeply integrate the ESG principles into our corporate management, improve our ESG management system, and drive continuous optimization of governance capabilities and operational efficiency. We will strengthen communication and collaboration with stakeholders, listen to the voices of employees, consumers, investors, and communities, and continuously improve our ESG practices, shaping an excellent corporate brand.

The journey ahead is long, but the wind is strong, and despite the heavy responsibilities, we are determined to press on. Looking ahead, CR Sanjiu will resolutely fulfill its mission, using the development of new productive forces as the engine for building a world-class enterprise. We will continue to innovate, optimize quality systems, practice green development, engage in social causes, and make strides on the path of TCM inheritance and innovation. We aim to contribute more to the construction of a "Healthy China" and write a glorious new chapter in our ESG journey.



華潤三九
CR SANJIU
CR SANJIU



Key Performance Table

Economic performance

Economic Performance Indicators	Unit	2024	2023	2022
Total revenues	RMB 10,000	2,761,661.18	2,473,896.33	1,807,946.15
Total assets	RMB 10,000	4,008,197.23	4,014,845.59	2,712,278.17
Total profit	RMB 10,000	459,361.07	375,445.32	296,343.65
Net profit attributable to shareholders of listed companies	RMB 10,000	336,788.90	285,293.17	244,880.21
Total Taxes	RMB 10,000	289,861.48	292,896.93	215,518.57
Total Investment in R&D	RMB 10,000	95,297.63	88,895.12	73,638.47

Market Performance

Indicators	Unit	2024	2023	2022
Pass rate of drug sampling tests	%	100	100	99.9
Number of complaints received about products and services	Piece	117	198	31
Complaint handling rate	%	100	100	100
Product and service satisfaction	%	100	100	100
Responsible purchasing ratio	%	100	100	100
Rate of suppliers passing quality, environment and occupational health and safety system certification	%	100	100	100

Social Performance

Indicators	Unit	2024	2023	2022
Labor contract signing rate	%	100	100	100
Social insurance coverage rate	%	100	100	100
Number of paid vacation days per capita per year	Day	8	7.9	8.53
Number of new employees	Person	2,322	2,286	1,860
Total number of employees	Person	20,031	20,318	15,599
--By gender				
Male employees	Person	10,733	10,894	8,414
Female employees	Person	9,298	9,424	7,185
--By employment type				
Full-time employees	Person	20,031	20,318	15,599
Part-time employees	Person	0	0	0
--By age				
29 years old and below	Person	4,684	5,004	3,737
30-50 years old	Person	13,735	13,679	10,488
51 years old and above	Person	1,612	1,635	1,374
--By education				
Graduate and above	Person	1,289	1,048	786
Undergraduate	Person	8,054	7,404	5,508
Junior college	Person	5,641	6,067	4,494
High school and below	Person	5,047	5,799	4,811
Comprehensive employee turnover rate	%	10.54	13.5	12
Number of ethnic minorities	Person	1,846	810	812
Percentage of female managers	%	36.7	35	34.00
Number of employees with disabilities	Person	121	5	5

Indicators	Unit	2024	2023	2022
Employee satisfaction	%	84.2	98.04	85
Total annual training attendance	Person-time	308,876	306,922	308,105
Employee training coverage	%	98.68	95.77	100
Annual per capita training hours	Hour	30.32	14.11	14.26
Annual investment in employee training	RMB 10,000	1,043.2	776	515
Health checkup rate of all employees	%	100	100	99.67
Occupational health examination rate	%	100	100	100
Number of work-related deaths	Person	0	0	0
Number of deaths due to occupational diseases	Person	0	0	0
Investment in helping employees in difficulty	RMB 10,000	78.915	21.12	21.85
Investment in production safety	RMB 10,000	5,831	4,947	4,064
Number of full-time safety management personnel	Person	229	339	257
Employee safety training hours	Class hours	650,100	566,273	174,445
Safety training hours of related parties	Class hours	34,711	15,819	11,347
EHS emergency drill attendance	Person-time	16,687	16,720	9,420
Number of EHS emergency drills	Person-time	617	465	312
Extraordinarily major accidents	Item	0	0	0
Major accidents	Item	0	0	0
Serious accidents	Item	0	0	0
General accidents	Item	2	0	0
Number of fatal accidents	Time	0	0	0
Number of fatalities in safety accidents	Person	0	0	0
Lost time rate of employees in million man-hours	Person/million hours	0.52	0.12	1.04
Lost work days due to work-related injuries	Day	533	21	-

