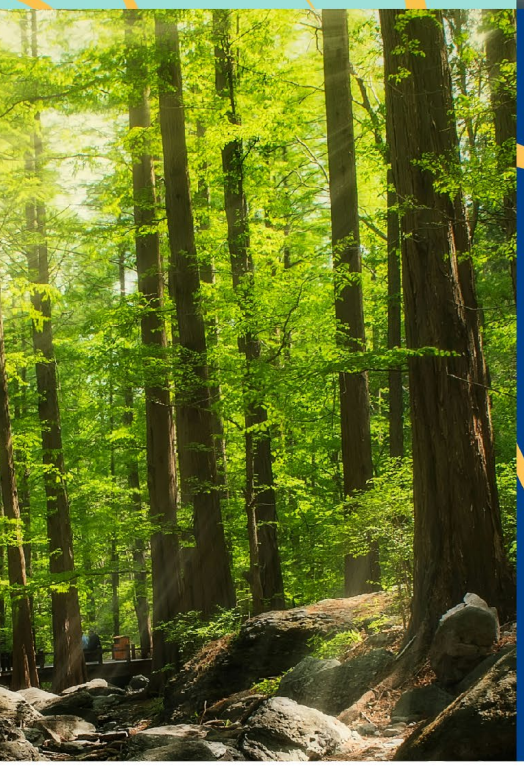
科伦药业
KELUN PHARMACEUTICAL

KELUN



2024

Environmental, Social and Governance Report

CONTENTS

About the Report

This report is the 13th Environmental, Social, and Governance (ESG) report publicly released by Sichuan Kelun Pharmaceutical Co., Ltd. (hereinafter referred to as "KELUN PHARMA", "the Company", or "We"). It provides a comprehensive disclosure of the Company's practices and performance in economic, environmental, social, and governance responsibility domains for the year 2024, systematically addressing the expectations and requirements of stakeholders.

Report Scope

Timeframe: The reporting period covers January 1, 2024 to December 31, 2024. To enhance comparability and forward-looking insights, certain content extends appropriately to prior and subsequent years.

Reporting Boundary: Economic, environmental, social, and governance responsibility information pertaining to the Company and its subsidiaries/branches.

Information Sources

The information disclosed in this Report is sourced from internal official documents, statistical reports, and annual reports of the Company. The data disclosed is based on original operational data of the KELUN PHARMA, publicly available government data, annual financial data, internal relevant statistical reports, third-party questionnaire surveys, and third-party evaluation interviews. Financial data in this report is denominated in RMB (or CNY).

Preparation Basis

Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 17 – Sustainability Reporting (Trial)

Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 3 – Sustainability Report Preparation

Sustainability Reporting Standards by Global Sustainability Standards Board (GRI Standards)

United Nations Sustainable Development Goals (UN SDGs)

Morgan Stanley International ESG ratings (MSCI ESG rating)

Appellation Note

The report involves multiple subsidiaries (branches) of KELUN PHARMA. For the sake of convenience, the report will use the following abbreviations for these subsidiaries (branches):

Full Name	Abbreviation
Sichuan Kelun Pharmaceutical Co., Ltd.	KELUN PHARMA
Sichuan Kelun Pharmaceutical Co., Ltd. Renshou Branch	Renshou Branch
Sichuan Kelun Pharmaceutical Co.,Ltd. Guang'an Branch	Guang'an Branch
Sichuan Kelun Pharmaceutical Co., Ltd. Anyue Branch	Anyue Branch
Sichuan Xinkaiyuan Pharmaceutical Co., Ltd.	Xinkaiyuan
Kunming Nanjiang Pharmaceutical Co.,Ltd.	Kunming Nanjiang
Hunan Kelun Pharmaceutical Co., Ltd.	Hunan Kelun
Hunan Kelun Pharmaceutical Co., Ltd. Yueyang Branch	Hunan Kelun Yueyang Branch
Hubei Kelun Pharmaceutical Co., Ltd.	Hubei Kelun
Jiangxi Kelun Pharmaceutical Co., Ltd.	Jiangxi Kelun
Guizhou Kelun Pharmaceutical Co., Ltd.	Guizhou Kelun
Shandong Kelun Pharmaceutical Co., Ltd.	Shandong Kelun
Henan Kelun Pharmaceutical Co., Ltd.	Henan Kelun
Guangxi Kelun Pharmaceutical Co., Ltd.	Guangxi Kelun
Sichuan Kelun Pharmaceutical Research Institute Company Limited	Kelun Pharmaceutical Research Institute
Sichuan Kelun-Biotech Biopharmaceutical Company Limited	Kelun-Biotech
Sichuan Kelun Pharmaceutical Co., Ltd. Qionglai Branch	Qionglai Branch
Yili Chuanning Biotechnology Co., Ltd.	CHUANNING BIOTECH
Ili Jiangning Biotechnology Co., Ltd.	JIANGNING BIOTECH
Khorgos Jinhe Biotechnology Co., Ltd.	JINHE BIOTECH
Chengdu Qingshan Likang Pharmaceutical Co., Ltd	Qingshan Likang
Chongzhou Junjian Plastic Co., Ltd.	Junjian Plastic
Kelun-Kazpharm Co., Ltd.	Kelun-Kazpharm

Report Access

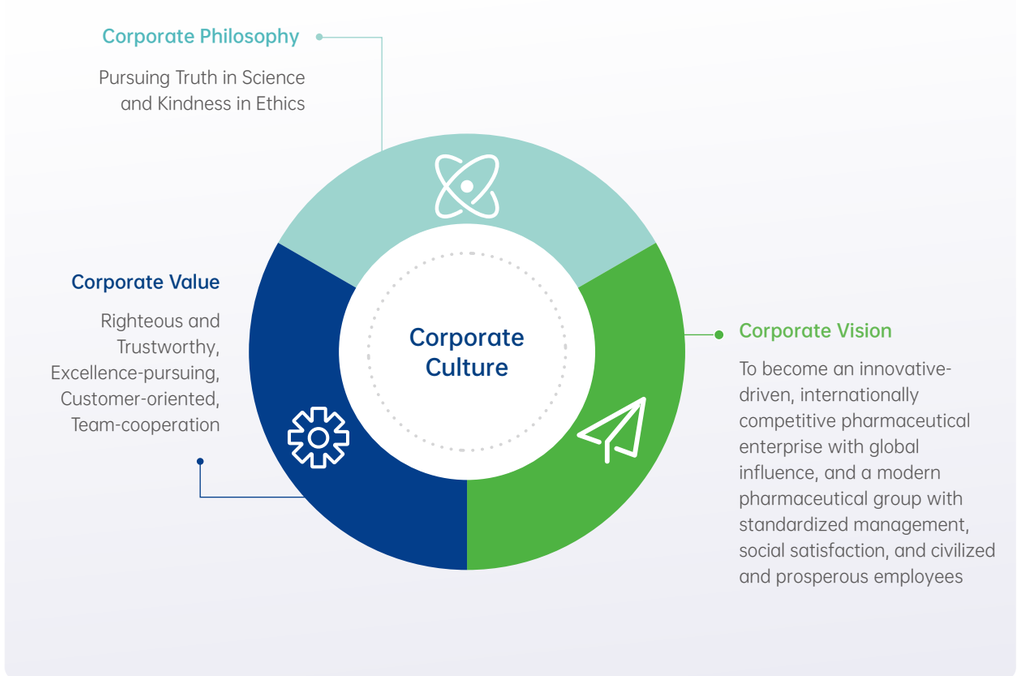
This report is available in electronic format for your review. You may access it by visiting our official website (https://www.kelun.com/) or the CNINFO platform (http://www.cninfo.com.cn). For any inquiries or suggestions regarding this report, please feel free to contact us via email at kelun@kelun.com or by phone at +86-28-8286 0609.

Opening

Discovering Kelun Pharma

Founded in 1996 and headquartered in Chengdu, Sichuan Province, China, KELUN PHARMA has grown into one of China's most comprehensive pharmaceutical groups, spanning R&D, drug manufacturing, and commercial distribution. Recognized among China's Top 100 Pharmaceutical Manufacturers and Top 500 Manufacturing Enterprises, we have earned the title of "Model Champion in Manufacturing Excellence" for our global leadership in large-volume injections in 2018.

Since our successful listing on the Shenzhen Stock Exchange in June 2010, we adhere to the development strategy of "Three Driving Engines and Innovative Growth". We boast both high-end manufacturing and novel material advantages in the field of IV solution and possess the strategic heights of technical innovations and quality benchmarks. Moreover based upon our mature fermentation technology and robust industrialization platform, we keep solidifying the fundamental base for our antibiotics main business, constantly optimize and upgrade our industrial structure and fully enter into synthetic biology. In terms of our research and development (R&D) innovation, we focus on developing drugs with high technological content, including branded generics, innovative small molecules, novel drug delivery systems and biotechnology drugs. We have successfully established an internationally renowned Antibody-Coupled Drugs (ADC) R&D platform, marking a new era in our innovative R&D efforts and global layout. The successful spin-offs and listings of our subsidiaries, CHUANNING BIOTECH and KELUN-BIOTECH, have enabled us to establish a three-pillar operational structure supported by "pin"-shaped capital platforms, further consolidating our industry-leading position.



Corporate Culture of KELUN PHARMA

1

Engine No.1

KELUN PHARMA maintains its leading position in the area of IV Solutions through continuous industrial upgrading and restructuring product portfolio.

2

Engine No.2

KELUN PHARMA creates a competitive advantage in antibiotics from intermediate, APIs to FPPs by innovative exploitation of quality natural resources.

3

Engine No.3

KELUN PHARMA strives for longevity through the elaboration of R&D systems and diversified technology innovation.

"Three Driving Engines and Innovative Growth" Strategy

Main Business

We are mainly engaged in the research and development, production, and sales of 24 types of pharmaceutical products, including large-capacity injection (infusion), small-capacity injection (water injection), sterile powder for injection (including powder injection and lyophilized powder injection), tablets, capsules, granules, oral liquid and peritoneal dialysis fluid, as well as antibiotic intermediates, APIs and pharmaceutical packaging materials. The main products cover areas such as oncology, anti-infection, parenteral nutrition, liquid therapy, central nervous system, cardiovascular, anesthesia and analgesia, respiratory, osteoporosis, andrology, diabetes, and rheumatoid arthritis.

Infusion Products

Non-infusion Products

OTC

Innovative Injection Packaging

APIs and Intermediates

Medical Devices

Main Products

Annual Key Performance

2024 ESG Key Performance

Economic performance

Business income
RMB 21.81 billion

with a year-on-year increase of
1.67%

Net profit attributable to the parent company
RMB 2.94 billion

with a year-on-year increase of
19.53%

Social performance

Investment in R&D
RMB 2.17 billion

with a year-on-year increase of
11.20%

accounting for
9.95% of the total audited operating revenue for the year

Total number of R&D personnel
2,855

with a year-on-year increase of
9.30%

accounting for
13.06% of the total workforce

2,860 valid patent applications

1,997 valid patent grants

no product recalls

Total number of employees
21,864

with female middle managers accounting for
48.82%

2,197 ethnic minority employees

Labor contract signing rate
100%

coverage rate of employee social security contributions
100%

overall employee engagement rate
95%

and overall employee satisfaction rate
92%

A total of
61,600 training sessions conducted throughout the year

with employees receiving training for
1,761,800 hours in total

and an annual training expenditure of
RMB 4,878,000

Investments in occupational health and safety management
RMB 28,862,400

with
100% coverage for employee work-related injury insurance

and
100% coverage for employee production liability insurance

100% coverage of occupational health checkups

0 case of occupational diseases

The donation amount was approximately
RMB 57 million

Environmental performance

Total investment in environmental protection
RMB 661.40 million

Total hours of annual environmental protection trainings
46,786 hours

Number of violations of environmental laws and regulations
0

ESG Rating

"BB" in MSCI ESG rating

MSCI

"AA" in CSI ESG rating

中证指数 CHINA SECURITIES INDEX

"AA" in WIND ESG rating

(The highest Wind ESG rating among pharmaceutical companies, ranking 1st out of 291 assessed pharmaceutical companies)

Wind ESG

"A" in SynTao Green Finance ESG rating

商道融绿 SynTao Green Finance

Honors and Awards

Our 2024 Major Honors

February 2024
Chengdu Industrial Boutique (Basic Infusion)
Chengdu Municipal Bureau of Economy and Information Technology, etc.

March 2024
Most Caring Donation Enterprise
The People's Government of Sichuan Province

March 2024
2023 Charity Contribution Award
Sichuan Medical Association

March 2024
2024 Caring Enterprise Award
Pengzhou Charity Association

August 2024
Exemplary Experience in Quality Benchmarking in 2024
China Association for Quality

September 2024
China's Top 500 Private Manufacturing Enterprises in 2024
All-China Federation of Industry and Commerce

September 2024

China's Top 100 Pharmaceutical Companies in 2023

China Pharmaceutical Industry Information Annual Conference

September 2024

Best Industrial Enterprise in China's Pharmaceutical R&D Sector

China National Pharmaceutical Industry Information Center

September 2024

Outstanding Corporate Social Responsibility Project in China's Pharmaceutical Industry

China National Pharmaceutical Industry Information Center

September 2024

Benchmark ESG Integrated Governance Enterprise in 2024

China International Fair for Trade in Services

October 2024

2024 Chengdu Top 100 Private Enterprises

Chengdu Enterprise Confederation

October 2024

2024 Chengdu Top 100 Manufacturing Enterprises

Chengdu Enterprise Confederation

October 2024

2024 Chengdu Top 100 Enterprises

Chengdu Enterprise Confederation

November 2024

Top 50 Self-Innovative Enterprises in the Pharmaceutical Industry (2023-2024)

Taishan Pharmaceutical Forum Organizing Committee

November 2024

Top 100 Pharmaceutical Industrial Enterprises by Revenue (2023-2024)

Taishan Pharmaceutical Forum Organizing Committee

November 2024

Law-Abiding and Trustworthy Enterprise in the Pharmaceutical Industry (2023-2024)

Taishan Pharmaceutical Forum Organizing Committee

December 2024

Excellent Examples of ESG Practices

Dazong Securities Times

December 2024

Excellent Cases of Social Responsibility for Chinese Private Enterprises (2024)

All-China Federation of Industry and Commerce

September 2024

Top 100 Enterprises in Sichuan

Sichuan Enterprise Federation

September 2024

Top 100 Manufacturing Enterprises in Sichuan

Sichuan Enterprise Federation

October 2024

Top 100 Private Enterprises in Sichuan (17th)

Sichuan Federation of Industry and Commerce

01

Upholding Integrity and Persevering for Long-Term Success

KELUN PHARMA upholds integrity and ethics as the cornerstone of corporate development, firmly believing that a robust governance structure is the foundation for sustainable growth. In 2024, we further strengthened the accountability of directors and senior management, enhancing corporate governance transparency and compliance to ensure all operations strictly adhere to national laws, regulations, and business ethics. By continuously refining our internal management system and reinforcing Party-building initiatives, we are committed to promoting standardized and efficient governance. Moreover, we integrate business practices with corporate values, international standards, and customer expectations, actively implementing ESG principles to create long-term sustainable value for shareholders, employees, clients, and society at large. This approach supports our pursuit of high-quality development.

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ESG Governance System

KELUN PHARMA prioritizes corporate social responsibility (CSR) and sustainable development, embedding ESG principles into our operations through a structured ESG management system that undergoes regular strategy optimization. We advocate for transparent communication, maintaining close engagement with stakeholders to ensure ESG principles are fully reflected in strategy and operation.

ESG Governance Structure

In compliance with the *Company Law of the People's Republic of China*, the *Code of Governance for Listed Companies*, and other relevant regulations, the Company's Board of Directors has established an Environmental, Social, and Governance (ESG) Committee (hereinafter referred to as the "ESG Committee"). The ESG Committee is committed to advancing the company's ESG development with the goal of achieving high-quality and sustainable growth. In January 2024, we revised the *Working Rules of the Environmental, Social, and Governance (ESG) Committee*, further refining relevant management rules.

Our three-tier ESG governance structure is designed as follows: Board of Directors serves as the highest decision-making body for ESG matters, bearing ultimate ESG responsibility. ESG Committee is supervised by the Board of Directors, reporting directly to the Board and taking responsibility for its work to the Board. ESG Working Group operates under the ESG Committee.

Board of Directors

- Review and approve our ESG strategy and objectives and significant matters related to social responsibility.

ESG Committee

- Formulate ESG management policies, objectives, strategies, and structures;
- Identify ESG trends and assess ESG risks and opportunities facing the Company;
- Supervise and guide the work of ESG working groups.

ESG Working Group

- Formulate policies and implementation plans in line with our strategy and ESG objectives;
- Manage ESG-related risks and issues in our daily operations;
- Coordinate and promote the implementation of ESG-related problems;
- Prepare annual ESG reports, etc.

ESG Vision

Our ESG vision is to practice high-quality ESG management, actively respond to the United Nations Sustainable Development Goals (SDGs) , support the Healthy China initiative and the national goals of peaking carbon emissions and subsequent carbon neutrality, turn our corporate philosophy of "Pursuing Truth in Science and Kindness in Ethics" into concrete actions, seek health and well-being for more patients, and make more diseases to be treated. Moreover, we engage in climate change, embrace challenges, integrate resources, incorporate ESG principles into our development strategy of "Three Driving Engines and Innovative Growth", effectively fulfill our commitments to all sectors of society, collaborate with our employees and all partners, lead industrial sustainable and healthy development, promote harmonious development between enterprises, employees, communities and environment, boost advances in medical technologies, and make contributions to all.

ESG Management Approach and Strategy

We are committed to integrating the concept of sustainable development into our daily operation and management practice, while maintaining our ESG management strategy consistent with the United Nations Sustainable Development Goals (SDGs) and taking efforts to achieve excellent performance and continuous progress in key areas, so as to promote high quality and sustainable development of our Group's business.

Product responsibility

We strengthen quality management and firmly establish the "Grand Quality Concept". We set up a reliable quality control and monitoring system to ensure the safety and effectiveness of manufactured drugs, while continuously improving our quality standards and brand reputation.

R&D innovation

We continuously cultivate deeply into the field of new drug research and development, constantly promoting the implementation of innovative achievements, and introducing better treatment solutions for human being to overcome diseases. We explore new innovative models such as digitization and artificial intelligence, and promote the upgrading of pharmaceutical innovation models.

Environmental protection

We actively respond to climate change to achieve synergistic effects in pollution reduction and carbon emission reduction. We always adhere to our business philosophy of "giving priority to environmental protection and sustainable development", pursuing green and sustainable development. Through continuous investment in environmental protection, and substitution of clean energy, we advocate energy conservation and emission reduction to form a circular economy model and further to promote green production and green ecology.

Social responsibility

We fulfill social responsibilities and care for patients' health. We actively participate in drug procurement with quantity commitment, voluntarily engage in national health insurance negotiations and application work for catalog of drugs of medical insurance, and improve our production processes. Under the premise of ensuring product quality, we reduce drug costs and thereby lower drug prices, so as to relieve patients' burden and increase drug accessibility. We always firmly serve as pioneers in national inclusive healthcare and guardians of patients' lives and health.

Employee development

We advocate simple and friendly interpersonal relationships and support employee development. Adhering to the people-oriented principle, we aim to create a corporate culture that is diverse, equal, open, inclusive, collaborative, and mutually supportive. Our goal is to enable employees to live happily and work joyfully. Meanwhile, we continuously improve employee welfare benefits, thereby enhancing their sense of belonging, happiness, and honor.

Stakeholder Communication

We are fully aware of the vital role of various stakeholders in driving our sustainable development. Based upon a thorough review, we have identified eight core stakeholder groups, including government/regulatory bodies/associations, shareholders/investors, suppliers, customers, employees, communities, potential users, and other business partners. We actively advocate and practice a multi-dimensional communication strategy, striving to comprehensively and sincerely listen to the authentic voices from all parties. This approach enables us to achieve sustainable development goals together with all stakeholders, share the fruits of our enterprise's growth, and jointly create social value.