Environmental Performance

Indicators	Unit	2024	2023	2022
Total Investment in Environmental Protection	RMB 10,000	4,234	4,368	3,649
Investment in Energy Saving	RMB 10,000	663	562	352
Number of people trained in environmental protection	Person-time	17,380	14,006	13,315
Number of people covered by environmental protection training	Person	10,942	8,567	6,275
Environmental protection training hours	Class hours	273,214	111,723	122,120
Number of participation in environmental public welfare activities	Time	96	98	86
Total wastewater emission	10,000 tons	268.02	299.86	257.74
Total emission of waste gas	10,000 cubic meters	863,248.98	765,540.25	575,522.40
Total COD emission	Ton	60.02	67.14	58.77
COD emission intensity	Tons/RMB 10,000	0.000034	0.000035	0.000034
Total ammonia nitrogen emission	Ton	2.01	2.39	1.68
Ammonia nitrogen emission intensity	Ton/RMB 10,000	0.000001	0.000001	0.000001
Total NO _x emission	Ton	47.87	66.34	38.44
NO _x emission intensity	Ton/RMB 10,000	0.000027	0.000035	0.000022
Total SO ₂ emission	Ton	3.47	4.70	2.66
SO ₂ emission intensity	Ton/RMB 10,000	0.000002	0.000002	0.000002
Total emissions of particulate matter (PM)	Ton	8.19	10.00	1.44
Emission intensity of particulate matter (PM)	Ton/RMB 10,000	0.000005	0.000005	0.000001
Total emissions of volatile organic compounds (VOCs)	Ton	5.87	8.87	11.23
Emission Intensity of Volatile Organic Compounds (VOCs)	Ton/RMB 10,000	0.000003	0.000005	0.000006
Total amount of medical waste (HW02) generated	Ton	125.75	128.27	49.92
Total amount of waste pharmaceuticals (HW03) generated	Ton	201.69	340.86	219.09
Total amount of other hazardous wastes generated	Ton	675.31	783.22	566.92
Total hazardous waste generation	Ton	1,002.75	1,252.35	835.93