Stakeholders	TOPICS OF INTEREST	COMMUNICATION AND RESPONSE
Government/ Regulatory Bodies/ Associations	• Tax Compliance • Carbon Emission Management • Water Resource Management • Climate Change • Compliant Operation	• Supervision and Inspection by Administrative Authorities • Periodic Work Reports and Official Correspondence Emails and Phones • Regular Communication • Policy Consultation and Implementation
Shareholders/ Investors	• Compliant Operation • Business Ethics and Anti-corruption • Stable Returns • ESG Management Approach and Strategy	• Periodic Reports to Shareholders' General Meeting • Official Website Information Disclosure • Investor Hotline • Exclusive Appointment and Inquiry Email for Investors
Suppliers	• Sustainable Supply Chain • Business Ethics and Anti-corruption • Energy Usage • Industrial Development and Cooperation	• Supplier Exchange and Inspection • Supplier Training • Supplier Evaluation • Procurement Bidding Process
Customers	• Product Safety and Quality • Responsible Marketing • Compliant Operation • Carbon Emission Management • Universal Health and Access to Healthcare	• Customer Satisfaction Survey • Communication with Customers via Email and Phone for Service and Complaint Handling • Customer Visits
Employees	• Employee Compensation & Benefits • Occupational Health and Safety • Compliant Operation • Equality and Diversity • Training and Education	• Internal Emails and Announcements • Corporate Culture Platform • Employee Suggestion Platform • Internal Publication • Company Labor Union
Communities	• Public Welfare and Charity • Universal Health and Access to Healthcare • Carbon Emission Management • Waste Management	• Health Knowledge Popularization Activities • Public Enquiries and Complaints • Visits and Interviews • External Announcements and Disclosure
Potential Users	• Compliant Operation • Carbon Emission Management • Waste Management	• Information Disclosure • Official Websites • Social Media
Other Partners	• Employee Compensation & Benefits • Compliant Operation • Carbon Emission Management • Climate Change	• Business Communication and Agreement Signing • Industry Activities, e.g., Exhibitions, Seminars • Satisfaction Surveys

Analysis of Material Topics

In 2024, based on national macro policy orientation, domestic and international social responsibility standards research, industry benchmarking, and combined with our business development strategy, operational management status, and key concerns of stakeholders, we conducted analysis of material topics through identification, evaluation, and confirmation processes. There were 26 ESG material topics selected to actively respond to stakeholder demands. By assessing "importance to KELUN PHARMA's development" and "importance to stakeholders", we prioritized these ESG material topics to determine the focus and sequence of sustainability management for the year and to establish long-term and specific ESG goals.

Evaluation Process for Material Topics

Step 1

Topic Benchmarking and Screening

Based on our business development and current ESG management status, with reference to the latest national sustainability policies and mainstream domestic and international sustainability standards, and benchmarking against leading peers' disclosure practices and mainstream ESG rating agency focus areas in capital markets, we made some upgrades and adjustments base on the ESG topic list identified in 2023.

Step 2

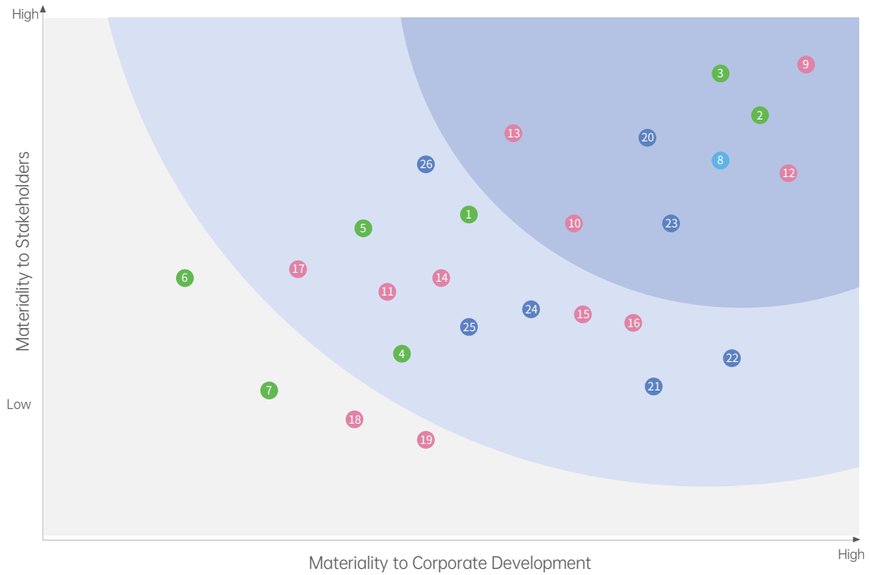
Stakeholder Communication

We actively monitored social needs and policy trends, including regulatory requirements, sustainability status and trends, and capital market dynamics. Through multiple channels, we maintained communication and engagement with stakeholders, building and sustaining necessary positive relationships to understand stakeholder perspectives on sustainability matters.

Step 3

Topic Importance Assessment

We conducted analysis of material topics to identify topics most relevant to the company's sustainable development. Based on stakeholder concerns, the relevance of topics to the company's development and their impact on stakeholders were evaluated, and the topics were prioritized by importance.



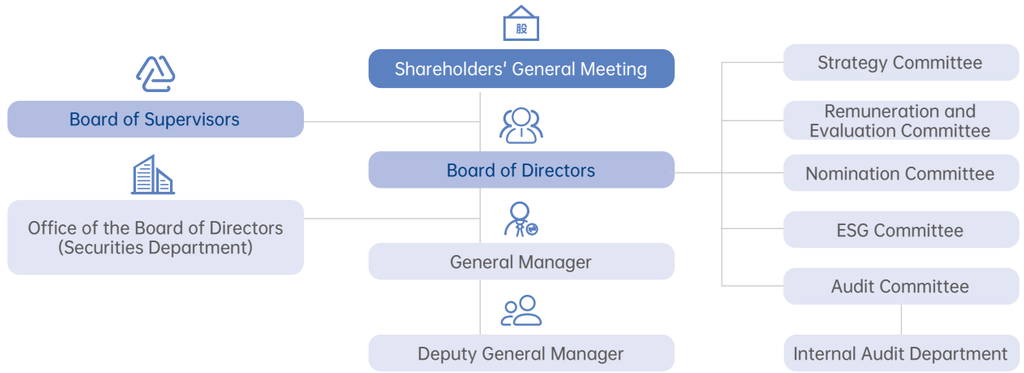
2024 ESG Material Topics Importance Matrix of KELUN PHARMA

Environment Scope	Social Scope		Governance Scope
1 Environmental compliance management	8 Occupational health & safety	14 Supply chain management	20 Corporate governance and compliant operation
2 Carbon emission management	9 Product safety and quality	15 Universal health and access to healthcare	21 ESG management strategy
3 Toxic emissions and waste management	10 Employee compensation and benefits	16 Intellectual property protection	22 Comprehensive risk management
4 Energy utilization	11 Employee training and development	17 Responsible marketing	23 Business ethics and anti-corruption
5 Water resource management	12 Product R&D and technological innovation	18 Rural revitalization and social contribution	24 Board diversity
6 Ecosystem and biodiversity conservation	13 Labor rights protection	19 Industry development and collaboration	25 Data security and privacy protection
7 Climate change response and mitigation			26 Stakeholder communication

Corporate Governance System

Governance Structure

We comply with the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Rules for the Listing of Stocks on the Shenzhen Stock Exchange*, the *Guidelines for Articles of Association of Listed Companies*, the *Code of Governance for Listed Companies*, the *Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation of Main Board Listed Companies*, and other laws, regulations, and normative documents to standardize corporate operations, continuously improve the corporate governance structure, and fully leverage the roles of the Shareholders' General Meeting, the Board of Directors, and the Board of Supervisors in major decision-making, operational management, and supervision, ensuring compliant operations of the Company.



KELUN PHARMA Governance Structure

For information on the current status of corporate governance and the tenure of directors, supervisors, and senior management, please refer to Section 4 "Corporate Governance" of the *KELUN PHARMA 2024 Annual Report*.

During the reporting period, we held **3** Shareholders' General Meetings

During the reporting period, we held **6** Board of Supervisors' meetings

During the reporting period, we held **9** Board meetings

with an average attendance rate of directors maintained at **100%**

Board Re-election

Members of the Board of Directors are nominated by the Nomination Committee and approved by the Board of Directors and the Shareholders' General Meeting. During the reporting period, we conducted a Board re-election as follows:

Re-election of Independent and Non-independent Directors for the Board of Directors

The three-year term of the Company's seventh Board of Directors expired. In accordance with 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, as well as the provisions of the Company's Articles of Association, the Nomination Committee, after consulting with eligible nominating entities, nominated Mr. Liu Gexin, Mr. Liu Sichuan, Mr. Ge Junyou, Mr. Zhou Xianxiang, Mr. He Guosheng, and Mr. Wang Guangji as candidates for non-independent directors of the eighth Board of Directors, and nominated Mr. Ren Shichi, Mr. Gao Jinbo, and Mr. Wang Fuqing as candidates for independent directors of the eighth Board of Directors. On May 15, 2024, we held the 2023 Annual Shareholders' General Meeting, where cumulative voting was used to separately vote on the aforementioned non-independent and independent director candidates, and the relevant proposals for the Board re-election were approved.

Board diversity

The Company's Board of Directors consists of 9 directors, including 3 independent directors, accounting for 33.33%, and 1 executive director. The Chairman of the Board is Mr. Liu Gexin, who is responsible for overseeing the implementation of Board resolutions.

Name	Independent Director or Not	Gender	Age	Education	Professional background
Liu Gexin	Non-independent Director	Male	74	Master	Pharmaceutical Industry Expert
Liu Sichuan	Non-independent Director	Male	41	Master	Pharmaceutical Industry Expert
Ge Junyou	Non-independent Director	Male	53	PhD	Pharmaceutical Industry Expert
He Guosheng	Non-independent Director	Male	57	PhD	Economic and financial experts
Wang Guangji	Non-independent Director	Male	72	PhD	Pharmaceutical Industry Expert
Zhou Xianxiang	Non-independent Director	Male	51	Bachelor	-
Ren Shichi	Independent Director	Male	55	PhD	Accounting Expert
Gao Jinbo	Independent Director	Male	64	Master	Compliance and Risk Expert
Wang Fuqing	Independent Director	Male	62	Master	Pharmaceutical Industry Expert

Special Committees of the Board of Directors

The Company's Board of Directors has established the Audit Committee, Remuneration and Evaluation Committee, Nomination Committee, Strategy Committee, and Environmental, Social and Governance Committee ("ESG Committee"), with separate rules of procedure formulated for each special committee. The special committees of the Company are accountable to the Board of Directors and perform their duties in accordance with the Company's articles of association and the authorization of the Board of Directors. Proposals from the special committees shall be submitted to the Board of Directors for deliberation and decision.

The composition of the Company's special committees and the number of meetings held are as follows:

Committee	Composition	Number of Meetings Held in 2024
Audit Committee	Chairman: Ren Shichi; Members: Ou Minggang, Gao Jinbo	3
	Chairman: Ren Shichi; Members: Gao Jinbo, Wang Fuqing	5
ESG Committee	Chairman: Liu Sichuan; Members: He Guosheng, Ren Shichi	1
Nomination Committee	Chairman: Gao Jinbo; Members: Liu Sichuan, Ren Shichi	1
	Chairman: Wang Fuqing; Members: Liu Sichuan, Gao Jinbo	1
Remuneration and Evaluation Committee	Chairman: Ren Shichi; Members: Liu Sichuan, Ou Minggang	1
	Chairman: Gao Jinbo; Members: Liu Sichuan, Ren Shichi	1
Strategy Committee	Chairman: Liu Gexin; Members: Ou Minggang, Gao Jinbo, Ren Shichi	3
	Chairman: Liu Gexin; Members: Liu Sichuan, Ge Junyou, Wang Guangji, Wang Fuqing	1

The Audit Committee of the Company consists of three independent directors. Mr. Ren Shichi, the chairman, has a senior background in accounting. Mr. Gao Jinbo, a member, has extensive experience in pharmaceutical industry compliance. Mr. Wang Fuqing, another member, has profound knowledge and practical experience in the pharmaceutical industry.

One Share, One Vote

We adhere to the principle of "one share, one vote". Shareholders enjoy equal voting rights for each ordinary share when electing directors or supervisors or voting on major corporate decisions. We have no preferred shares or "golden shares". As of the end of the reporting period, the total number of shareholders with restored voting rights for preferred shares was zero.

Executive Equity Policy

In accordance with the *Code of Governance for Listed Companies*, our *Articles of Association*, and the *Working Rules for the Remuneration and Evaluation Committee of the Board of Directors*, and considering industry conditions, actual operational performance, and business assessment requirements, we formulated the 2024 annual senior executives compensation plan. Senior executives include the General Manager, Deputy General Managers, Board Secretary, and Chief Financial Officer. Senior executives receive salaries according to the company's relevant compensation regulations based on their specific management positions within the company. Their compensation consists of two components: fixed salary and variable salary. The variable salary is assessed and disbursed at the end of the year based on their job positions, performance, and the company's operational performance.

In 2024, Mr. Liu Sichuan, the Company's Executive Director and General Manager, received a total compensation of RMB 4.8883 million. His compensation details are shown below:

Executive Director Member	Fixed Compensation (RMB 10,000)		Variable Compensation (RMB 10,000)	Total* (RMB 10,000)
	Salary	Benefits	Annual Bonus	
Liu Sichuan	420.00	8.83	60.00	488.83

*Note: The total compensation differs by RMB 88,300 compared to the "total pre-tax remuneration received from the Company" item in the 2024 annual report, which represents the difference in welfare benefits (Amount of social insurance and housing fund contributions borne by the company).

ESG Performance Linked to Executive Compensation

The Company has established the *ESG Assessment and Performance Incentive Adjustment Policy* and disclosed it on the official website, clarifying the linkage between ESG performance assessment and the performance assessment and bonus of management at all levels. ESG indicators are included in the performance assessment table for senior executives and heads of headquarters departments. The maximum score for performance is 100. If the ESG indicator assessment fails to meet the annual target requirements, corresponding deductions will be made in the performance assessment scores of management personnel, ranging from 2 to 20 points. In addition, the Company also includes EHS-related assessments in the ESG indicator assessment in the performance assessment table of general managers and EHS department heads of subsidiaries (branches). This includes assessments of compliance with pollutant emission standards, the number of environmental administrative penalties, and the certification of environmental management systems and occupational health and safety management systems. The weightage of these assessments ranges from 5% to 10%, in order to implement the Group's environmental, safety, and health management requirements.

Compensation Clawback and Malus Provisions

The Remuneration and Evaluation Committee of the Company has broad discretionary power. If any senior management engages in improper conduct that harms the company's interests through the misuse of their affiliations, accepting bribes or other illegal income, misappropriation of Company assets, violation of fiduciary duties, or violation of laws, regulations, or Company bylaws during the execution of their duties, they shall be held liable for compensation and such behavior shall be reflected in the annual performance assessment, which is linked to bonuses.

Internal Control and Risk Management System

By the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Rules for the Listing of Stocks on the Shenzhen Stock Exchange*, the *Basic Standards for Enterprise Internal Control*, and other relevant laws and regulations, combined with our own operations and management needs, we have prepared our internal control documents, including but not limited to the *Internal Control Manual*, the *Implementation Plan for Internal Control Management*, the *Compliance System Documents*, to ensure the effectiveness and adaptability of the design and implementation of internal controls.

During the reporting period, we continuously optimized our internal control evaluation mechanism and refined the internal control manual, specifying standards and procedures in detail to provide clear guidance for business operations. Meanwhile, we established internal control teams in all subsidiaries (branches) and direct departments to ensure the effective implementation of internal control procedures in business units.

Pursuing high-quality sustainable development, we integrate risk management requirements into corporate management and business processes, constructing three lines of defense for risk management:

First Line of Defense

Business units, identifying and controlling risks during operations;

Second line of defense

The Internal Control and Compliance Department and the Department of Legal Affairs manage the risks of business units collectively;

Third Line of Defense

The Internal Audit Department, conducting independent supervision and inspections and reporting directly to the Audit Committee

Systematic Monitoring Mechanism

We systematically organize subsidiaries (branches) and direct departments to conduct internal control self-assessments annually, aiming to comprehensively identify potential internal control deficiencies and take timely corrective measures to ensure the effective operation of the internal control system. During the reporting period, we carried out an annual internal control self-evaluation across the Group, covering units whose operating revenue accounted for approximately 93.04% of the Group's consolidated operating revenue.

Simultaneously, in accordance with the *Internal Audit System*, the Internal Audit Department independently audits the establishment and implementation effectiveness of the Company's internal control system annually, covering subsidiaries (branches) and direct departments across all business segments, including production, marketing, logistics, procurement, finance, and human resources. To enhance the pertinency and effectiveness of audits, the Internal Audit Department determines differentiated audit priorities each year based on business types, operational characteristics, and risk profiles, while dynamically adjusting audit plans in line with the Company's annual strategic goals and key work trends.

Additionally, in compliance with relevant laws, regulations, and regulatory requirements, we engage a qualified accounting firm annually to independently audit and evaluate the effectiveness of internal controls over financial reporting during the reporting period.

Business Ethics

Anti-commercial Bribery and Anti-corruption

We strictly comply with laws and regulations such as the *Anti-unfair Competition Law of the People's Republic of China*, the *Interim Provisions on Prohibiting Commercial Bribery*, the *Criminal Law of the People's Republic of China*, as well as the provisions of the our *Articles of Association*. We have formulated and rigorously implemented institutional documents including the *Code of Business Conduct*, *Anti-Commercial Bribery System*, and *Anti-Fraud System*. During the reporting period, to enhance the our business ethics and anti-corruption system and strengthen compliance and integrity, we newly issued the *Anti-Commercial Bribery System* and updated the *Code of Business Conduct*, both of which were publicly disclosed on the official website.

The Audit Committee of Board of Directors serves as the highest supervisory body responsible for anti-corruption, anti-commercial bribery, and anti-fraud management. Relying on the Internal Audit Department, Internal Control and Compliance Department, Department of Legal Affairs, and Human Resources Department, it governs, supervises, and audits the business ethics conduct of all employees and partners. Internal control team members and compliance officers in subsidiaries (branches) and direct departments are responsible for implementing and managing business ethics within their respective units and reporting regularly.

In addition, the Company actively cooperates and exchanges in the work of business ethics, anti-commercial bribery, and anti-corruption with external parties.

Actively participating in industry self-discipline

The Company has joined the Enterprise Anti-Fraud Alliance (formerly known as the China Enterprise Anti-Fraud Alliance) and actively fulfills its social responsibilities as a member enterprise of the China Pharmaceutical Industry Association and the Provincial Federation of Industry and Commerce. The Company actively participates in the formulation and compliance of industry self-discipline rules, promoting the construction of business ethics and anti-commercial bribery and anti-corruption work in the industry.

Cooperation with the government and law enforcement agencies

The Company maintains close communication and cooperation with government regulatory departments and law enforcement agencies, keeps up with changes in relevant laws and regulations, and cooperates with government departments in carrying out special actions against commercial bribery and corruption.

Engaging in external exchanges and learning

The Company conducts exchange activities with other enterprises within and outside the industry, learning from advanced experiences and practices in anti-commercial bribery and anti-corruption, continuously improving its own management systems, and enhancing the professional capabilities of risk control and anti-fraud personnel.

Business Ethics Audits

Under the guidance of the Audit Committee and in accordance with the *Working Rules for the Audit Committee*, and the *Internal Audit System*, the Internal Audit Department conducts regular annual audits on business ethics and the implementation of related policies. The audit scope covers all direct departments and subsidiaries (branches).

By examining and overseeing the establishment and implementation of the company's internal control system, the authenticity and integrity of financial information, and the integrity of personnel in key positions and processes, the Internal Audit Department ensures the effectiveness of the company's business ethics, anti-corruption, and anti-commercial bribery measures. Additionally, we assess commercial bribery and corruption risks across business areas, identify high-risk segments, and prioritize them in audits. To ensure management effectiveness, compliance and business ethics indicators have been incorporated into the performance evaluations of subsidiaries (branches) and direct departments.

As of the end of the reporting period,

the Internal Audit Department of the Company has completed at least one audit of the major subsidiaries within the group, covering the entire business process. The examination of business ethics and the execution of relevant systems has been a key focus of the comprehensive internal control audit.

Anti-Corruption Oversight of Business Partners

We integrate applicable clauses of the *Code of Business Conduct* into contract management with suppliers and business partners. We prohibit all forms of commercial bribery, require all employees to adhere to the highest standards of business ethics, and encourage upstream and downstream partners and other stakeholders to support, accept, and implement the *Anti-Commercial Bribery System* and *Code of Business Conduct* to conduct business ethically.

During the supplier admittance stage, we include anti-corruption as a screening criterion, requiring all suppliers to complete the *Sunshine Agreement Training Video* on KELUN PHARMA's official procurement platform, achieving 100% implementation. In business collaborations, contracts with partners include anti-commercial bribery clauses and the *Sunshine Agreement*, clearly defining the obligations and responsibilities of distributors and agents in combating commercial bribery.

During the reporting period,

100% of core suppliers conducting business with the Company signed the Sunshine Agreement.

Whistleblowing Channels and Whistleblower Protection System

We are committed to building a healthy and win-win business environment, encouraging suppliers, partners, and all employees to participate in the supervision of the integrity management system. The *Whistleblower Protection and Reward System* has been formulated and disclosed on the official website to incentivize all parties to proactively expose illegal activities such as corruption and occupational crimes.

In handling whistleblowing matters, we strictly comply with national laws, regulations, and internal regulations, implementing full-process confidentiality management for whistleblowers and the information they provide. From case acceptance, documentation, investigation, and resolution to archiving and follow-up, we have established rigorous information protection mechanisms to resolutely prevent leaks or loss of whistleblowing information.

Whistleblowing Phone:
Internal Audit Department: 028-82860620
Department of Legal Affairs 028-82860470
Human Resources Department: 028-82860386

WeChat/E-mail
WeChat: 13710096516
Integrity Kelun WeChat Official Account
Integrity Kelun Enterprise WeChat Platform
E-mail: jubao@kelun.com

Mailing Address
Internal Audit Department/Department of Legal Affairs/Human Resources Department, Sichuan Kelun Pharmaceutical Co., Ltd., 36 Baihua West Road, Qingyang District, Chengdu, P.R. China

Business Ethics Training

We continuously strengthen business ethics development. In accordance with the *Code of Business Conduct*, we conduct at least one annual online/offline training session for all employees (including interns and other contracted workers) covering business ethics, anti-fraud, anti-corruption, and anti-commercial bribery, with mandatory participation. Additionally, we provide at least one annual online/offline business ethics training session for upstream and downstream partners.

Upholding integrity and honesty as core values, we enhance compliance awareness of anti-commercial bribery and anti-corruption through systematic training and diversified communication. A "regular + specialized" training mechanism is adopted, including annual anti-fraud training during the compliance season and targeted sessions based on business needs. During the reporting period, the Internal Audit Department organized over 10 anti-fraud training sessions, including company-wide, specialized, and new employee training. Meanwhile, subsidiary internal audit departments independently conducted over 5 anti-fraud and anti-commercial bribery training sessions. To reinforce compliance awareness and effectively communicate corporate values, anti-fraud training has been included as a mandatory course for new employees. The Company adheres to the principle of "training must be followed by examinations" and requires all trainees to participate in the exams and obtain a passing score.

Department of Legal Affairs Conducts Anti-commercial Bribery Training

Anti-fraud Training

Fair competition

We adhere to lawful and ethical operations, strictly complying with laws such as the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*. Internal compliance management systems, including the *Code of Business Conduct*, *Anti-Fraud System*, and *Trade Secret Protection and Non-Competition System*, have been established. The *Code of Business Conduct* explicitly requires adherence to fair competition principles and compliance with anti-monopoly laws and regulations in all jurisdictions of operation, ensuring healthy competition within legal frameworks and avoiding direct or indirect monopolistic practices prohibited by law. During the reporting period, the Department of Legal Affairs added anti-monopoly clauses to sales contract templates.

For participation in domestic and international markets, employees are required to uphold fair market order and comply with anti-unfair competition laws and regulations in China and operational jurisdictions.

Equal treatment of SMEs

We uphold the principle of "fair competition and shared development", actively fulfilling social responsibilities by treating SMEs equally and fostering a fair, transparent business environment. With practical actions we fulfill our corporate social responsibility, contributing to a harmonious and win-win industrial ecosystem. We consistently maintain equal payment terms for SMEs without discrimination based on enterprise size, adhering strictly to contractual payment periods for all SMEs.

Strengthening Investor Communication

We strictly comply with the *Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation of Main Board Listed Companies*, the *Guidelines for Investor Relations Management of Listed Companies*, the *Administrative Measures on Information Disclosure by Listed Companies*, as well as internally established systems such as the *Information Disclosure Management System* and the *Annual Report Information Disclosure Material Errors Accountability System*. These measures strengthen the standardization of our information disclosure management and investor relations work, enhance corporate governance standards, and safeguard the legitimate rights and interests of the Company, investors, and other stakeholders.

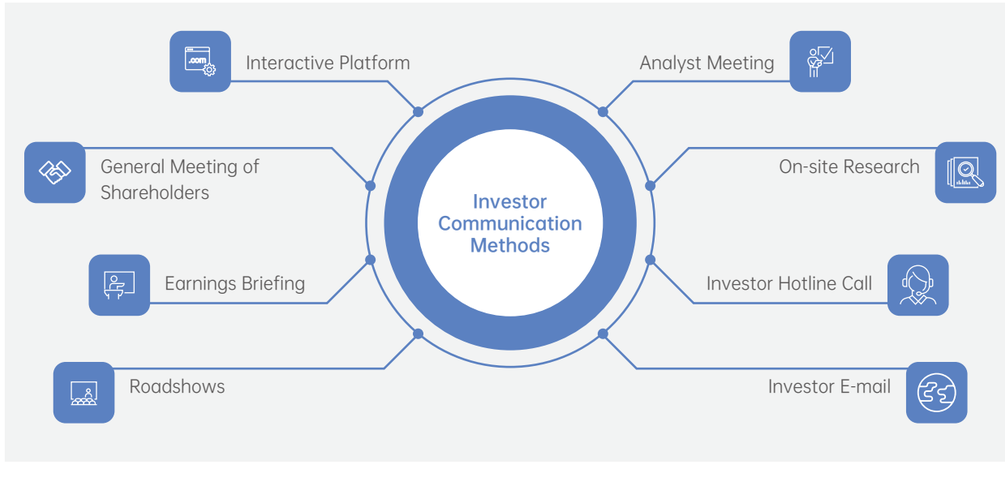
Disclosure of information

We strictly adhere to the principles of information disclosure, fulfilling our disclosure obligations truthfully, accurately, completely, timely, and fairly. We continuously deepen the institutionalization and standardization of information disclosure work, strengthen environmental, social, and corporate governance (ESG) disclosures, and consistently improve transparency. From 2020 to 2023, we received an "A" rating in the annual information disclosure assessment by the Shenzhen Stock Exchange for four consecutive years.

During the reporting period, we disclosed a total of **220** documents, including **144** announcement documents and **76** non-announcement online documents.

Investor Communication

We support investors in fully understanding our operations and development trends by establishing multi-channel communication platforms for domestic and international investors.



2023 Online Earnings Briefing

2023 Annual Shareholders' General Meeting

During the reporting period:

We held **1** earnings briefing, conducted **3** online targeted research sessions, responded to **73** inquiries on the Interactive Platform, all replied to on time, answered **718** investor hotline calls, and addressed **718** hotline inquiries.

Honors and Awards

2023 Golden Disclosure Award

2024 Best Practices Award for Listed Company Board Offices

2024 Outstanding Practices Award for Listed Company Boards

2024 "Exemplary Investor Relations Model" in High-Quality Development Practices of Listed Companies

Information Security Assurance

Information Security Management System

We attach great importance to the protection of clients' business secrets, data information, and personal privacy, strictly complying with laws and regulations such as the *Personal Information Protection Law* and *Cybersecurity Law*, as well as relevant policies and industry standards. During the reporting period, we promoted the improvement and construction of our institutional framework, updating and issuing 19 network and information security-related systems, thereby establishing systematic network and information security management requirements.

Our information systems have achieved Level 2 Certification for Classified Protection of Cybersecurity, meeting national standards in physical security, network security, and data security. This not only enhances system security and reliability but also strengthens trust among clients and partners, reduces security and legal compliance risks, and provides robust support for business development and market competitiveness.

SAP System Level 2 Protection Certificate

Information Security Protection Initiatives

During the reporting period, we implemented a series of information security protection measures:

- Engaged third-party cybersecurity service providers to conduct network security risk assessments of our information systems, promptly identifying potential risks and implementing corrective measures;
- Hired third-party cybersecurity service providers to perform penetration tests on our information systems, identifying and remedying potential security vulnerabilities to enhance overall system security and reduce attack risks;
- Commissioned third-party cybersecurity service providers to conduct source code audits, identifying and fixing security flaws in the code to improve system stability and security, thereby minimizing security risks caused by code vulnerabilities;
- Internally conducted anti-virus inspections, vulnerability scans, and deployed database leak prevention measures, with regular scans ensuring 100% server coverage for anti-virus checks, effectively preventing virus and malware intrusions, patching vulnerabilities promptly, and securing servers. Database protection devices were deployed to mitigate data leakage risks;
- Implemented internet port consolidation internally, reducing the attack surface exposed online, lowering the likelihood of cyberattacks, and enhancing network security.

During the reporting period, we experienced zero information security incidents or breaches of client privacy.

Information Security Emergency Management

We have established an emergency management organizational structure consisting of the emergency decision-making level (Cybersecurity Leadership Group), emergency command level (Cybersecurity Management Group), and emergency execution support level (Cybersecurity Implementation Group). To enhance our capability in handling cybersecurity emergencies, minimize the occurrence and impact of such incidents to the greatest extent, and ensure safe and sustainable operations, we have formulated the *Cybersecurity Overall Emergency Plan* during the reporting period as the overarching guideline for business continuity and recovery efforts.

Emergency Drills and Training

We conduct at least one annual cybersecurity emergency drill to simulate responses to general cybersecurity incidents. These drills evaluate the effectiveness of emergency systems, operational mechanisms, and resource allocation of emergency supplies, facilitating to identify issues, refine emergency plans, and improve response capabilities. Additionally, we fully utilize various communication channels and other effective publicity methods to strengthen the dissemination of laws, regulations, and policies related to the prevention and handling of sudden cybersecurity incidents. We organize training sessions on cybersecurity emergency management and incident response to enhance the awareness and skills of information department information managers and emergency responders in risk prevention.

Cybersecurity Emergency Drill

In December 2024, we cooperated with a third-party cybersecurity service provider to conduct an emergency drill, improving comprehensive response capabilities for cybersecurity incidents.

Emergency Drill Meeting

2024 Information Security Awareness Training

In May 2024, the Information Department organized information security awareness training for all employees. The training included case studies of information security incidents, introduction to common attack methods, and cultivation of information security awareness, aiming to enhance employees' information security and confidentiality awareness and ensure compliance with the company's information security behavior standards.

Information Security Awareness Training

During the reporting period, we conducted

3 cybersecurity training sessions

4 security awareness campaigns

1 emergency drill

02

Excellence in Craftsmanship, a Commitment to Life

KELUN PHARMA is dedicated to enhancing the accessibility and affordability of medical services and pharmaceuticals, thereby driving the development of inclusive healthcare. We actively fulfill our social responsibilities by continuously innovating in R&D and optimizing our product portfolio to ensure high-quality medicines reach a broader patient population. Additionally, KELUN PHARMA is deeply committed to public welfare and charitable initiatives, supporting medical aid, health education programs, and collaborating extensively with various sectors to expand healthcare coverage. Our goal is to bring premium medical resources to every household, collectively shaping a healthier future for all.

Product R&D and Innovation

KELUN PHARMA firmly believes that innovation is the soul of corporate competitiveness. Guided by the core objective of "scientific strategic layout to drive sustainable growth and deliver superior treatment options for patients", we align our efforts with market value and national policies. By setting clear R&D innovation strategic goals, strengthening independent R&D capabilities, and fostering external cooperations, we have built a robust product pipeline, consistently providing patients and users with high-quality, accessible products.

Core Strategies for R&D and Innovation of KELUN PHARMA

Novel Drug Development	Addressing unmet clinical needs with differentiated, globally potential competitive innovative drugs
High-quality Generic Drug Development	Maintaining leadership in China's generic drug R&D and as a top supplier for national centralized procurement through scientific product planning and process management
Technology Platform Construction	Further strengthening the construction and iterative upgrading of ADC platforms while developing new technology platforms to maintain pipeline innovation and sustainability; enhancing the application of artificial intelligence in innovative drug R&D processes to improve R&D efficiency and success rates
Clinical Trials and Regulatory Compliance	Ensuring all R&D activities adhere to international and regional clinical trial standards and supervision requirements, safeguarding patient safety and data reliability

R&D Innovation System

We have fully leveraged domestic and international pharmaceutical research talent and other competitive resources to establish a comprehensive, multi-technology R&D system with full-functional platforms. This system is structured with Kelun Pharmaceutical Research Institute as the core entity focusing on high-end generic drugs, Kelun-Biotech specializing in innovative drug research, and Ruikang Biotech dedicated to synthetic biology products and enzyme engineering. This framework has created a novel R&D model that combines domestic-led forward development with overseas technological feedback as complementary support, achieving full alignment with international standards. We rely on national-level innovation platforms such as National Enterprise Technology Centers, Postdoctoral Research Workstations, and Engineering Technology Research Centers to conduct high-level cross-disciplinary and cross-regional collaborations with knowledge alliance institutions, continuously expanding our product lines and R&D pipelines in core advantageous fields.

We attach great importance to continuously improving our R&D capabilities. By persistently increasing R&D investment, we have procured internationally leading scientific instruments and equipment such as high-precision microplate readers, large-scale bioreactors, and high-performance liquid chromatography-mass spectrometers, providing researchers with accurate and efficient experimental tools to accelerate the R&D process and improve quality. With our own profit accumulation and external financing, we actively seek government research project funding, tax incentives, and other policy support to ensure sufficient funding for R&D projects and provide stable financial guarantees for R&D work.

During the reporting period, our R&D investment reached RMB **2.17** billion

accounting for **9.95%** of our audited annual revenue

with a year-on-year increase of **11.20%**

R&D Team

We have established a highly qualified scientific research team with a rational talent structure and international standards. During the reporting period, the R&D team continued to expand, reaching 2,855 members, accounting for 13.06% of the total workforce, with a year-on-year increase of 9.30%.

To motivate R&D personnel to continuously enhance their research and innovation capabilities, we have established a comprehensive internal system including the *R&D Project Assessment and Reward Scheme* and *Performance Management System*, creating a multi-channel promotion system to ensure smooth career development for R&D personnel. Additionally, a project assessment and reward mechanism has been implemented for R&D and innovation achievements, with outstanding R&D personnel incentivized through annual performance evaluations, employee recognition, compensation adjustments, and equity grants.

During the reporting period,the R&D team continued to expand, reaching **2,855** members, accounting for **13.06%** of the total workforce, with a year-on-year increase of **9.30%**

R&D Pipeline and Progress

We continue to solidify our R&D strategic positioning and further advance our strategic layout in the global pharmaceutical market. To date, we have initiated over 460 drug research projects targeting domestic and international markets, including over 400 generic and improved drugs with cluster, complexity, distinctive, and cost advantages, as well as over 30 innovative drugs.

Innovative Drugs

We focus on unmet clinical needs, strategically developing innovative drugs with differentiated advantages and international potential. The R&D pipeline includes over 30 innovative drug projects, primarily in oncology, along with immunology and other therapeutic areas, forming disease clusters and product iteration advantages. Additionally, we leverage big data and artificial intelligence to empower innovation capabilities, thereby improving the efficiency and success rate of innovative drug development.

During the reporting period, Kelun-Biotech received National Medical Products Administration (NMPA) acceptance for 3 NDAs, 5 new molecular INDs, and 1 Breakthrough Therapy designation. Jietaila® advanced both domestic and international clinical research, resulting in progress in 4 new indications into Phase III registration clinical trials in China and effectively advancing 8 China registration clinical trials. Furthermore, innovative clinical trial data were prominently featured at top academic conferences such as AACR, ASCO, and ESMO, garnering global attention. Key R&D projects of Kelun-Biotech can be found in its "Annual Results Announcement for the Year Ended December 31, 2024" .

Generic Drugs

Through in-depth analysis of pharmaceutical market trends and national policy directions, we continuously develop high-value generic drugs to meet the demand for more effective and safer clinical treatments. Core advantage products and iterative product clusters have been established in areas such as parenteral nutrition, bacterial infections, and fluid balance, with gradual expansion and strengthening in anesthesia and analgesia, reproductive health, central nervous system, and other chronic disease areas. Besides, we continue to accelerate the development of complex APIs, complex formulations, NDDS, and improved innovation projects, while implementing the construction of refined whole-process management system to ensure project delivery on schedule and form multi-series product clusters.

During the reporting period, we achieved 34 production approvals (including 5 first-to-market), 3 clinical approvals, and submitted 50 production applications, further strengthening and enriching our iterative product pipeline in core areas such as parenteral nutrition, infections, and anesthesia/analgesia, as well as our chronic disease product pipeline.

Synthetic Biology

Our second-tier subsidiary Ruikang Biotech has built upon its existing 4 chassis strains and compound platforms to significantly enhance R&D efficiency by fully utilizing its automated high-throughput strain construction and screening platform. Currently, Ruikang Biotech has completed strain construction, small-scale fermentation, and extraction process optimization for products such as cosmetic active ingredients, feed additives, and nutraceutical raw materials, with some products undergoing trial production at CHUANNING BIOTECH.

Antimicrobial Resistance

Through years of R&D breakthroughs and technological accumulation, our subsidiary CHUANNING BIOTECH has established a large-scale industrial production system in the field of antibiotic intermediates. Its products cover key intermediates for macrolide and broad-spectrum antibiotics, with thiocyanate erythromycin, cephalosporin intermediates, and penicillin intermediates ranking among the top globally.

As antimicrobial resistance becomes increasingly severe worldwide, the rational use of antibiotics has become a critical issue for safeguarding human health. As an R&D and manufacturing enterprise of anti-infective drugs, we recognize antibiotic resistance as a major global public health risk. We actively respond to national initiatives by promoting rational antibiotic use through awareness campaigns, standardized skin testing, and scientific popularization, so as to reduce antibiotic overuse and contribute to curbing the development and spread of resistance.

We actively participate in public welfare activities and academic conferences to advocate for rational antibiotic use. We support the "Pei Ying Program", a clinical pharmacist training project on bacterial and fungal infection diagnosis and treatment under the National Institute of Hospital Administration of NHC, by donating over 1,100 copies of *β-Lactam Antibiotic Allergy and Skin Testing* to three batches of trainees. In addition, we supported academic conferences of various associations by donating over 1,300 copies of the same book, contributing to the promotion of the concept of rational antibiotic use.

We have consistently disseminated the latest academic concepts and trends through our WeChat public platform ""KELUN E Medicine", publishing over 40 academic articles related to rational use of anti-infective drugs in the past three years with a cumulative readership exceeding 100,000 visits. The content covers clinical rational application of antibacterial drugs, addressing challenges of fungal drug resistance, and standardization of cephalosporin skin testing procedures. By integrating professional insights from authoritative experts and guideline consensus, we amplify KELUN's voice in promoting the concept of rational antibiotic use.

Research Progress on Antibiotic Resistance in CHUANNING BIOTECH

In response to the expanding risk of antibiotic resistance and to promote the safe utilization of antibiotic residues, CHUANNING BIOTECH has undertaken several initiatives in the field of antibiotic resistance research.