Indicators	Unit	2024	2023	2022
Intensity of hazardous waste generation	Ton/RMB 10,000	0.000566	0.000657	0.000480
Amount of hazardous waste disposal	Ton	1,116.85	1,171.47	862.25
Total amount of general industrial solid waste generated	Ton	144,261.22	134,557.22	26,094.72
General industrial solid waste generation intensity	Ton/RMB 10,000	0.0815	0.0706	0.0150
Comprehensive utilization of general industrial solid waste	Ton	139,452.47	133,831.03	25,825.43
Recycling rate of general industrial solid waste	%	96.65	99.44	98.94
Total industrial solid waste generation	Ton	145,263.97	135,809.57	26,930.65
Gasoline consumption	Ton	50.08	59.61	34.37
Diesel consumption	Ton	167.40	171.72	107.83
Purchased electricity consumption	10,000 kWh	21,660.55	23,331.43	17,714.37
Purchased steam consumption	Million kilojoules	536,173.38	791,759.19	685,744.70
Natural gas consumption	10,000 standard m ³	2,525.49	2,647.83	2,114
Thermal energy consumption	Million kilojoules	536,173.38	791,759.19	685,744.70
Clean energy consumption	Ton of standard coal	5,136.68	5,788.57	1,331.35
Total comprehensive energy consumption	10,000 tons of standard coal	8.0838	9.4754	7.4569
Comprehensive energy consumption per RMB 10,000 of added value (comparable price)	Ton of standard coal/RMB 10,000	0.0981	0.1100	0.0876
Comprehensive energy consumption per RMB 10,000 of production value (comparable price)	Ton of standard coal/RMB 10,000	0.0456	0.0497	0.0428
Comprehensive energy consumption per RMB 10,000 of total revenues	Ton of standard coal/RMB 10,000	0.0293	0.0383	0.0412
Consumption of toxic and hazardous materials	Ton	1,412.90	5,421.11	—
Consumption intensity of toxic and harmful materials	Ton/RMB 10,000	0.0008	0.0028	—
Total GHG emissions	Ton of CO ₂ e	222,120.65	276,450.88	283,297.26
Scope I - direct GHG emissions	Ton of CO ₂ e	55,312.19	58,235.73	49,673.61
Scope II - indirect GHG emissions	Ton of CO ₂ e	166,808.46	218,215.15	233,623.65
GHG emission per RMB 10,000 of production value (comparable price)	Ton of CO ₂ e/RMB 10,000	0.1254	0.1451	0.1627

Indicators	Unit	2024	2023	2022
GHG emission per RMB 10,000of total revenues	Ton of CO ₂ e/RMB 10,000	0.0804	0.1117	0.1567
Total industrial water usage	Ton	29,929,123.40	29,444,432.50	11,682,172
Industrial water intensity	Ton/RMB 10,000	16.9010	15.4461	6.6746
Freshwater usage in industry	Ton	4,224,132	4,971,951	3,965,510
Freshwater usage per RMB 10,000 of industrial output value (at comparable prices)	Ton/RMB 10,000	2.3854	2.6082	2.2657
Industrial circulating water consumption	Ton	25,704,991	24,472,481.50	7,716,662
Industrial water reuse rate	%	85.89	83.11	66.06
Total industrial water savings	Ton	25,704,991	24,472,481.50	7,716,662
Office and domestic electricity consumption	kWh	23,125,158.11	20,791,860.35	17,315,718.05
Office and domestic water consumption	Ton	372,936.57	2,629,996.67	1,926,286.53
Office and domestic wastewater generation	Ton	326,540.57	2,488,536.13	1,808,202.37
Office paper usage	Piece	19,882,033.93	29,917,207	25,913,355
Office waste disposal volume	Ton	2,034.52	621.81	—
Total packaging material usage by weight	Ton	71,123	98,047	35,826

Governance Performance

Indicators	Unit	2024	2023	2022
Percentage of female directors on the Board of Directors	%	18.18	18.18	18.18
Number of shareholders' meetings held	Time	7	6	7
Number of board of meetings held	Time	24	13	18
Issuance of regular reports	Item	2	2	2
Issuance of temporary announcements	Item	131	67	91
Coverage of anti-corruption training	%	100	100	100
Hours of employee anti-corruption training	Hour	160,500	53,435	37,500
Convening of company warning and education conference	Time	2	3	2
Percentage of employees receiving ethics training	%	100	100	100