Analyzing the mechanisms of antibiotic resistance

The research on antibiotic resistance, focusing on erythromycin, penicillin, and cephalosporin antibiotics, systematically examines the underlying causes of resistance in major resistant strains. This research specifically concentrates on key mechanisms such as the horizontal transfer of resistance genes and drug target modifications at the genetic level.

Establishment of a standardized evaluation system

A targeted approach has been taken to develop technical solutions for resistance gene detection and a safety assessment system for antibiotic residues. This system covers the entire process of gene screening, quantitative analysis, and ecological risk assessment, providing a scientific basis for the safe utilization of antibiotic residues.

Development of precise resistance gene detection technology

Based on fluorescence quantitative PCR technology, absolute quantification methods for erythromycin resistance genes ermB, ermC, and ermQ have been successfully established. Currently, efforts are underway to accelerate the optimization of detection methods for core resistance genes of penicillin, cephalosporins, and other major antibiotics, forming a multi-plex detection technology system that covers mainstream antibiotics.

R&D Collaborations

We actively respond to the national strategy of Belt and Road and the 14th Five-Year Plan for the Development of the Pharmaceutical Industry, and seek in-depth cooperation with the world's top pharmaceutical R&D institutions and enterprises. The overseas layout of the production and R&D includes Kelun Kazakhstan and Kelun Lanka, building a diversified international research network.

Progress in Kelun-Biotech's Collaboration with Ellipses Pharma

In March 2021, Kelun-Biotech entered a collaboration and licensing agreement with Ellipses Pharma, granting an exclusive, revenue-sharing, royalty-bearing, sublicensable license for the development, manufacturing, and commercialization of A400 (designated by Ellipses Pharma as EP0031).

KELUN PHARMA is committed to addressing the needs of rare disease patients. In November 2023, A400/EP0031 received orphan drug designation from the FDA for the treatment of RET fusion-positive solid tumors. In March 2024, A400/EP0031 obtained FDA Fast Track designation for RET fusion-positive NSCLC. In April 2024, A400/EP0031 received FDA approval for Phase 2 clinical development. As of the reporting period, 33 clinical trial centers for A400/EP0031 have been established in the U.S., Europe, and the UAE.

Progress in Kelun-Biotech's Collaboration with Merck

Kelun-Biotech entered into a licensing and collaboration agreement with Merck to develop multiple ADC assets for cancer treatment, granting Merck an exclusive, royalty-bearing, sublicensable license to develop, use, manufacture, and commercialize sac-TMT outside Greater China. As of the release date of Kelun-Biotech's 2024 results announcement, Merck has initiated 12 global Phase 3 clinical studies for sac-TMT as monotherapy or in combination with pembrolizumab or other drugs across multiple indications, including triple-negative breast cancer, non-small cell lung cancer, endometrial cancer, cervical cancer, and gastroesophageal adenocarcinoma.

Beyond sac-TMT, Kelun-Biotech and Merck are collaborating on several other ADC assets (e.g., SKB410/MK-3120, SKB571/MK-2750, SKB535/MK-6204) to explore optimal ADC pipeline combinations. Through its ADC pipeline, Kelun-Biotech aims to cover a broader range of tumor indications by targeting different biomarkers. By employing differentiated payload-linker strategies for ADC assets with various targets, it strives to achieve better efficacy and/or differentiated safety profiles, while exploring ADC combination therapies through diverse approaches. Kelun-Biotech has granted Merck an exclusive global license to research, develop, manufacture, and commercialize multiple ADC assets, along with an exclusive option to obtain additional exclusive licenses for certain other ADC assets. Kelun-Biotech retains the rights to research, develop, manufacture, and commercialize certain licensed and optioned ADC assets in Mainland China, Hong Kong, and Macao.

In Q3 2024, Kelun-Biotech was notified by Merck of its exercise of the exclusive option for SKB571/MK-2750. Kelun-Bota retains rights to develop, use, manufacture, and commercialize SKB571/MK-2750 in mainland China, Hong Kong, and Macao.

Animal Welfare Ethics

Our subsidiary Kelun-Biotech has established a dedicated Institutional Animal Care and Use Committee (IACUC), which is responsible for in-depth deliberation and decision-making on all major issues concerning animal welfare. In the pharmaceutical R&D process, we attach great importance to animal welfare ethics principles, strictly comply with relevant laws and regulations such as the *Regulations on the Administration of Laboratory Animals* and the 3R principles, and formulate the *Human Endpoint Regulations for Experimental Animals*, *Management of Control Substances and Test Substances*, *Accuracy Control of Animal Administration*, *General Principles of Animal Administration*, and other internal regulations, ensuring that animal drug use meets the rigor of scientific research and satisfies the high standard requirements of animal welfare ethics.

Kelun-Biotech has launched a laboratory animal management system that integrates two animal welfare ethics-related modules: "Ethics Review" and "Animal Welfare Ethics Inspection". The ethics review mainly involves the IACUC's online review of animal use plans in experimental protocols, covering key aspects such as experimental information, animal information, animal feeding, test article information, sample collection, euthanasia, experimental endpoints, and anesthesia. The animal welfare ethics inspection mainly involves regular offline supervision of whether humane endpoints are followed during experiments, with online records maintained.

During the reporting period, Kelun-Biotech's IACUC completed a total of

81 reviews of animal use plans

and conducted

42 animal welfare ethics inspections.

IACUC On-Site Inspection

Additionally, Kelun-Biotech has comprehensively ensured the implementation of animal welfare practices by introducing advanced equipment, upgrading facilities, replacing outdated devices, and conducting training related to animal welfare.

Kelun-Biotech Introduced Animal Respiratory Anesthesia Machines

In May 2024, Kelun-Biotech's Animal Experiment Department introduced small animal respiratory anesthesia machines and completed training for their use. The deployment of this equipment enables painless blood collection in mice. The machines are characterized by safe anesthesia, high efficacy, rapid recovery, and minimal side effects, making them suitable for various scenarios such as modeling, blood collection, and surgery. They effectively safeguard animal welfare by reducing pain and distress.

Small Animal Respiratory Anesthesia Machine

Participant Protection

We are committed to creating a scientific and safe trial environment that perfectly integrates the social value of drug development with ethical responsibilities. The protection of clinical trial participants' rights is our top priority. Through the implementation of strict research protocols and sound management mechanisms, we ensure that the rights of each individual participating in clinical trials regarding informed consent, personal privacy, and health are fully respected and effectively safeguarded.

Clinical Medical Ethics

In the drug R&D process, KELUN PHARMA strictly adheres to laws, regulations, and ethical standards, fully respecting and implementing the ethical principles established by the *Declaration of Helsinki*, ICH-GCP, China's *Good Clinical Practice*, and *Good Pharmacovigilance Practice*. With continuous improvements in pharmaceutical regulations, KELUN PHARMA ensures all R&D activities are conducted lawfully, compliantly, and ethically.

Clinical Research Management Process of KELUN PHARMA

Preclinical Research & Trial Design

Prior to clinical trials, preclinical studies must be conducted to demonstrate drug safety and controllability through research data. Clinical trial designs are patient-centered and clinically value-driven.

Participant Screening

Before entering clinical trials: all trials must receive Ethics Committee approval; informed consent must be obtained and informed consent form must be signed by potential subjects to ensure their right to know and choose; strict screening for potential subjects must be implemented based on inclusion/exclusion criteria specified in the clinical trial protocol.

Clinical Trial

It includes establishing and implementing subject privacy protection systems to fully safeguard subjects' rights.

Emergency Management

It includes establishing robust emergency and contingency response mechanisms to ensure prompt protective measures for subjects' rights and safety in the event of adverse incidents.

Adverse Event Handling

It includes actively collecting, processing, and submitting individual case safety reports during clinical trials; preparing and submitting Development Safety Update Reports (DSURs); and conducting pharmacovigilance signal detection and risk management to continuously and effectively identify, assess, and control safety risks associated with investigational drugs.

Review & Communication

It includes conducting regular follow-up reviews of trial protocols, informed consent forms, protocol deviations and safety events, while maintaining effective communication.

Intellectual Property Management

KELUN PHARMA's intellectual property management strategic goal:

Ensure effective protection of R&D achievements' intellectual property to secure long-term competitive advantages for the enterprise.

We are deeply aware of the importance of IP protection for our core competitiveness. We have ensured that our innovative achievements in R&D, production and operation activities are strictly protected by law by stressing IP rights work. Therefore, the efforts of IP protection could provide a solid guarantee for our strategic upgrade and development in the long run.

To fully implement the strategy of IP protection, we strictly comply with laws and regulations such as the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, formulate the *Intellectual Property Management Measures*, continue to improve our internal IP management system and strive to promote the systematic construction of IP work. We establish an intellectual property risk monitoring mechanism and strengthen our talent pool through recruitment of professionals and internal training. We actively follow the latest international and domestic IP laws and regulations, integrate IP management into the entire life cycle from R&D project establishment to product launch, and eventually reinforce our competitive advantage of IP reserves.

As of the end of the reporting period, the Company and its subsidiaries (branches) held a total of 2,860 valid patent applications, including 1,425 invention patents, 1,213 utility model patents, and 222 design patents.

Among them, 1,997 applications have been authorized, including 735 invention patents, 1,069 utility model patents, and 193 design patents.

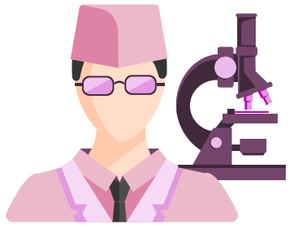
The Company first obtained the GB/T 29490-2013 intellectual property management system certification in 2016, passed two recertifications, and successfully underwent a supervisory audit in December 2024. To date, the Company has passed the reassessment as a National Intellectual Property Demonstration Enterprise and met the acceptance criteria for "Sichuan Province Intellectual Property Strong Enterprise Cultivation" and "Chengdu High-Value Patent Cultivation Center".

Accessibility of Healthcare Services

The Company's Board of Directors serves as the highest authority responsible for access to healthcare issues, with executive director Mr. Liu Sichuan acting as the head for these issues. Through the ESG Committee, the Board oversees the management objectives and current status of the our access to healthcare issues. The ESG Committee, as the representative body for these issues, regularly reviews our strategies, institutional frameworks, and performance in this area. It supervises the implementation of related tasks, reports to the Board, and ensures our commitment to inclusive healthcare is upheld across the organization.

Enhancing Product Accessibility

To improve the accessibility of healthcare services globally, We focus on strengthening pharmaceutical innovation and R&D, optimizing drug procurement and supply systems, and enhancing public health literacy and rational medication use. These efforts ensure that high-quality medicines and medical services can widely benefit the general public, improving public awareness and utilization of pharmaceuticals.



Domestic Market

We set annual management goals for drug accessibility. Newly launched products are swiftly submitted for provincial listing approvals across China, completing the necessary provincial-level access procedures to prepare for sales in medical institutions. We actively participate in national centralized and volume procurement projects, expanding the coverage of these drugs to improve accessibility and convenience for patients while reducing their financial burden.

In alignment with national and local policies, we adhere to the principle of "listing all eligible products" by submitting applications for provincial listings immediately after obtaining approvals. This ensures timely access to major provincial markets, enabling sales in graded medical institutions, public hospitals, and pharmacies. During the reporting period, we launched 32 new products with 50 specifications, covering therapeutic areas such as oncology, endocrinology, anesthesia, cardiovascular diseases, and transplant anti-rejection.

Beyond the graded hospital markets, we also strive to improve the coverage and supply stability of drugs in township health centers, village clinics, pharmacies, and medical institutions in remote areas, accelerating the layout of online and offline all-channel sales. By the end of the reporting period, our products had reached all 31 provincial-level administrative regions in China.

Additionally, we actively respond to the call of national policies, participate in and support the development of grass-roots medical institutions, and help improve the level of grass-roots medical services through technical support, personnel training, and public donations.

During the reporting period, we launched **32** new product

with **50** specifications, covering therapeutic areas such as oncology, endocrinology, anesthesia, cardiovascular diseases, and transplant anti-rejection

Overseas Market

We are committed to providing high-quality pharmaceutical products and services to improve the health of global patients. The Company has established factories in Kazakhstan and Sri Lanka, and operates them directly through local teams for market promotion and sales in those markets. In other emerging markets, we work closely with partners who have local market development experience and resources to ensure that our products comply with local regulatory requirements, obtain necessary approvals and licenses, and jointly drive product sales in the local markets. As of the end of the reporting period, our overseas business has covered pharmaceutical markets in over 50 countries and regions across Asia, Africa, South America, and other parts of the world.

KELUN PHARMA establishes clear goals and strategies for expanding into emerging markets beyond its current operations:

Preparations

The Company's expansion in emerging markets focuses on local medication needs and leverages its product strengths to select appropriate sales methods and channels, enhancing accessibility to a wider range of medicines. In the next 3-5 years, the Company plans to engage in more product registrations for different dosage forms and therapeutic areas. Additionally, the Company intends to select multiple key products from its new generic drugs, covering more types and therapeutic areas, as key targets for internationalization, laying the groundwork for future export growth.

API Products

The Company focuses on emerging and potential markets in Europe, America, Japan, and BRICS countries. The Company has developed clear international filing, promotion, and marketing plans. It has also established close, direct, and long-term reciprocal collaborations with well-known professional agents and large local generic drug manufacturers in various countries and regions. This enables comprehensive coverage of the middle-end market from the high-end market.

Antibiotic intermediates

Over the next 3-5 years, the Company plans to further expand its overseas market presence, partnering with internationally renowned pharmaceutical companies on penicillin, cephalosporin, and other products.

During the reporting period, we successfully obtained market access for over 20 preparations in low- and middle-income countries across Asia, the Americas, and Africa, covering therapeutic areas such as parenteral nutrition, anti-bacterial infection, cardiovascular diseases, and anti-coagulation. Our antibiotic intermediates are primarily exported to India, Iran, Pakistan, and Bangladesh, with 70% of sales directed to India, mainly penicillin and cephalosporin products. Moving forward, we will continue to focus on market demands and changes, constantly expanding our product coverage to meet the medical needs of low- and middle-income countries.

Participating in Capacity Advancement Programs for Developing Countries

We place high importance on advancing healthcare in developing countries. Aligned with our international development strategy, we collaborate closely with local partners to participate in programs aimed at enhancing healthcare service capabilities, jointly driving improvements in medical services.

Assisting Local Manufacturers in Meeting International Drug Manufacturing Standards

We have helped Kazakhstan master advanced manufacturing technologies in the infusion industry, enabling local capabilities in quality testing, drug R&D, and industrialization. This breakthrough ended Kazakhstan's history of lacking domestically produced infusion products, providing the country with safe and effective medicines. During the reporting period, CELOGEN LANKA, invested by us in Sri Lanka, became the first pharmaceutical company in Sri Lanka to receive EU GMP certification, significantly elevating local pharmaceutical production standards to international levels.

Improving Pharmaceutical Supply Chains in Developing Countries

To enhance the efficiency and accessibility of drug supply in developing countries, we have established localized production bases nationwide, reducing transportation costs and improving delivery speed and supply chain responsiveness. This move effectively reduces drug costs. Meanwhile, we strictly follow the national "single-ticket" and "two-ticket" policy requirements and has set up distribution centers in several key regions nationwide to enhance delivery timeliness and meet urgent demands.

In developing countries such as Kazakhstan and Sri Lanka, the Company has established efficient and timely drug distribution systems. In Kazakhstan, Kelun-Kazpharm has adopted an innovative cooperation model, establishing strategic partnerships in various regions. With the help of local distribution agent networks, they have been able to deliver bid winning products quickly and accurately to local hospitals, successfully addressing the challenges of tendering and distribution in remote areas with a sparse population. KELUN LIFESCIENCES in Sri Lanka directly distributes drugs to end-user institutions through local agencies, significantly reducing intermediate links and ensuring that drugs can be timely and effectively provided to patients.

Training Local Healthcare Talents

While localizing operations in Kazakhstan and Sri Lanka, the Company prioritizes the development of local medical and health levels. Through strategic pharmaceutical production plant layouts, we actively engage in communication with local medical talents, injecting "Kelun Power" into the training of medical talents and the overall improvement of medical and health levels.

Kelun-Kazpharm Conducted Joint Training Project to Cultivate High-quality Local Healthcare Talents

To elevate the professional skills of local healthcare talents and advance medical education, Kelun-Kazpharm signed a long-term cooperation agreement with Kazakhstan National Medical University in 2022. The two parties organize training courses, joint scientific activities, and practical workshops to foster interaction between educational institutions and enterprises, improve the quality of medical and pharmaceutical education, and cultivate high-quality healthcare talents while driving innovation and development in the field of pharmacy.

Kelun-Kazpharm Training Local Healthcare Talents

Product Donations to Developing Countries

We have always paid attention to the social welfare of developing countries and actively fulfilled our corporate social responsibilities. In 2024, Kelun Lifesciences (Pvt) Ltd. carried out a series of CSR donation activities in Sri Lanka, focusing on education, culture, and community development. These initiatives included supporting local school infrastructure construction, funding lunch programs for underprivileged students, sponsoring cultural and artistic events, and awarding outstanding students. Through these targeted donations, we not only provided better educational and developmental opportunities for local children and youth but also contributed to the sustainable development of local culture and society.

Improving Product Affordability

KELUN PHARMA adheres to the principle of "seeking truth through science and seeking goodness through ethics". We are committed to providing high-quality and affordable products and services for patients and customers, while formulating fair and reasonable product pricing strategies.

Equitable Pricing Policy

To effectively address the diversity of global healthcare needs, drug payment mechanisms, and the affordability of financial systems, KELUN PHARMA has issued the *Equitable Pricing Policy* applicable to all its products, based on the core concept of product affordability. This policy further advances the pharmaceutical industry's innovation to benefit patients and customers. The Company's ESG Committee oversees the implementation of the *Equitable Pricing Policy*, while the management is responsible for organizing and leading its daily execution to ensure effectiveness.

When implementing the Equitable Pricing Policy, we thoroughly consider the economic conditions of target countries or regions, including but not limited to GDP level, social development level reflected by the UN Human Development Index, and public healthcare system investments. In the same level of countries/regions and within the parallel level of market, drug pricing remains relatively consistent. At the same time, we also develop more accessible drug pricing strategies based on the needs and payment capabilities of patients in different countries/regions, serving more patients worldwide.

Domestic Market

After a product is approved for market launch, we adopt a nationwide uniform pricing strategy, taking into account the economic disparities across regions to meet the medication standards of patients in the least economically developed areas. For generic drugs that have passed or are deemed to have passed the quality and efficacy consistency evaluation, the prices are set lower than those of the original reference drugs in the domestic market. This demonstrates our commitment to social responsibility and efforts to improve the fair accessibility and affordability of patient medications.

Business Segment	Equitable Pricing Strategy Based on Affordability
Generic Drugs	• First-to-market generic drugs are priced no higher than 60% of the original reference drug prices, in compliance with relevant national policies; • For drugs with existing competitors of same generic name, pricing is based on the median price of similar products already on the market

Furthermore, as the national centralized and volume procurement project becomes routine, we closely monitor local policy updates and actively participate in initiatives to supply retail pharmacies, private medical institutions, and village clinics with drugs from centralized procurement. We follow requirements to list eligible products at centralized procurement prices and publicly disclose drug pricing information, narrowing price gaps between medical institutions and pharmacies to make medications more affordable for patients.

We also place special emphasis on addressing the healthcare needs of vulnerable groups. We have launched multiple charitable assistance projects to alleviate the medical burdens of low-income families, rare disease patients, and other special populations, ensuring they have equal access to medical treatment when facing health challenges.

Overseas Market

To address the high drug cost pressures faced by the public in emerging markets and developing countries, we adopt reasonable pricing strategies tailored to local economic conditions and market situations when promoting products in underdeveloped regions overseas. Additionally, we actively engage in local government drug procurement bidding activities, striving to reduce the financial burden of medications for patients.