Index of Indicators

Report Catalog	Corresponding Indicators of China Corporate Social Responsibility Reporting Guidelines (CASS-ESG 6.0)	Reference Indicator System for ESG Special Reporting of Listed Companies Controlled by Central Enterprises	
Message from the Executive	P2.1		
Feature Story 1: Synergistic Development of the Whole Industry Chain to Create Advantages in the Traditional Chinese Medicine Industry	S2.1.15		
Feature Story 2: Leading Green and Low-Carbon Development and Building the Near-Zero Carbon Park	E1.1.11, E1.1.15-E1.1.16	E3.1.2, E3.2.1, E3.3.1	
About Us	Company Profile	P3.1	
	14th Five-Year Plan	P3.2	
	Corporate Culture	P3.2	
	Brands and Products	P3.3	G1.2
	Organizational Structure	P3.4	
Focus 2024	-		
Sustainability Management	Sustainability and ESG Concepts	G1.1.7	G1.1, G1.3
	Sustainability and ESG Work Implementation	G1.1.1-G1.1.8, G1.1.10-G1.1.12	
	Stakeholder Communication	G1.3.1-G1.3.2	G3.1,G3.2.G3.3
	Materiality Issues Management	G1.1.9	
Innovation-Driven, Pioneering New Frontiers with Technological Breakthroughs	Focus on Innovation and Stable Development	S2.1.1-S2.1.13	S2.3
	Deepening Transformation for Sustainable Development	S2.2.1-S2.2.7	S4.4
Governance with Wisdom, Strengthen Foundations for the Company Development	Uphold Integrity, Operate in a Sound Manner	S3.2.1-S3.2.2	G2.1-G2.2, G4.1-G4.2, G5.1-G5.2
	Craftsmanship and Responsible Operation	G2.1.1-G2.1.8, G2.2.1-G2.2.3	S4.1
	Strengthen Party Construction and Compliant Operation	-	

Report Catalog	Corresponding Indicators of China Corporate Social Responsibility Reporting Guidelines (CASS-ESG 6.0)	Reference Indicator System for ESG Special Reporting of Listed Companies Controlled by Central Enterprises	
Quality Escort, New Quality Productive Forces Promote Development	Control the Source of Medicines, Safeguard Health	S3.3.1-S3.3.14	S2.1
	Optimizing Services, Protecting Health	S1.2.7, S2.1.14, S3.3.15-S3.3.17, S3.4.1-S3.4.4	S2.1-S2.2
Low-Carbon Leadership, Jointly Creating a Green Home	Strengthen Control, Advocate Green Development	E2.1.1-E2.1.9, E2.2.1, E2.2.3, E2.2.5-E2.2.7, E2.4.1-2.4.4, E3.1.2-E3.1.5, E3.2.3-E3.2.4	E5.1-E5.6
	Multi-dimensional Carbon Reduction, Protecting Green	E1.1.1-E1.1.6, E1.1.12-E1.1.15, E1.1.19	E3.1-E3.4,E5.1
Unite as One, Sharing Responsibility for a Harmonious Society	Ecological balance, building green	E2.3.1-E2.3.5, E3.3.1-3.3.7	E1.1-E1.4,E2.1-E2.3, E4.1,E5.2,E5.3
	Healthy Companions, Happy Employees	S4.1.1-S4.1.12, S4.2.1-S4.2.6, S4.3.1-S4.3.6	S1.1-S1.2,S1.4,S1.5
	Optimize Supply, Serve Society	S3.1.1-S3.1.4	
Outlook for 2025	Synergy and Win-Win, Help Society	S2.1.3	S3.1-S3.2
	Caring for the Community, Returning to Society	S1.2.1-S1.2.7	S4.2-S4.4
Key Performance Table	Revitalize the countryside, enrich the society	S1.1.1-S1.1.5	
		A1	
Index of Indicators		A3	
Feedback		A6	
About this Report		P1.1-1.2	

Feedback

Dear reader,

Thank you very much for taking the time to read this report. In order to gain a deeper understanding of your expectations and needs regarding the sustainable development and ESG efforts of CR Sanjiu, and to continuously improve the quality of our work, we are conducting this survey. We sincerely invite you to participate. Your opinions and insights are vital to us. We deeply appreciate your valuable feedback and suggestions!