Product Type	Equitable Pricing Strategy Based on Affordability
Preparations	A total of 150 preparations, covering therapeutic areas such as oncology, anti-bacterial infection, parenteral nutrition, and anesthesia, are sold in East Asia, Southeast Asia, Central Asia, Africa, and the Americas with equitable pricing strategies aligned with local income levels. Large-capacity injection products are priced over 20% lower in developing countries like Africa and Southeast Asia compared to prices in developed countries.
Antibiotic intermediates and APIs	Equitable pricing strategies for overseas sales are tailored to local income levels. For strategic partners, we offer additional discounts on market prices through framework agreements to foster deeper collaboration.

Pricing Transparency

We strictly adhere to national drug price regulations, ensuring all drug pricing complies with legal and regulatory requirements to maintain fairness and transparency. We closely monitor policy trends and market dynamics and actively participate in national volume procurement and medical insurance negotiations to minimize product prices, effectively reducing patients' medical expenses, and improving medication affordability and accessibility.

As of the end of the reporting period, we had secured winning bids for 59 varieties and 83 specifications of drugs been selected for the national drug volume procurement project, establishing as a leading supplier in centralized drug procurement. The selected products are fielded in treatment of multiple chronic and major diseases. The major fields involved are anti-infection, oncology, diabetes, hypertension, rheumatoid, psychiatry, anesthesia analgesia, osteoporosis, and nutrition. Also, the average price reduction rate of selected products is higher than the average national volume procurement project level.

KELUN PHARMA has 323 products listed in the *National Reimbursement Drug List (2024 Edition)*, including 308 chemical drugs and 15 traditional Chinese medicine preparations; by categories, there are 124 in category A and 199 in category B. In the national medical insurance negotiations in recent years, a total of 18 innovative varieties were added to the national medical insurance negotiation (bidding) catalog, with 9 of our products in the *National Reimbursement Drug List (2024 Edition)* holding negotiation (bidding) status. This not only improves public accessibility to medications but also significantly alleviates the burden on the national healthcare system.

Examples of Pricing Adjustments for Certain Products of KELUN PHARMA

Product Name	Price Reduction Details
Sugammadex Sodium Injection	An anesthetic agent used for clinical sedation, successfully included in the medical insurance catalog through bidding (negotiation) at the end of 2022. Following the negotiation, the reimbursement price dropped from RMB 1,080/vial to **RMB 136/vial**, posing a reduction of **87.4%**.
Powder-liquid Double-chamber Bag	A novel packaging format that separately stores powdered medication and solvent for injection in two chambers of the same bag, divided by a sealing strip. Before use, pressure is applied to mix the powder and liquid, allowing immediate infusion. • Ceftazidime for Injection/5% Glucose Injection is particularly suitable for infections caused by multidrug-resistant Gram-negative bacilli in immunocompromised patients, nosocomial infections, and central nervous system infections caused by Gram-negative bacilli or Pseudomonas aeruginosa. It was successfully included in the medical insurance catalog through exclusive negotiation at the end of 2022. The reimbursement price was set at RMB 29.2/vial, down from the pre-negotiation listed price of **RMB 166/vial**, posing a reduction of **82.4%**. • Ceftazidime-Avibactam Sodium for Injection/Sodium Chloride Injection is applicable to severe infections caused by susceptible bacteria, such as peritonitis and cholecystitis. It was included in the medical insurance catalog through exclusive negotiation at the end of 2024. The reimbursement price was set at **RMB 326/vial**, down from the pre-negotiation listed price of RMB 448/vial, posing a reduction of **27.2%**.
Fat Emulsion, Amino Acids (17) and Glucose (11%) Injection	A widely used parenteral nutrition solution in clinical settings, specifically designed for patients who cannot consume food orally after major surgeries and require intravenous nutritional support. Previously, such parenteral nutrition injections in China relied entirely on imports, costing over RMB 300 per bag. With the breakthrough in domestic production technology and following the 5th national volume procurement, the price of this injection dropped sharply to just over **RMB 70 per bag,** representing a reduction of **75%**.

Industry Collaboration and Development

As an active leader and practitioner in the healthcare sector, KELUN PHARMA is unwavering in its commitment to social responsibility. We proactively foster in-depth interaction and cooperation across the industry chain, striving to build an open, inclusive, and mutually beneficial industrial ecosystem. Through active international collaboration, participation in academic conferences, and engagement with industry associations, we continuously enhance the accessibility of medical services and strengthen global public health capabilities, contributing our expertise to a healthier and more equitable society.

Industry Activities and Exchanges

In medical fields such as parenteral and enteral nutrition, anesthesiology, anti-infection, infusion, and emergency medical rescue, we actively participate in academic conferences to exchange cutting-edge ideas and showcase our innovative achievements and comprehensive product portfolio in the pharmaceutical sector. We also use academic ambassador "Kebao" as a bridge to enhance interaction with medical experts and attendees, boosting the brand's affinity and recognition. Through these industry exchanges, we contribute to advancing medical academia, improving drug accessibility, and safeguarding patient health, reflecting our corporate social responsibility and value.

2024 18th Annual Conference of Parenteral and Enteral Nutrition, Chinese Medical Association

Annual Conferences of the Anesthesiology Branch, Chinese Medical Doctor Association and Chinese Medical Association

Annual Conference on Bacterial and Fungal Infections of the Chinese Medical Association, The 18th Academic Conference on Hematology of the Chinese Medical Association, The 18th Academic Conference on Infectious Diseases of the Chinese Medical Association

The 11th China Nursing Management Conference

The 9th Asia-Pacific International Conference on Emergency Medicine and 7th Tianfu Critical Care Conference

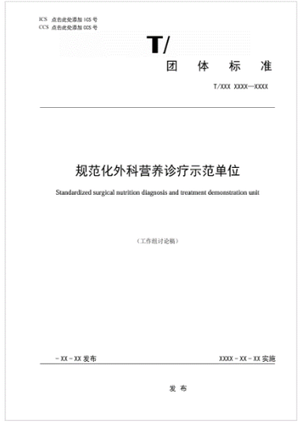
Guided by the operational goal of "patient-centered, clinical value-driven", we widely participate in industry exchanges focused on inclusive health, promoting the sharing of medical technologies and experiences. We also support the improvement of public hospital management and discipline-building capabilities, earning widespread acclaim from experts and medical institutions. These efforts underscore our steadfast commitment to advancing healthcare and significant contributions to the industry's prosperity.

KELUN PHARMA Continuously Promotes National Standardized Surgical Nutrition Demonstration Ward Project to Enhance Medical Service Accessibility

To standardize nutritional therapy for surgical patients, establish a standard process for surgical nutrition, standardize surgical nutrition diagnosis and treatment nationwide, and improve perioperative patients' quality of life nationwide, we, in collaboration with the Cancer Nutrition Committee of the China Anti-Cancer Association, launched the "National Standardized Surgical Nutrition Demonstration Ward Project". Under the coordination of the association, experts, and KELUN PHARMA, key tasks such as standard development, business training, technical guidance, quality supervision, and outcome review were completed. In 2024, we organized extensive academic activities for 162 accredited units and 160 newly applying units.

In March, we hosted the 2024 National Surgical Nutrition Diagnosis and Treatment Demonstration Ward Project Kickoff Meeting in Chengdu. The event brought together top medical experts, scholars, and industry leaders to discuss the latest advancements, challenges, and solutions in surgical nutrition. This high-level, multi-tiered platform strengthened collaboration between the Company and external academic institutions to improve medical service accessibility and public health level.

We partnered with the Integrated Supportive Therapy Working Committee of the Chinese Anti-Cancer Association to organize core experts in surgical nutrition, promote the establishment of *standardized surgical nutrition diagnosis and treatment demonstration units*, and initiate the drafting of the Standardized Surgical Nutrition Diagnosis and Treatment Demonstration Unit group standard. The group standard has been drafted and finalized and is awaiting review by the Chinese Anti-Cancer Association.


ICS 点击此处添加 ICS 号
CCS 点击此处添加 CCS 号

T/

团 体 标 准

T/XXX XXXX—XXXX

规范化外科营养诊疗示范单位

Standardized surgical nutrition diagnosis and treatment demonstration unit

（工作组讨论稿）

—XX—XX 发布　　XXXX—XX—XX 实施

发 布

Social Feedback and Public Welfare

We recognize that sustainable corporate growth is closely tied to social welfare. We integrate the core principles of public welfare and charity into our strategic planning and daily operations, actively responding to social expectations. Our public welfare actions span multiple domains including education and culture, healthcare, scientific innovation, poverty alleviation, and disaster relief, delivering lasting and positive impacts to improve the quality of life for beneficiaries and foster social harmony and progress, and generating enduring positive momentum for sustainable development goals.

Practicing Public Welfare and Charity

KELUN PHARMA always pays attention to and understands the needs of vulnerable groups, and provides diversified humanitarian assistance. Based on the Public Welfare Donation Law of the People's Republic of China and other relevant national laws and regulations, the Company has formulated the *External Donation Management System* and the *Social Responsibility Management System* for itself and its wholly-owned and controlling subsidiaries. Leveraging its medical resources, the Company serves society and fulfills its corporate social responsibilities. During the reporting period, the Company's total social welfare contributions exceeded RMB 57 million.

During the reporting period, the Company's total social welfare contributions exceeded

RMB **57** million

Education Support

To fulfill its corporate social responsibility and support higher education, the Company donated RMB 2 million to China Pharmaceutical University. The funds are earmarked for talent development in pharmaceutical management and educational public welfare. The donation focuses on industry-education collaboration, offering specialized training programs, course development, practical base construction, and scholarships to cultivate interdisciplinary talent aligned with the requirements for upgrade of the pharmaceutical industry. It also enhances the university's teaching and research capabilities, fostering innovation for industry-university-research collaboration. This partnership deepens the synergy between the Company and the university, building a talent pipeline for sustainable industry development and achieving shared social and industrial value.

Additionally, we prioritize supporting students in impoverished regions as a key part of our social welfare efforts. We dedicate resources to address educational disparities, providing equal learning opportunities and development platforms for students in underprivileged areas.

JIANGNING BIOTECH's Donation Lights Up the Dreams of Economically Disadvantaged Students

Upholding the values of "seeking truth through science and seeking goodness through ethics", we actively give back to society and support youth development. In 2024, KELUN PHARMA's sub-subsidiary JIANGNING BIOTECH donated RMB 1 million to the Charity Federation of Gongliu County, Ili Kazakh Autonomous Prefecture, Xinjiang Uygur Autonomous Region. The funds are used to assist economically disadvantaged primary, middle, and high school students in Gongliu County, improving their learning conditions and alleviating family burdens.

KELUN PHARMA Participating in Gongliu County Donation Ceremony

Disaster Relief

We leverage our strengths to efficiently mobilize internal and external resources, actively engaging in frontline disaster relief efforts. Through cash and drug donations, as well as emergency supplies, we provide comprehensive support to help affected regions and communities restore normalcy, mitigating disaster impacts and promoting social stability.

Floods Bring Disaster, Kelun Brings Love

In July 2024, continuous heavy rainfall in Yueyang City, Hunan Province, triggered severe floods and geological disasters, posing significant challenges to flood control efforts. When disaster strikes, help comes from all sides. Responding swiftly, Hunan Kelun and Hunan Kelun Yueyang Branch representatives visited the flood-stricken areas in Linxiang City and donated RMB 400,000 to support relief efforts. This act of kindness highlighted KELUN PHARMA's strong sense of social responsibility and brought warmth and care to affected communities, bolstering their determination and confidence to prevent blood and rebuild homes.

The same month, Hunan Kelun responded to the call of Yueyang Municipal Health Commission and donated medicines worth RMB 900,000 to Yueyang Municipal Health Commission and Red Cross Society. The donations targeted acute and chronic diseases likely to arise during flood relief, addressing medication shortages and supporting post-disaster epidemic prevention and medical treatment in affected areas.

Pooling Strength for Rural Revitalization

We actively support China's rural revitalization strategy, focusing on consolidating and expanding poverty alleviation achievements. We fulfill our social responsibilities by supporting rural education, talent development, and infrastructure upgrades, driving comprehensive socio-economic progress in rural areas. During the reporting period, we invested approximately RMB 1.01 million in rural revitalization initiatives.

Key initiatives in rural revitalization during the reporting period:

- KELUN PHARMA donated lighting equipment and repaired infrastructures such as roads in Niuchangzhai Village and Changgou Village, Xiban Town, Yuechi County, Guang'an City, Sichuan Province, advancing the construction of livable villages. To promote equitable education and care for disadvantaged youth, we provided assistance to over 60 registered disadvantaged adolescents in Pingtan Town, Yuechi County, addressing their practical living and learning challenges;
- We supported the resident village officials and villager representatives of Renguo Township, Ganzi County, Sichuan Province, in conducting field research and learning. We introduced edible mushroom cultivation techniques and advanced management practices, assisting Renguo Township in formulating development plans and goals to sustain local income growth;
- In Songtao Miao Autonomous County, Guizhou Province, we donated solar streetlights to impoverished marginal villages in Mengxi Town, promoting the development of livable rural areas;
- Under the organization of the Pharmaceutical Industry Association of Xinjiang Uygur Autonomous Region, we provided aid to the resident work teams of the Xinjiang Medical Product Administration in Hotan, supporting local construction efforts.

03

Industrial Collaboration to Create the Future

KELUN PHARMA ensures product safety and quality through a stringent product quality management system and risk management measures. The Company strengthens its pharmacovigilance system to safeguard public health. In customer service, KELUN PHARMA continuously improves service standards, prioritizes customer privacy protection, and actively addresses complaints and reports. Additionally, we are committed to building a sustainable supply chain by implementing supplier access certification, risk management, and quality enhancement initiatives, thereby promoting integrity and sustainable development across the supply chain. These efforts underscore the Company's leadership in the industry and its dedication to social responsibility.

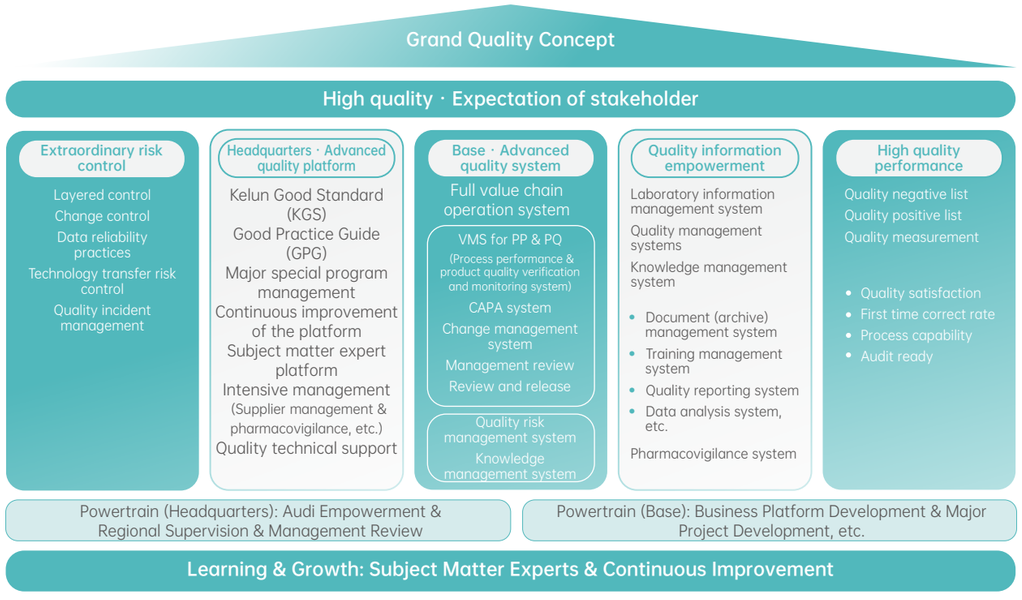
Product Safety and Quality

The Company adheres to a quality-centric development philosophy, upholds the principle of "quality first, safety foremost", and strictly complies with national drug regulatory requirements to ensure the consistent stability and reliability of product quality. To achieve this, KELUN PHARMA has established clear quality objectives:

KELUN PHARMA's Quality Objectives

Product Quality Management System

We have firmly established a concept of Grand Quality and have adhered to various national pharmaceutical quality regulations, including but not limited to the *Drug Administration Law of the People's Republic of China*, *Good Manufacturing Practice*, *Good Supply Practice*, and *Good Pharmacovigilance Practice*. We have developed a programmatic document, *Quality Manual*, to guide the Company's total quality management practice, planning and implementation, control and supervision, guarantee improvement and continuous improvement. Each level of our production companies has completed the product quality management system with standard system in accordance with the Quality Manual, ensuring that all products meet the requirements of registration regulations and pharmacopoeia standards. Additionally, we actively implement the ISO9001 quality management system, and apply the quality balanced scorecard model to ensure product quality in multi dimensions.



Quality System Certification

As of the end of the reporting period, all production bases under the Company have obtained GMP certification. Among them, 13 have also obtained ISO 9001 certification, accounting for 40.63% of all production-oriented enterprises. This fully demonstrates the company's commitment to continuous improvement in quality management systems. The production-oriented subsidiaries of the Company have obtained the certification of ISO 9001 Quality Management System, as follows:

Certified Entity

- KELUN PHARMA
- Renshou Branch
- Guang'an Branch
- Anyue Branch
- Junjian Plastic
- Hunan Kelun
- Hubei Kelun
- Guangxi Kelun
- CHUANNING BIOTECH
- JINHE BIOTECH
- Qingshan Likang
- JIANGNING BIOTECH
- Kunming Nanjiang

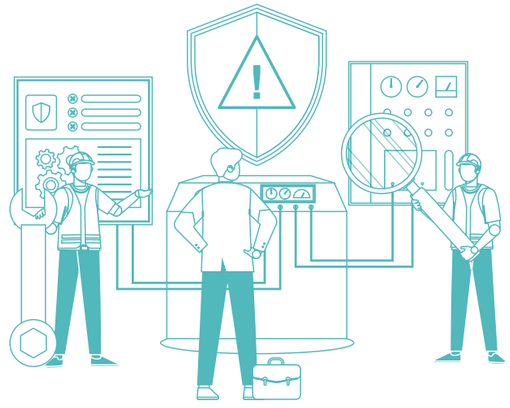
ISO 9001 Quality Management System Certification (Example)

KELUN PHARMA

Junjian Plastic

Product Quality Risk Management

To effectively address quality management risks across the product lifecycle, including supply chain disruptions and business interruptions, and ensure the delivery of customer-satisfactory products, we adhere to a proactive and risk-predictive approach to quality management. We conduct comprehensive risk identification and have established a Quality Risk Contingency Plan, covering critical stages such as material procurement, production & manufacturing, and post-market surveillance, with defined applicability for both commercialized and pipeline products. The plan mainly includes supply chain risk information collection, avoiding single source, diversifying suppliers, establishment of backup production bases, post-market product traceability and recall.



Material Procurement

Information collection and risk prediction

We maintain proactive communication and regular visits with material suppliers to monitor industry trends and collect supply chain data, enabling timely responses to potential risks. We track fluctuations in market demand and assess upstream risks such as raw material monopolies or price surges to adjust inventory or implement contingency measures. In emergencies (e.g., natural disasters, pandemics, environmental shutdowns, regulatory bans, or logistics disruptions), we evaluate risks and recalibrate safety stock level, procurement volume, and production plans based on projected demand to mitigate impacts.

Avoiding single source

For commercialized products, we continuously qualify alternative suppliers by assessing material risks (quality/accessibility) and product sales (criticality) to prevent shortages caused by single-source dependency. For pipeline products, production bases collaborate with sales and supply departments to identify key varieties, assess material supply risks, and qualify backup suppliers prior to product approval, aligning with launch schedule, especially for centralized procurement varieties or other strategic varieties.

Stable supply

Strategic partnerships Long-term strategic cooperation agreements are established with key suppliers to ensure stable supply.

Reasonable material standards

We balance accessibility and cost for the establishment of material standards for new products or change of material standards for existing products, avoiding overly stringent standards that may lead to supply shortages or inflated prices.

Diversifying suppliers

Suppliers are geographically diversified within China to avoid regional disruptions. For international suppliers, we avoid over-reliance on a single country. Supplier evaluation criteria explicitly include operational scale, inherent risk resilience, and disaster preparedness/mitigation and business recovery planning.

Production & Manufacturing

We have established and continues to refine a multi-base production layout, with commonly used varieties licensed for manufacturing across multiple bases. This ensures local market distribution, reduces transportation costs, and enhances logistics efficiency. In the event of natural disasters, public epidemic, or unexpected incidents, the backup factory system guarantees sustainable supply for all products.

Post-market Surveillance

Product traceability

We have established a comprehensive traceability system. All pharmaceutical production and packaging processes strictly adhere to approved technical protocols and standard operating procedures, with complete documentation maintained. Each sales package unit is assigned a drug electronic supervision code. Additionally, we have implemented multiple digital systems, including laboratory management LIMS, quality assurance QMS, knowledge management DMS, personnel training ELN, and warehouse management WMS. A unified quality information management platform, tools, and methodologies ensure full traceability from raw material procurement to finished product delivery, commercial circulation, and clinical use.

Product recall

We have developed guiding documents such as the *Drug Recall Management* and *Guideline for Handling Sudden Drug Safety Incidents*. Our subsidiaries (branches) have also established product recall management systems in accordance with regulatory and corporate requirements, forming a robust recall framework. This ensures that any batch of products with potential safety hazards can be recalled quickly and effectively from the market when necessary. Furthermore, we conduct simulated recall exercises to continuously evaluate the effectiveness of the recall system.

In 2024, we recorded

0 product recall incidents

and

0 regulatory warnings related to products

Product Quality and Safety Training

Quality culture is a pillar of soft power in corporate management. We believe in customer-centered quality culture and continue to promote the development by including all employees in training sessions. For quality and safety training management, we implement a three-tier education and training system: the headquarters Quality Supervision Center oversees training management from a regulatory compliance perspective, while each subsidiary (branch) designates dedicated personnel to ensure the implementation, execution, and tracking of quality training.

At the beginning of each year, training administrators at subsidiaries (branches) develop annual training plans based on business needs and regulatory updates, which are then distributed to all departments. Departments tailor their own training plans by integrating company-wide objectives with specific requirements, and they are responsible for execution. The implementation of all training plans is monitored through a tracking mechanism and confirmed by both company and department-level training administrators layer by layer, with the progress of each training recorded in tracking forms.

KELUN PHARMA Product Quality Training Management Matrix

Category		Training Type	Example Training Content	Frequency	Training Method
New employee induction		GMP training for new employees	*Clean Area Personnel Behavior Standards*, *Microbiology Fundamentals*, *Personal Hygiene Requirements*, *Pharmaceutical Fundamentals*, etc.	Annual	On-site lectures + learning E-learning platform
		Drug production and quality laws and regulations	*Drug Administration Law of the People's Republic of China*, *Measures for the Supervision and Management of Drug Production*, *Good Manufacturing Practice* and appendices, etc.		On-site lectures + learning E-learning platform
Pre-job training	Production staff	GMP knowledge, drug production regulations, the Company's drug production management systems and position SOPs	*SOP for Light Inspection Position*, *SOP for Filling Position*, *SOP for Packaging Position*, etc		On-site lectures + learning E-learning platform + practical assessment
	Quality staff	GMP knowledge, drug quality regulations, the Company's drug quality management systems and position SOPs	*Deviation Management Procedure*, *Change Management Procedure*, *Electronic Balance SOP*, *Product Release Management Procedure*, etc.		On-site lectures + learning E-learning platform + practical assessment
	Equipment management staff	Professional knowledge training	*Equipment Maintenance Procedure*, *Equipment Lifecycle Management Procedure*, *Preventive Equipment Maintenance Procedure*, etc.		On-site lectures + learning E-learning platform + practical assessment
	Warehouse staff	Professional knowledge training	*Raw Material Receipt/Dispatch/Storage Management Procedure*, *Finished Product Receipt/Dispatch/Storage Management Procedure*, *Finished Product Shipping Management Procedure*, etc.		On-site lectures + learning E-learning platform + practical assessment
Continuing education	All staff	Drug production and quality laws and regulations, revision of drug production and quality documents	*Measures for the Administration of Drug Registration*, *Measures for the Administration of Vaccine Production*, etc.		Internal trainer PPTs, online learning through recorded videos

Additionally, the company organizes annual themed quality training for all employees, complemented by activities such as debates and knowledge competitions. These initiatives foster a culture that prioritizes and respects quality, embedding quality responsibility into the corporate DNA to support sustainable development.

Quality & Safety Compliance Season - Regulatory Training Series

In 2024, KELUN PHARMA launched a "Quality & Safety Compliance Season", organizing a series of regulatory training activities across group subsidiaries to strengthen compliance awareness and enhance production safety and quality management standards. The Quality Supervision Center provided a recommended list of laws and regulations, while production companies conducted training and assessments, focusing on the *Drug Administration Law of the People's Republic of China* and the *Measures for the Supervision and Administration of Drug Quality in Operation and Usage*, to ensure that drug production, operation, and entrusted storage and transportation activities comply with regulatory requirements. Enterprises were encouraged to conduct comprehensive self-inspections based on product-specific regulations. For pharmaceutical distributors in cost-accountable regions, the center delivered training and assessments on core regulations like *Good Supply Practice* (GSP), supplemented by industry case studies to elevate compliance management.

Regulatory Training in Progress

Number of internal quality training sessions
28,898

Coverage of internal quality training
99.32%

Total number of participants in internal quality training
587,962

Internal quality training hours
726,186

Product Quality Testing

We are committed to building a high-level testing platform to meet the diverse in-house testing needs of internal pharmaceutical production. As of the end of the reporting period, seven core member enterprises of the Company have had their laboratories pass the authoritative review by the China National Accreditation Service for Conformity Assessment (CNAS) and obtained CNAS certification. These laboratories provide accurate and efficient product testing services, covering a wide range of testing items such as drug stability studies, impurity quantification analysis, and microbial limit testing, ensuring the delivery of high-quality, safe, and effective products to the market.

1. Sichuan Kelun Pharmaceutical Co., Ltd. Xindu Base
2. Sichuan Kelun Pharmaceutical Co., Ltd. Anyue Branch
3. Kunming Nanjiang Pharmaceutical Co.,Ltd.
4. Hunan Kelun Pharmaceutical Co., Ltd.
5. Hunan Kelun Pharmaceutical Co., Ltd. Yueyang Branch
6. Guizhou Kelun Pharmaceutical Co., Ltd.
7. Sichuan Kelun Pharmaceutical Research Institute Company Limited

CNAS Certificate

Quality Testing Capabilities

The Company operates over 20 quality control laboratories equipped with more than 2,000 high-precision instruments, including but not limited to atomic absorption spectrophotometers, Fourier-transform infrared spectrometers, amino acid analyzers, fully automated microbial analyzers, ion chromatographs, and PCR thermal cyclers. These instruments enable capabilities in physicochemical analysis, microbial testing, pharmacological experiments, and safety testing of polymeric materials, covering over 2,000 test items.

The Company's QC laboratories boast a complete talent pipeline, with 1,073 professional testing technicians, approximately 50% of whom hold bachelor's degrees or higher. The team is well-structured, experienced, and proficient in techniques such as high-performance liquid chromatography (HPLC), related substance testing, and depressor substance testing, totaling 2,000 testing capabilities. They serve as the core technical force ensuring the accuracy of test results.

covering over
2,000 test items

Precautionary Quality Risk Test

We place high importance on precautionary test. Annual test plans are developed to thoroughly analyze potential impurities in product formulations and manufacturing processes. From both quality and safety perspectives, we identify potential issues early and optimize key aspects such as formulations, processes, packaging, and storage to control product risks at the source.

Before production, we conduct a series of tests and inspections to identify and resolve potential quality or safety concerns, ensuring no medication risks arise during subsequent use.

Test and inspection

For new products or processes, we design influence factor tests, accelerated stability tests, and forced degradation tests to simulate extreme conditions and evaluate product quality and process parameter rationality.

Risk assessment

During process development, we comprehensively evaluate each step and parameter to identify key factors and potential risks that may affect product quality.

Process validation

We conduct validation runs for at least three consecutive batches, monitoring critical parameters in real-time to ensure process stability and reproducibility, thereby reducing quality risks caused by process variability.

Precautionary Test: Packaging Material Selection and Evaluation

When selecting pharmaceutical packaging materials, we conduct comprehensive evaluations, focusing on the compatibility between packaging materials and drugs, as well as their protective properties. Through accelerated and long-term stability tests, we observe quality changes under different packaging conditions to promptly identify potential issues such as moisture absorption, oxidation, or degradation. Additionally, we rigorously validate packaging processes, including equipment operating parameters and operational standards, to ensure accuracy and stability, thereby guaranteeing the integrity and sealability of drug packaging.

Precautionary Test: Stability Assessment of Drug Storage and Usage

Drugs are susceptible to environmental factors such as temperature, humidity, and light during storage and use. To assess potential risks of quality degradation, we employ accelerated stability test methods, simulating extreme conditions (e.g., 40° C high temperature, 75% relative humidity) to determine the drug's sensitivity to environmental factors and its quality stability. Data from accelerated stability test are used to extrapolate drug expiry date using appropriate mathematical models. Scientifically setting drug expiry date helps ensure that the quality of medications used by patients meets standards, thereby reducing medication safety risks.

In 2024, we conducted over
600,000 product quality tests

In 2024, we conducted over
150,000 predictive tests

In 2024, we conducted over
500,000 existing product quality/safety tests

Pharmacovigilance

Pharmacovigilance System

We have set up a comprehensive pharmacovigilance system in accordance with the *Good Pharmacovigilance Practice* (GVP) and relevant guiding principles, and formulated the policies and procedures such as *Post-marketing Drug Safety Management Procedures*, *Adverse Drug Reaction Reporting and Monitoring Procedures* and *Drug Safety Risk Management Procedures*. The holders of marketing authorization for all our company drugs have established a complete pharmacovigilance organizational structure and system documents in accordance with regulatory requirements, and continuously improved them in accordance with the latest regulatory requirements during implementation. At the same time, all holders of marketing authorization for our company drugs have established drug safety committees, set up dedicated pharmacovigilance departments, and appointed qualified personnel as pharmacovigilance responsible persons to ensure the safety and health of the public in drug use.

Pre- and Post-market Pharmacovigilance Management

Pre-market

Sichuan Kelun Pharmaceutical Research Institute Co., Ltd. is responsible for the establishment and operation of the pre-market pharmacovigilance system for our company. Through the formulation of policies and procedures such as the *Standard Operating Procedures for Pharmacovigilance Risk Control Planning* and the *Procedures for Collection, Processing, and Submission of Reports on Serious Adverse Incidents*, we have effectively ensured the efficient and orderly conduct of pharmacovigilance work during the stage.

Post-market

We maintain a group-based post-market pharmacovigilance management system. Under the guidance of the Drug Safety Risk Department of the headquarters, each subsidiary manages adverse reaction information collection, monitoring, reporting, signal detection, risk assessment, and post-market research,aiming to ensure consumer drug safety. In addition, the Company regularly organizes independent audits of the pharmacovigilance system to ensure its effective operation.

We have cultivated broad and accessible channels to collect adverse events from and give professional answers to patients, doctors, and pharmacists, enabling effective monitoring and control of drug safety. We have configured a pharmacovigilance system, connecting with the National Medical Products Administration's Center for Drug Evaluation (CDE) and Center for Adverse Drug Reaction Monitoring (CDR) through gateway systems to achieve the monitoring of adverse drug reactions through coding, analysis and evaluation, and timely reporting.

Adverse Reaction Collection Channels

Channel I	Channel II	Channel III	Channel IV	Channel IV
Official Website	Official Website	Customer Hotline	Email Address	WeChat Official Account
↓	↓	↓	↓	↓
Contact us	Contact us	4006860333	pv.china@kelun.com	"KELUN E Medicine"
↓	↓			↓
Suggestion and Consultation	Pharmacovigilance			Product Services
				↓
				Feedback

Adverse drug reactions obtained will be reported to the Drug Safety Risk Management Department of the headquarters. The HQ office will follow up on missing information in accordance with the *Adverse Drug Reaction Reporting and Monitoring Procedures*. For serious adverse reaction, we will report the investigation results of production, logistics and other links, to the drug regulatory authorities in a timely manner.

Pharmacovigilance Enhancement Activities

In 2024, we implemented a series of systematic and intelligent measures to improve the quality and efficiency of pharmacovigilance work, ensuring comprehensive and timely drug safety monitoring and providing a solid foundation for patient medication safety.

Enhancing Document System Maintenance and Compliance	We continuously updated the pharmacovigilance document system in line with domestic and international regulatory updates to ensure compliance and operability. Through regular reviews and a defect information-sharing mechanism, we promoted self-inspection and correction to optimize the pharmacovigilance system.
Establishing Individual Case Safety Report Quality Control System	We implemented a stringent individual case safety report quality control system, incorporating data verification and review mechanisms to ensure report accuracy. Regular data quality assessments were conducted to maintain the integrity and consistency of pharmacovigilance data.
Optimizing Multi-Channel Information Collection	We updated the ADR submission pages on the official website and WeChat public account, improving user interfaces for easier reporting. An automated telephone recording system was introduced to reduce manual errors and expand information collection channels.

Launching Intelligent Quality Risk Signal Detection	We deployed a computer-aided detection system that leverages big data and artificial intelligence to automatically identify and assess drug safety risk signals, enhancing detection efficiency and accuracy.
Upgrading Pharmacovigilance System and Intelligent Tools	We upgraded the pharmacovigilance system to improve data processing capabilities and user-friendliness. Robotic Process Automation (RPA) technology was introduced to automate repetitive tasks, optimizing workflows and resource allocation.

In 2024, Henan Kelun and Guangxi Kelun underwent pharmacovigilance inspections by provincial ADR monitoring centers and **passed successfully**.

In 2024, five marketing authorization holders under KELUN PHARMA were recognized as national-level outstanding ADR monitoring units, **and one was recognized as provincial-level outstanding**.

Pharmacovigilance Mechanisms in Developing Countries

We export products to regions such as Southeast Asia, South America, Africa and Europe, and conduct post-market surveillance in developing countries based on the Pharmacovigilance Monitoring and Reporting Management Procedure. We have established an overseas ADR monitoring and reporting mechanism and sign agreements with foreign distributors, clarifying their responsibilities for collecting and transmitting post-market ADR information, follow-up, and investigation. Relevant departments handle and report ADRs in compliance with regulations, continuously identify and control risks to ensure consumer medication safety.

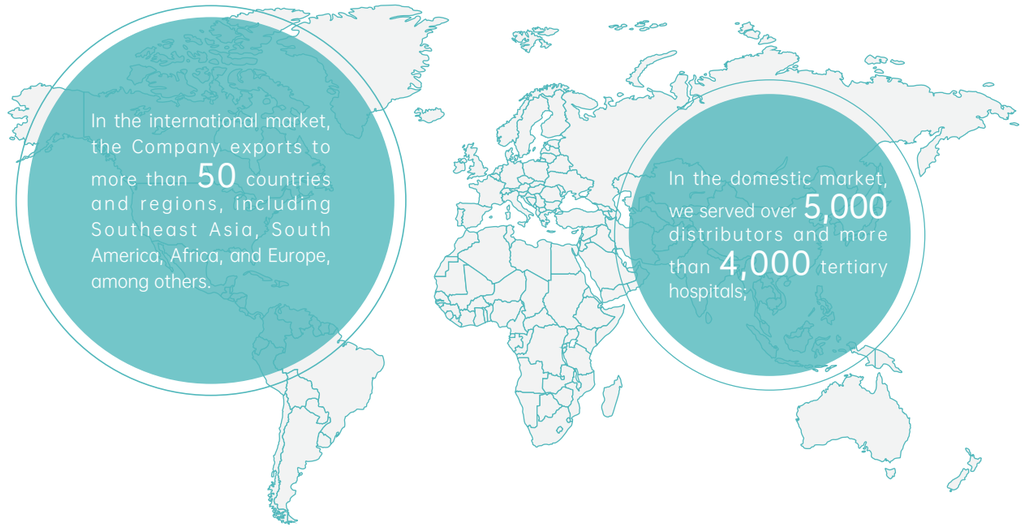
Pharmacovigilance Training

To enhance the professional capabilities of the pharmacovigilance team, we organize regular internal training sessions and external expert lectures to ensure employees stay updated on the latest regulatory requirements and industry trends. Through simulated exercises and case studies, we strengthen the team's ability to respond to drug safety incidents, ensuring swift and effective action in emergencies. In 2024, we conducted 273 pharmacovigilance training sessions, covering all employees. The training includes both pre-job and continuing education programs.

Coverage of pharmacovigilance training	Number of pharmacovigilance training sessions	Total number of participants in pharmacovigilance training	Total pharmacovigilance training hours
100%	273	10,672	825

Customer Service

Relying on our comprehensive advantages of stable product quality, top-notch packaging image, considerate service, and appropriate prices, we strongly broaden our development space. Currently our sales network covers all provinces, autonomous regions,and municipalities in China, excluding Taiwan, Hong Kong, and Macao. Meanwhile, we actively promote our internationalization strategy, and our leading products have achieved bulk exports, with a high reputation in over 50 countries and regions.



Improving Customer Services

We always adhere to the customer-centered service philosophy, continuously optimizing and improving customer satisfaction. Regular customer satisfaction surveys are conducted, and during the reporting period, we resolved 100% of customer feedback and received a satisfaction rate of over 98%. Upholding the principle of "customer first", KELUN PHARMA maintains a good communication channel with customers, continuously refines its products and services, and wins public trust.

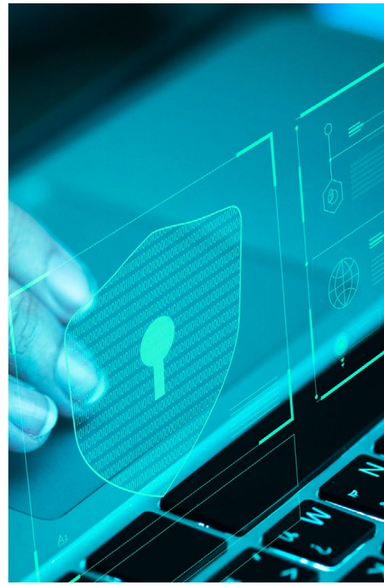
received a satisfaction rate of over

98%

Customer Complaints and Reports

We highly value customer feedbacks and suggestions. We have published guide documents such as *Product After-sales Information Management*. Each subsidiary (branch) has established a management system for collecting, classification, investigation and processing of customer feedback. The process ensures that all feedback can be handled properly in a timely manner, protects the interests of consumers, promotes the audience's medication safety and continuously improves our product quality.

Customer Privacy Protection



In accordance with the Personal Information Protection Law, we have established a strict customer information protection mechanism to safeguard the storage and transmission of personal information, transaction records, health data, and other sensitive information, and to prevent unauthorized access, use or leakage. We only collect, use, and disclose necessary information permitted by law and explicitly authorized by customers, and strengthen employees' awareness of customer privacy protection through internal trainings.

In addition, we fully respect customers' rights to make informed choices and keep personal privacy while we are committed to improving customer service experience. We maintain transparency in any operations involving customer privacy, and promptly respond to customers' requests for inquiries, corrections or deletions of personal information. Through a series of rigorous and comprehensive privacy protection measures, we strive to create a trustworthy environment so that every customer can use our products and services without worries.

Responsible Marketing

We always practice responsible marketing and closely align our business goals with the corporate social responsibilities. In the marketing process, we strictly adhere to the *Advertising Law of the People's Republic of China* and other relevant laws and regulations, insist on promoting our medicine in an ethical, scientific, and objective manner, and prohibit any distortion, exaggeration, overemphasis, omission, or other practices that may lead to factual misrepresentation.