1. Your identity in relation to CR Sanjiu:

- Employee Consumer/Patient Partner Investor Regulator
- Other Government Department Media Other

2. Are you satisfied with the overall content of this year's report?

- Yes No Average

3. Has the information you are concerned with been covered in this year's report?

- Yes No Average

4. What are your expectations or suggestions for next year's sustainable development report?

- Innovative report themes Innovative structure and approach Clear logical flow
- Broader application of sustainability standards More user-friendly interface More approachable language
- Other (Please specify)

5. Do you have any suggestions or expectations for our sustainable development work?

- Develop a long-term sustainability plan Strengthen the management of sustainability initiatives
- Broaden external communication efforts Plan new impactful public welfare projects
- Include sustainability-related performance in management assessments Other (Please specify)

You can communicate your feedback through the following channels:

China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.

Address: No. 1, Guanqing Road, Guanhu Street, Guanlan High-tech Zone, Longhua District, Shenzhen,

Postcode: 518110

Fax: (86) 755-83350888

Phone: (86) 755-83360999

Email: 000999@999.com.cn

Website <https://www.999.com.cn>

About this Report

This report is the 16th annual sustainability and ESG report published by China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. since 2009. The report, themed "Responsibility for a Better Future Together," reflects the Company's efforts and achievements in economic, social, environmental, and governance aspects in 2024, responding to the expectations and concerns of stakeholders.

Time Period

The report covers the period from January 1, 2024, to December 31, 2024, consistent with the annual report. Some content has been extended for better comparability and forward-looking insights.

Scope of the Report

This report covers China Resources Sanjiu Pharmaceutical Co., Ltd. and its subsidiaries and affiliates. The subject disclosed in this report is consistent with the annual report.

Terminology

For ease of expression and readability, "China Resources Sanjiu Pharmaceutical Co., Ltd." is referred to as "CR Sanjiu," "the Company," or "we" in this report.

Data Explanation

All data in this report comes from internal documents and information systems of China Resources Sanjiu Pharmaceutical Co., Ltd.

Report Commitment

CR Sanjiu guarantees that the contents of this report are free from any false records, misleading statements, or material omissions, and takes full responsibility for the authenticity, accuracy, and completeness of the content.

Reference Standards

This report was prepared in accordance with the Guidelines for Social Responsibility of Central Enterprises issued by the State-owned Assets Supervision and Administration Commission (SASAC), the Global Reporting Initiative (GRI) Standards, and the CASS-ESG 6.0 Pharmaceutical Manufacturing Guidelines by the Chinese Academy of Social Sciences. It also references the ESG Reporting Indicator System for Central State-Owned Enterprises' Listed Companies by SASAC.

Preparation Process

The preparation process for this report follows the requirements of the above standards, including industry benchmarking, surveys, information collection, review, report writing, management review, report rating, and report assurance to ensure completeness, materiality, authenticity, and balance.

How to Access

This report is available in both electronic and paper formats. You can download and view it from the Social Responsibility section of the CR Sanjiu web operational site at <https://www.999.com.cn>.

ESG Assurance Statement



To: stakeholders of China Resources Sanjiu Pharmaceutical Co., Ltd.

China Quality Certification Centre Co., Ltd.(CQC), commissioned by China Resources Sanjiu Pharmaceutical Co., Ltd. (hereinafter referred to as CR Sanjiu), conducted independent verification on CHINA REAOURCES SANJIU 2024 SUSTAINABILITY AND ESG REPORT (hereinafter referred to as the ESG Report) between March 3 and 7, 2025.

CR Sanjiu was responsible for collecting, summarizing, analyzing, and disclosing the information and data mentioned in the ESG Report. CQC implemented report verification within the scope specified in the agreement with CR Sanjiu. CR Sanjiu is the designated user of this statement.

This statement was based on the assurance activities conducted on the ESG Report prepared by CR Sanjiu with reference to SASAC Guiding Opinions on Central SOEs Fulfilling Social Responsibility, GRI 2021 Standards, UCASS Guidelines for Corporate Social Responsibility Reporting in China (CASS-ESG 6.0) for Pharmaceutical Manufacturing Industry and SASAC Reference Indicator System for Special ESG Reports of Central SOE-controlled Listed Companies, and CR Sanjiu was responsible for the completeness and authenticity of the information and data in the ESG Report.