Compliance specialists are deployed across business frontlines, and a "guidance-supervision-management" tripartite management system is established, focusing on three key responsibilities: Regular promotion, which involves periodic interpretation of updates on compliance policies and regulations for business teams to strengthen organization-wide compliance awareness through specialized training sessions and case-based warnings; Full-process supervision, which involves dynamic compliance reviews of marketing activities, with full-process oversight of academic conference planning and execution through digital tools to promptly identify and mitigate non-compliance risks; High-risk expense management, which involves pre-reimbursement review mechanism for high-risk expenditures such as business entertainment and academic promotions. This contains a triple verification process, document validation, context tracing, and benchmarking against standards, to promptly intercept non-compliant expense claims.

Responsible Marketing Policy

In 2019, we issued the *Compliance System of Sichuan Kelun Pharmaceutical Co., Ltd.*, defining compliant marketing practices. This compliance system is updated annually. The *Promotional and Non-Promotional Materials Management System* defines requirements for externally published materials and information, mandating internal cross-functional reviews of all materials (promotional or non-promotional) to ensure objectivity and compliance. The *Market Service Provider Management System* enhances end-to-end oversight of third-party service providers.

In 2024, we revised the Responsible Marketing Policy, which is applicable to all company and subsidiary (branch) employees (full-time, part-time, outsourced, or temporary), and published it on official website. The policy covers information disclosure, employee training, audit supervision, environmental protection and social responsibilities, further standardizing marketing practices to ensure all employee interactions with stakeholders and external business activities comply with laws, regulations and business ethics.

Responsible Marketing Training

We mandate that all marketing personnel complete training session on responsible marketing practices at least once a year, with passing scores required on associated assessments. Additionally, the Company conducts ad-hoc training for third-party partners collaborating with the marketing team (including but not limited to suppliers and distributors) to communicate company policy and ensure alignment with the company's standards in actual business operations.

In 2024, we organized compliance training sessions with a total of 8,800 participants, accumulating 117,800 hours of learning. The training covered all employees in the marketing system and addressed multiple key areas, including but not limited to compliance system policies, common expense reimbursement procedures, and comprehensive compliance policies and risk guidelines. Through simulated marketing scenarios involving potential compliance risks, such as misleading advertisements and unauthorized data usage, we demonstrated how to identify and mitigate these risks to employees.

Academic Activity of Compliance Training

Compliance Training for Common Expense Reimbursement Practices

In 2024, all marketing personnel completed an average of 5.7 training hours on the *Compliance System*.

Responsible Marketing Audit

To ensure compliance in marketing activities, we implement a multi-dimensional and systematic approach to responsible marketing supervision and audit. The scope of audit covers the headquarters, subsidiaries (branches), and third-party partners, encompassing all marketing operations, including infusion products, non-infusion products, OTC products, and APIs.

The Internal Control and Compliance Department conducts routine monitoring and inspections of the marketing team's compliance practices. Annually, it organizes a series of compliance initiatives and self-assessments to enforce corporate compliance requirements while supervising and spot-checking the implementation of compliance efforts. The Internal Audit Department performs internal audits across various business segments in alignment with the company's operational developments and audit priorities. Identified audit issues are tracked regularly until resolved, relevant policies are continuously improved, and compliance awareness is strengthened through training.

Implementation of Unannounced Inspection Mechanism

The Internal Control and Compliance Department established an unannounced inspection mechanism for marketing activities. In 2024, over 130 unannounced inspections were conducted across headquarters departments and regional operations, focusing on the compliance and effectiveness of marketing activities. Through on-site or online inspections without prior notice, the department reviewed original data such as business process records, observed on-site activities, and conducted interviews to promptly identify potential risks in marketing activities. This mechanism strengthens real-time oversight, ensures timely identification and rectification of issues, and forms a dynamic monitoring network covering the entire business chain, significantly enhancing the standardization of marketing activities.

Quarterly Sampling Inspection for Marketing Compliance

The Internal Control and Compliance Department conducts comprehensive quarterly sampling inspections of headquarters and regional operations. In 2024, four rounds of quarterly sampling inspections were performed, systematically reviewing marketing activity records, expense vouchers, and other documents to assess the effectiveness of compliance policies and adherence to laws and regulations. High-risk business segments were prioritized for retrospective analysis, and a classification mechanism for addressing violations was established.

Sampling in Progress

During the reporting period, we conducted **35** responsible marketing audits;

Responsible marketing audits covered **2,956** employees, encompassing all personnel within the marketing system.

Building a Sustainable Supply Chain

We strictly adhere to the *Drug Administration Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China on Inviting and Bidding Tenders*, and other relevant laws and regulations. In alignment with GMP requirements and internal management standards, we have established a series of policies and guidelines, including the *Material Supplier Management Measures*, *Material Supplier Quality Audit Management Measures*, *Material Supplier Performance Management Measures*, and *Material Supplier Lifecycle Management Strategy*, to standardize supply chain management. Additionally, we actively collaborate with suppliers to address product quality and safety issues, conduct on-site diagnostics, training, and improvement projects, promote compliance and energy-saving initiatives within the supply chain, and support suppliers in obtaining certifications for self-improvement. These efforts are aimed at building an efficient, healthy, green, and sustainable supply chain.

Supplier Access and Management

Supplier Access and Certification

We implement a rigorous and standardized supplier access process. Staff from the Supply Department strictly follow the *Material Supplier Management Measures* to screen qualified suppliers based on material quality assessment (including suitability of quality standards), process suitability assessment (including test and process validation), and product quality assessment (including stability) and strictly control basic threshold requirements for supplier access. Beyond mandatory qualifications, we place significant emphasis on suppliers' performance in quality management system, EHS management system, social responsibility, and environmental protection. Under equal conditions, priority is given to suppliers certified under ISO management systems, and the procurement share of high-quality suppliers is continuously increased.

As of the end of the reporting period,

100% of the company's API suppliers passed GMP compliance inspections;

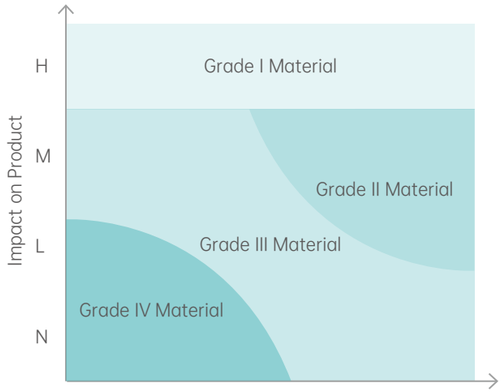
over **95%** of API manufacturers,

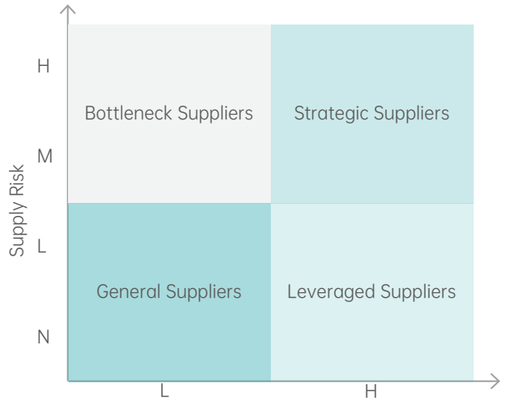
90% of excipient manufacturers, and packaging material manufacturers obtained ISO 9001 quality management system certification.

Material Classification and Supplier Categorization

We classify the materials into Grade I to IV levels based on a comprehensive analysis of quality risks of the products, nature of materials, the use and dosage of materials, the degree of impact of materials on product quality, adopting different supplier management methods for different levels of materials.

Additionally, we classify suppliers into three categories based on the qualification verification (approval) status: potential suppliers, approved suppliers, and unqualified suppliers. For approved suppliers, further classification is conducted based on material supply risk and material purchase amount, and the refined categories include strategic suppliers, leveraged suppliers, bottleneck suppliers, and general suppliers. Tailored management strategies are implemented for each supplier category.





Supplier Risk Management

Upholding the risk management philosophy of "quality first, prevention foremost", we have established a systematic and multi-dimensional supplier risk management system. Through proactive planning and dynamic management, we aim to build a secure, stable, and sustainable supply chain ecosystem, providing a solid foundation for the company's steady operations and long-term growth.

Information Collection and Risk Prediction

We regularly monitor industry trends, assess market risks, anticipate supply monopolies and price fluctuations, and develop inventory and procurement plans. Emergency mechanisms are established for sudden risks, with dynamic adjustments to inventory and production plans.

Avoiding Single Source

We diversify supplier base to reduce dependence on single supplier and ensure material supply continuity. For products under development, supply risks are evaluated in advance to build a diversified supply system.

Diversifying Suppliers

We adopt a multi-region, multi-country procurement strategy and assess suppliers' risk resilience to ensure supply chain stability.

Reasonable Material Standards

We set scientific material standards to balance quality and cost, avoiding supply shortages or cost fluctuations due to excessively high standards.

Strategic Partnerships

We establish long-term strategic partnerships with core suppliers and sign supply agreements to ensure stable provision of key materials. Regular evaluations and in-depth collaboration further enhance supply chain efficiency.

Supplier Quality Improvement

We place high importance on supply chain quality management and implement risk control measures from the production source. Continuous support and guidance are provided to suppliers through workshops, training, on-site diagnostics, and benchmarking activities to improve production quality management and product quality. These efforts ensure long-term, stable provision of qualified materials and foster mutually beneficial partnerships.

Specific measures for supply chain quality improvement include:

Developing and executing supplier quality audit plans. Through audits, we emphasize our specific requirements for suppliers across all aspects. Audit results serve as a key factor in annual comprehensive performance evaluations and directly influence subsequent procurement shares.

Conducting targeted seminars with suppliers to collaboratively address product quality and safety issues, develop improvement plans, and reach consensus on corrective actions.

Providing guidance on process improvements, on-site management, quality inspection, and contamination control strategies when material supply or quality issues arise. Multiple on-site diagnostics and corrective measures are implemented to assist suppliers in timely rectification and improvement.

Supplier Quality Training

To effectively manage supply chain quality risks, we conduct quality management training for suppliers annually through online, offline, and material-sharing methods. The training content is customized based on supplier performance evaluations and issues identified during audits to enhance relevance and effectiveness.

In 2024, we systematically organized supplier training programs focusing on key areas such as change management, deviation management, lean production tool application, CCS (contamination control strategy), quality management system development, and process and quality control improvements. Throughout the year, nearly 300 training sessions were held, totaling approximately 400 hours, covering 320 strategic suppliers, leveraged suppliers, bottleneck suppliers, and some high-risk suppliers (those involved in high-risk quality incidents in 2023 and with audit results of "conditional approval"), and involving more than 2,000 participants. These targeted initiatives significantly improved suppliers' quality management capabilities, further strengthening the foundation for supply chain quality and safety.

Supplier Quality Training in Progress

Number of supplier training sessions

320

Coverage of supplier training

100%

Supplier training hours

400

Number of supplier participating in supplier training

over 2,000

Supplier Audit

To establish a robust material supplier quality audit management system, proactively mitigate risks at the source, and continuously enhance supplier management capabilities across production companies, we have implemented the *Material Supplier Quality Audit Management Measures* and adhere to them strictly. This system standardizes and institutionalizes material supplier quality audit practices. Audits are conducted based on GMP's six major systems: quality assurance, quality control, production management, material management, facility and equipment management, and packaging and labeling systems, ensuring product quality and safety from the source. We conduct annual audits for Grade I, II, III, and IV material suppliers through on-site, documentary, or remote methods, in accordance with material classification requirements.

After each audit, we compile audit reports and conclusions based on audit records or data summary, supplier defect rectification reports, or rectification plans.

- **Audit conclusion of "approved":** It indicates the supplier's quality management system meets the Company's requirements, and production quality management is compliant. The supplier may continue providing materials within the audit scope.
- **Audit conclusion of "conditionally approved":** It indicates gaps between the supplier's quality management system and the Company's requirements or non-compliant production quality management, requiring improvements. Follow-up audits are required for improvements when necessary.
- **Audit conclusion of "not approved":** It indicates the supplier's quality management system or production quality management fails to meet the Company's requirements, posing significant quality risks. The supplier must rectify issues and undergo a full re-audit before resuming business.

In 2024, KELUN PHARMA's subsidiaries (branches) strictly followed the established audit plan and successfully completed comprehensive supplier audits. 320 suppliers underwent on-site audits and 100 supplier underwent written audits, achieving 151% of the annual target. The audits covered strategic suppliers, leveraged suppliers, bottleneck suppliers, general suppliers, and "high-risk suppliers" (those involved in high-risk quality incidents in 2023 and with audit results of "conditional approval"). The audits significantly improved supply chain quality management and ensured stable operation of the supplier system.

On-site Supplier Audit

Number of supplier audits

420

Number of on-site supplier audits

320

Number of written supplier audits

100

Number of remote supplier audits

2

Supply Chain Integrity Construction

We are committed to promoting integrity construction in the supply chain, prohibiting all forms of commercial bribery, and requiring all employees to adhere to the highest ethical standards of business. We encourage upstream and downstream partners and stakeholders to support, accept, and implement the *Anti-Commercial Bribery System* and *Code of Business Conduct*, ensuring compliance with applicable laws, regulations, and internationally recognized ESG standards.

External Restrictions and Supervision

We integrate applicable clauses of the *Code of Business Conduct* into contract management with suppliers and business partners. Notably, we mandate that all suppliers and business partners must unconditionally undergo our annual evaluations on anti-corruption policy formulation and implementation assessment.

Supplier Anti-Corruption Compliance Investigation

In 2024, we continued to conduct comprehensive anti-corruption compliance investigation of its suppliers, and thus assessing whether suppliers had established robust compliance management systems and examining the development and implementation of their anti-corruption policies.

87.88% suppliers have internal independent compliance department;

96.46% suppliers have anti-corruption and anti-bribery policy in place;

93.43% suppliers hold anti-corruption and anti-bribery training to main positions;

91.41 % suppliers have employees sign anti-corruption and anti-bribery agreement.

We mandate that all procurement contracts with suppliers must incorporate the *Sunshine Agreement*, which stipulates: Both parties shall prohibit the solicitation or acceptance of any improper benefits. Either party shall not deliberately create obstacles for the other. Violations can be reported through designated channels specified in the agreement. Meanwhile, we include anti-corruption as a screening criterion from the supplier access stage, requiring all suppliers to study the *Sunshine Agreement Training Video* on KELUN PHARMA's official procurement platform, achieving 100% implementation.

As of the end of the reporting period, 100% of core suppliers have signed the *Sunshine Agreement*

100% of suppliers have studied the *Sunshine Agreement Training Video*

Internal Standardized Management

We have established comprehensive procurement management processes and a supplier lifecycle management system, adhering to the "three-three principle" and utilizing the information-based procurement management platform - Kelun Pharma Electronic Procurement System to track, manage, and trace procurement activities. These internal management measures effectively mitigate the risks of malpractice in supplier management, ensuring fair and impartial procurement practices while advancing integrity in the Company's supply chain.

Additionally, we require all new employees to sign the *Kelun Group Compliance /Integrity Commitment Letter* upon onboarding, while existing employees reconfirm their commitment by re-signing the document annually during the Compliance Season. During the reporting period, all employees required to sign the *Kelun Group Compliance /Integrity Commitment Letter* had completed the signing process.

Green Procurement

We highly value green development in the supply chain and actively fulfill social responsibilities to promote its green and low-carbon development. In alignment with the *Green Manufacturing - Green Supply Chain Management in Manufacturing Enterprises - Specifications for Assessment*, we manage suppliers across the entire product lifecycle, from product design and raw material procurement to production, transportation, storage, packaging, usage, recycling, and disposal. Furthermore, we continuously monitor suppliers' EHS (Environment, Health, and Safety) performance, integrating annual assessment results into their overall evaluation. When allocating procurement shares for the following year, priority is given to suppliers with stronger EHS performance under equal conditions.

04

People-oriented and Shared Growth

KELUN PHARMA firmly believes that talent is the cornerstone of corporate development. We place high importance on protecting employee rights and have established a fair and transparent employment system, emphasizing equality and diversity in the talent structure. With outstanding capabilities, we attract talent, nurture them through independent innovation, and serve them with generous benefits. We regard talent development as the most critical responsibility. At the same time, we adhere to occupational health and safety standards, creating a safe and comfortable working environment. We are committed to safeguarding employees' physical and mental health, fostering mutual growth between us and our employees, and sharing the fruits of corporate development.

Talent Development Strategy

Compliance in Employment

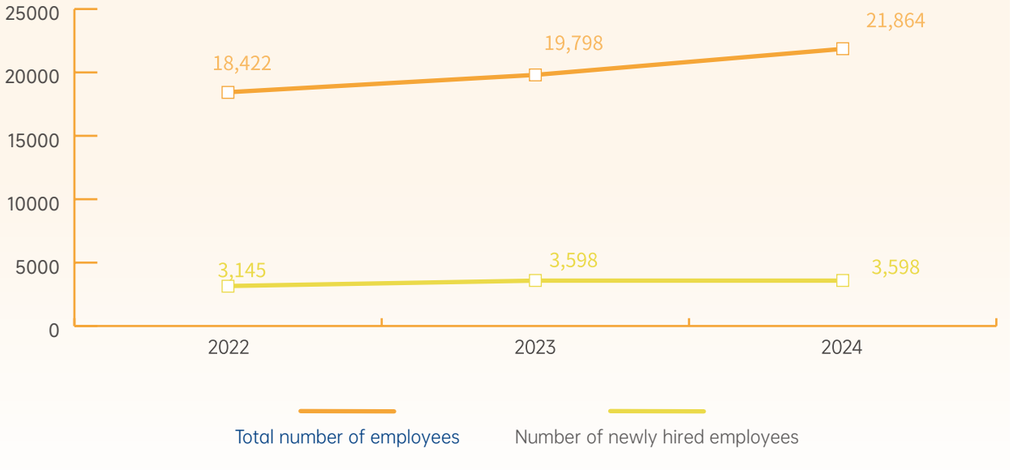
We consistently adhere to a people-oriented principle, strictly complying with domestic laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Special Provisions on Labor Protection for Female Employees*, the *Law of the People's Republic of China on the Protection of Minors*, and the *Provisions on Prohibition of Child Labor*. Additionally, we actively implement international standards like the *United Nations Global Compact* and the *International Labor Organization (ILO) Core Conventions* to ensure compliant recruitment, equal employment, and comprehensive protection of employee rights. We are dedicated to fostering a fair, just, diverse, and inclusive workplace environment.