Scope of Assurance

The following data and information disclosed in the ESG report of CR Sanjiu:

- Financial performance
- Market performance
- Social performance
- Environmental performance
- Governance performance

Basis for Assurance

AA1000 V3, Type 2, Moderate Assurance

Assurance Methods

The methods used in this assurance include but are not limited to:

- a) Report review;
- b) Interviews;
- c) Verification of documents, records, certificates, bills, and other materials;
- d) Field verification;
- e) Trusted information source verification;
- f) Verification against disclosure basis;
- g) Recalculation/estimation;
- h) Confirmation of statistical, calculation/estimation processes.

Assurance Conclusions

The ESG report reflects the performance of CR Sanjiu in environmental, social, and corporate governance in 2024. The information disclosed is true and reliable, and with availability, timeliness and relevance well maintained, which basically meets the requirements of AA1000 V3 as follows:

1. Inclusivity: CR Sanjiu has identified both internal and external stakeholders, including government and regulatory agencies, customers, employees, shareholders/executives/investors, partners, non-profit organizations, peer enterprises, community members. In the report preparation process, the expectations and needs of stakeholders have been considered.
2. Materiality: Based on the principle of impact materiality and financial materiality, HCR Sanjiu has identified and prioritized their ESG issues, integrating the management of various issues into the company's daily operations. The overall content of the ESG Report meets the requirements of the materiality principle.
3. Responsiveness: CR Sanjiu has established a governance structure, management system and processes, as well as a communication mechanism with stakeholders, capable of taking action to respond to the demands of various stakeholders.
4. Impact: Through quantitative, qualitative, or a combination of both, CR Sanjiu has disclosed the main impacts on stakeholders in terms of environment, society, and governance.

Recommendations

Based on the assurance findings, it is recommended that:

CR Sanjiu strengthen ESG performance monitoring, dynamically evaluate and adjust ESG performance, and ensure the achievement and continuous improvement of ESG goals.

Limitations

- This assurance was conducted using sampling methods based on quantitative and qualitative risk analysis and the sampling scope was limited to the data and information selected in the ESG Report, not fully tracing or independently recalculating all raw data of CR Sanjiu.
- This assurance only covered interviews and document review with CR Sanjiu, and did not directly interview external stakeholders (such as suppliers, customers, etc.), nor did it contain independent verification of the information provided by external stakeholders of CR Sanjiu.
- The data and information audited/verified by a third party in the ESG Report were not subject to repeated verification during this assurance process.
- Some of the data and information in the ESG report cannot be compared and verified through independent sources. This assurance only evaluated their reasonableness.
- Activities outside the scope of information disclosure were not included in this assurance;
- The statement regarding the position, viewpoints, beliefs, goals, future development directions, and commitments of CR Sanjiu were not included in this assurance.

Statement on Independence and Verification Capability

Affiliated with China Certification & Inspection Group (CCIC), CQC is a third-party professional certification body approved by the Chinese government and recognized by multiple foreign governments and international authoritative organizations. CQC can provide various management systems certification, product safety and performance certification, energy conservation and environmental certification, green and low-carbon technical services, management improvement, personnel training, and other related technical services, as well as independent verification services for social responsibility reports, sustainable development reports, and ESG reports.

As an independent certification body, CQC ensured that there were no conflicts of interest with CR Sanjiu and its stakeholders during the assurance process of the ESG Report. All information in the ESG Report was provided by CR Sanjiu. CQC and the personnel conducting this assurance of the ESG Report were not involved in the preparation process of the ESG Report.

President of CQC: 谢肇煦

March 10, 2025

Beijing, China



Note: In case of any inconsistency or discrepancy, the Chinese version of this assurance statement shall prevail, while the English translation is used for reference only.



China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.