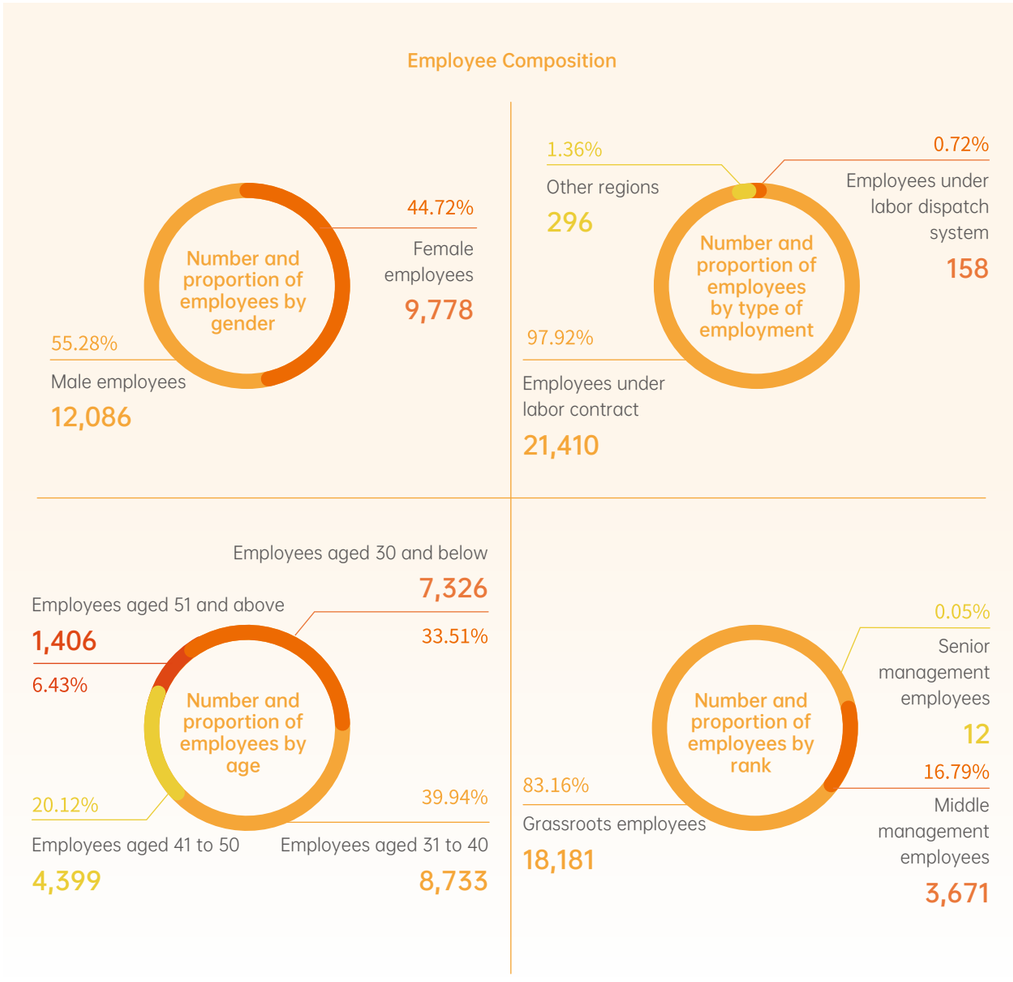
Recruitment and Employment Management

We have established a *Recruitment Management System* applicable to all employees, aiming to build a transparent and fair recruitment mechanism that ensures equal employment opportunities for all candidates. Furthermore, we have implemented the *Employee Diversity and Labor Employment System*, which applies to all employees of the headquarters and its subsidiaries (branches), including full-time, part-time, outsourced, and temporary workers. This system explicitly prohibits child labor, opposes forced labor, protects employee diversity, and firmly rejects any form of discrimination or harassment. It ensures employees' legitimate rights and interests in fair compensation, workplace safety, career development, and democratic participation are fully realized.

During the reporting period, we achieved

100% social insurance coverage for employees





Opposing Child Labor and Forced Labor

We strictly abide by national and international labor protection laws and regulations. We have implemented the *Employee Diversity and Labor Employment System*, firmly prohibiting child labor and forced labor. During recruitment, we enforce rigorous age verification to ensure all new hires meet the legal minimum working age (16 years old). This is achieved through ID verification, age inquiries during interviews, and pre-employment background checks. We regularly review recruitment, employment, and compensation processes to ensure all employees participate voluntarily, equally, and fairly, with no form of forced labor. Additionally, we provide training and education to enhance employees' awareness and ability to protect their rights, maintaining a positive labor environment.

During the reporting period,

no incidents of child labor or forced labor were reported. All employees met the legal minimum working age requirements.

Talent Attraction

We adhere to the employment policy of "strict screening, only selecting true talents; Give rewards and punishments regardless of relation". We use various channels such as social recruitment, campus recruitment, internal and external referrals, and headhunting recommendations to attract talents with different backgrounds and experiences through a diversified, standardized, and transparent recruitment process, laying a talent foundation for the long-term development of the Company and strengthening employer brand building. In order to respond to the needs of internationalization, we recruit talents from the United States, Europe, India, and countries linked to the Belt and Road to help overseas business development. During the reporting period, the Company has created a total of 3,598 job opportunities for society.

In addition to introducing external talents, we also focus on the effective flow of internal talents. The Company regularly initiates internal selection and recruitment processes for vacant positions, and employees can apply through open channels, making talent flow more efficient. To encourage all employees to recommend outstanding talents, we have established the *Regulations on the Management of Internally Recommended Talents*. Employees can recommend candidates through online or offline channels such as the Company's official website, "KELUN PHARMA Recruitment", WeChat public account, official WeChat account, and corporate email.

Employer Honors

During the reporting period, KELUN PHARMA and its subsidiaries (branches) have demonstrated unremitting efforts and outstanding results in building harmonious labor relations, and have won over 14 enterprise labor relations honors and awards from national, provincial, municipal, and district governments and authoritative institutions. These honors fully confirm the continuous involvements and significant achievements of KELUN PHARMA in employee rights protection, labor relations management, and corporate culture construction.

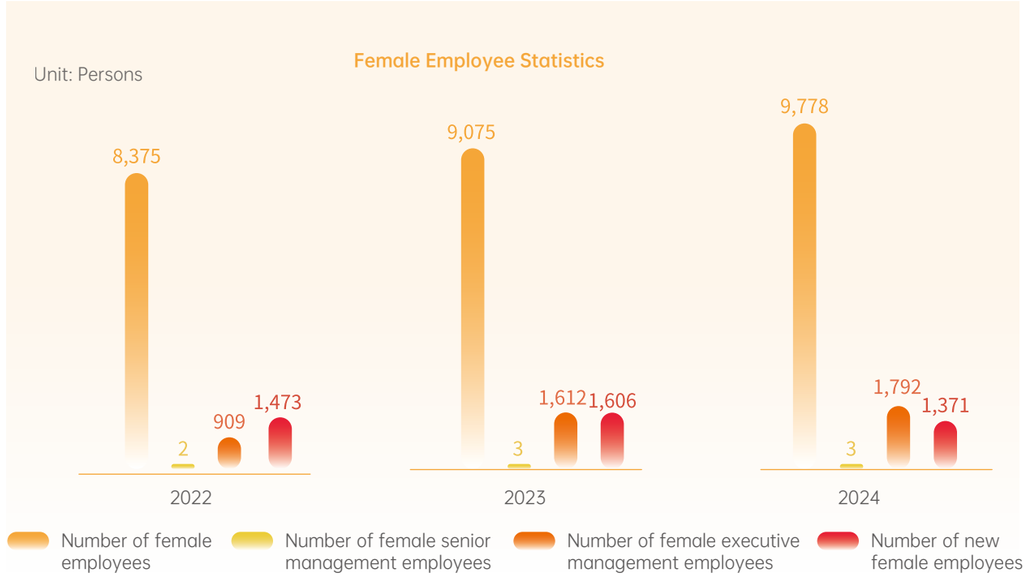
Diversity and Inclusion

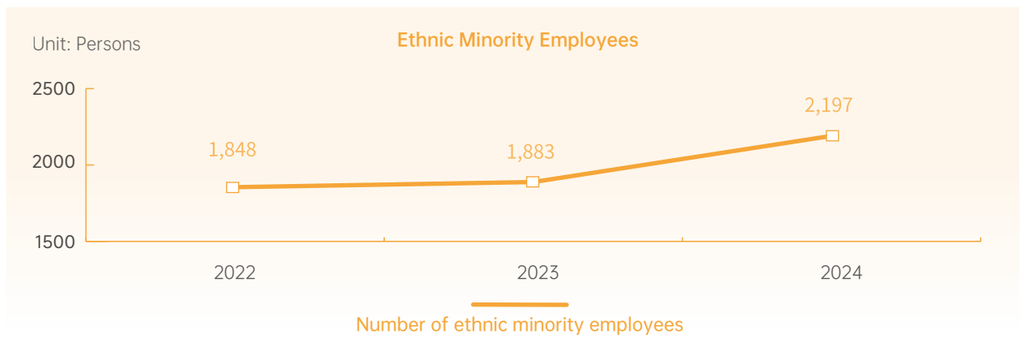
The Company is dedicated to fostering a diverse, equal, and inclusive corporate culture to attract and retain exceptional talent while encouraging employees from all backgrounds to excel. We have established and implemented the *Employee Diversity and Labor Employment System*, which designates the ESG Committee under the Board of Directors to be responsible for the development, revision, execution supervision of this policy. This includes diversity training, diversity management goal setting, and progress tracking.

Diversity and inclusion are core components of KELUN PHARMA's ESG strategy. To ensure effective implementation, we have set a goal to "achieve a female employee ratio of at least 46% by 2030". This goal is integrated into the management's performance evaluations and directly linked to their compensation. Additionally, recruitment teams are incentivized through bonuses to promote diversity. The HR Department conducts an annual review of diversity progress at the beginning of each year, analyzes relevant data, and report implementation status to the ESG Committee to ensure goal attainment.

We set a goal to "achieve a female employee ratio of at least

46% by 2030"





Diversity Training

The Company actively cultivates an inclusive corporate culture and places strong emphasis on training related to the *Employee Diversity and Labor Employment System*. With support from relevant departments, we organize at least one annual mandatory training session on this system for all employees.

KELUN PHARMA Conducted Special Training on *Employee Diversity and Labor Employment System*

To enhance employees' understanding of diversity and labor policies, in 2024, the Company conducted special training on the *Employee Diversity and Labor Employment System* for all employees. The training covered the importance of diversity, talent recruitment and development, labor management, and feedback mechanisms. Through systematic explanations and case studies, employees gained a deeper understanding of diversity and its role in the workplace, as well as the principles and procedures of labor employment. We used the ELN learning platform for online training, ensuring flexible participation and review. Post-training online assessments showed an 88% pass rate, indicating effective comprehension and mastery of the content.

Material Benefits to Promote Diversity

The Company actively enhances its performance in diversity and inclusion by offering diversified material benefits, thereby supporting the achievement of diversity goals. It strictly complies with the *Special Provisions on Labor Protection for Female Employees*, ensuring female employees enjoy special leaves such as paid marriage leave, maternity leave, and breastfeeding breaks. Additionally, it provides flexible late-arrival leave for pregnant employees and fully equipped lactation rooms to facilitate a smooth return to work for new mothers. Furthermore, we care women's health by promoting cancer prevention awareness, effectively reducing the risks posed by breast and cervical cancers to women's well-being.

We respect the customs and cultures of foreign and ethnic minority employees, granting them cultural holidays beyond standard leave to demonstrate inclusion for cultural diversity. Moreover, for employees at overseas bases, the Company adheres to a global operation philosophy and implements the *Regulations on the Overseas Base Visits (Anti Visits) Management*. It has introduced exclusive welfare plans, including commercial insurance coverage, complimentary health check-ups, and holiday greetings for overseas employees and their families, further fostering the development of a diverse and inclusive corporate culture.

Xindu Base Held Health Lecture for Female Employees

To better care for women's health, raise awareness of cancer prevention, and reduce the risks posed by breast and cervical cancers, Xindu Base organized a health education lecture on prevention and treatment of two major cancers on May 16, 2024. The event invited Dr. Zhou Li, Director of Gynecology, and Dr. Ma Bangying, Director of Breast Surgery, from Xindu District Maternal and Child Health Hospital to deliver expert insights. The lecture aimed to enhance female employees' awareness of cancer risks, educate them on scientific prevention and early screening methods, and promote overall physical and mental well-being.

Xindu Base's Health Lecture on Prevention and Treatment of Two Major Cancers

Anti-Discrimination and Anti-Harassment

We are committed to maintaining a fair, just, and inclusive workplace, strictly enforce the *Employee Diversity and Labor Employment System*, and oppose all forms of discrimination and harassment. During recruitment, candidates of all genders, races, ethnicities, pregnancy statuses, disabilities, or religions are treated equally. The Company fosters team diversity by valuing cultural backgrounds and perspectives. We respect employee diversity and differentiation, reject all forms of discrimination, bias, or unlawful differential treatment, and provide inclusive services.

KELUN PHARMA holds a zero-tolerance policy for harassment, intimidation, or bullying in the workplace and relevant environment. It upholds gender equality principles, takes strong action against sexual harassment, and safeguards employee rights. We have established the *Employee Appeal System*, which outlines clear reporting procedures and corrective or disciplinary measures for human rights violations, including discrimination and harassment. For such misconduct, employees can file a complaint with appeal handling committees following the channels and procedures specified in the system. For more details on the reporting procedures, please refer to relevant content under "appeal handling procedures" on page 3 of the *Employee Appeal System*, available in the sustainable development section of the Company's official website.

During the reporting period, KELUN PHARMA did

not experience any incidents of workplace discrimination or harassment

Talent Retention

Compensation Management

In order to fully leverage the incentive effect of salary and benefits and maximize the motivation of employees, we have established a comprehensive compensation system consisting of fixed and variable salaries, covering all employees (including non-management staff and non-sales staff). The principle of remuneration based on contributions and performance is adopted. The floating salary is linked to employee performance evaluation results, strengthening incentives and forming a healthy competitive mechanism within the Company.

We have established a standardized and reasonable salary distribution mechanism based on the principles of "make use of talents, distribution according to work, fairness in treatments, and consideration of benefits". This combined with the characteristics of production, operation, and management, and taking into account the supply and demand situation of the labor market, differences among employees, and our paying ability. We ensure that the salary level of employees is competitive compared with local peers and major domestic competitors, in order to effectively attract, retain, and motivate talents, and improve the competitiveness. We also ensure that male and female employees with the same job functions, contributions, and performance receive equal compensation in our Company.

We will regularly monitor employee compensation to ensure effective implementation of relevant policies. At the same time, a sound compensation appeal mechanism has been established, and internal communication and appeal channels related to compensation have been opened to all employees. The scope of appeal includes compensation, benefits, attendance, performance evaluation, and rewards and punishments.

Performance Appraisals

In order to establish a performance-oriented culture and achieve continuous improvement of organizational and individual performance through standardized and effective performance management mechanisms, and ensure the achievement of the Company's strategic and operational goals, we have formulated the *Employee Performance Management Measures* and various specialized performance bonus assessment plans, covering all employees (including non-management staff and non-sales staff). We also regularly organize departments and employees to conduct performance evaluations according to the agreed performance evaluation cycle (monthly/quarterly/semi-annual/annual), resulting in organizational and individual performance.

To meet the needs of different positions and job natures and to fully motivate employees, we have established diversified employee performance assessment methods, including Key Performance Indicator (KPI) method, goal management method, behavioral observation method, and others. Taking the Key Performance Indicator (KPI) method as an example, it drives business development through the setting of KPIs. Employees extract and develop key performance evaluation indicators from the annual key work plan, departmental performance indicator decomposition, core job responsibilities, and other aspects to form a personal annual performance plan table; The performance is reviewed and adjusted in a quarterly or semi-annual manner, with department heads providing performance coaching during the process; At the end of the year, the assessment will be conducted through a combination of performance self-evaluation and department head review. The evaluation results serve as important bases for bonus distribution, annual salary adjustments, annual promotions, talent development, and awards of honors.

Performance Feedback Mechanism

After the performance assessment, assessors provide timely feedback to the individual being assessed on the assessment results. This can be done through face-to-face interviews or phone conversations, allowing the individual to understand the Company's expectations and areas for improvement in their performance. This process helps create a personal performance improvement plan. The individual being assessed can also communicate any difficulties they encountered in achieving their performance goals and request guidance and assistance from their superiors. Once both parties have fully communicated and reached an agreement, they jointly complete and sign the *Performance Feedback Interview Record Form*.

If an employee has any objections to the assessment results, they should raise a written performance appeal to the HR Department. Upon receiving an employee's appeal, the HR Department should provide a response within 3 working days, indicating whether the appeal will be accepted. Once the appeal is accepted, an investigation should be conducted into the appeal content. Communication and coordination should be carried out with relevant departments or individuals. If no resolution can be reached through coordination, the case should be escalated for a decision by the General Manager Department. After the decision by the General Manager Department, the HR Department is responsible for providing the appeal resolution to the appellant.

Equity Incentives

To further optimize the Company's long-term incentive mechanism, attract and retain outstanding talents, and fully motivate the Company's management personnel and key employees, we actively integrate the interests of shareholders, the Company, and the incentivized individuals. This alignment ensures that all parties are focused on the Company's long-term development. In accordance with relevant laws, regulations, and normative documents, the Company has launched multiple rounds of equity incentive plans.

By the end of the reporting period, there were existing equity incentive/employee stock ownership plans in KELUN PHARMA, covering a total of **966** employees .

Kelun Pharmaceutical 2021 Restricted Stock Incentive Plan, covering **387** employees	Kelun Pharmaceutical 2021 Employee Stock Ownership Plan, covering **9** employees	Kelun Pharmaceutical 2022 Employee Stock Ownership Plan, covering **117** employees
Kelun-Biotech Employee Stock Ownership Platform, covering **166** employees	CHUANNING BIOTECH 2023 Restricted Stock Incentive Plan, covering **35** employees	CHUANNING BIOTECH Employee Stock Ownership Platform, covering **264** employees

Note: The total number of employees covered is 966, which differs from the total sum in the breakdown below. This discrepancy is due to 12 recipients being granted duplicate awards.

Employee Care and Welfare

The Company always regards employees as its most valuable asset, and is committed to enhancing employee happiness and sense of belonging through a comprehensive welfare system and a wide range of employee activities and through diverse welfare and care measures.

Employee Benefits

The Company is committed to continuously improving employee well-being, fostering employee motivation, and enhancing a sense of belonging and team cohesion. We provide a wide range of non-pay benefits benefits and support for all employees, in addition to statutory benefits such as social insurance and housing provident fund contributions. We also offer special benefits for eligible employees.

Material Non-Pay Benefits Programs

- The Company has partnered with well-known insurance companies to provide employees with an exclusive purchasing platform for "Million Medical" coverage. This platform offers comprehensive medical coverage, including high hospitalization expenses, special outpatient treatments, and chemotherapy for malignant tumors. Employees can enjoy exclusive discounts and a seamless purchasing experience. Employees can purchase personalized health protection plans at discounted prices, effectively mitigating the financial risks of illness.
- The Company has a deep collaboration with a renowned insurance Company to launch a "Personal Pension" program, aiming to create a secure and guaranteed retirement plan for employees. Through this policy, we encourage employees to actively participate in personal pension savings. They can choose to purchase designated savings deposits, financial products, commercial pension insurance, public funds, and other personal pension products in accordance with relevant regulations. Full accumulation is implemented, and employees can enjoy tax incentives as per government regulations.
- The Company provides free annual medical examinations for all employees to safeguard their physical health, prevent major diseases, and reduce healthcare risks.
- The Company has established the "Kelun Love Fund" to provide timely assistance for employees and their families who are facing major illnesses or accidents.

The Company continues to enrich the diversity of non-pay benefits and actively develops innovative welfare programs, as well as exploring welfare care plans tailored to specific employee groups. Each year, the Company takes into account the actual needs of human resources management and changes in the external environment. Consideration is given to different customs, legal requirements, and employee needs across various global operating locations. The Company provides overseas employees of companies not within China with overseas employee insurance, allowances, medical examinations, and also provides insurance and medical examinations for the families of overseas employees. Regular visits and support are extended to overseas employees and their families.

KELUN PHARMA BENEFITS LIST

Statutory benefits for all employees	Non-statutory benefits for all employees	Non-statutory benefits for eligible employees
• Five social insurance and one housing fund • Legal holidays and vacations • Ethnic holiday breaks • Paid annual leave • Marriage leave, maternity leave, paternity leave, breastfeeding leave • Funeral leave • High temperature allowance	• Personal pension • Love fund • Million medical insurance • Commercial insurance • Health examination • Annual medical examination • Paid tourism • Travel subsidy • Expatriation subsidy • Holiday bonuses (gifts) • Wedding gifts • Birthday gifts • Congratulations on childbirth • Factory anniversary gifts • Retirement condolences • Comfort for illness • Comfort for work-related Injuries • Funeral funds • Exclusive benefits for internal car purchases	• Employer liability insurance • Free dormitory • Free lunch • Education subsidy • Title subsidy • Traffic allowance • Transportation allowance for Spring Festival travel • Communication subsidy • Equity incentive plan • Women's Day bonus (gifts)/ holiday • Children's Day gifts • Home leave • Late arrival leave for pregnancy • Service length subsidy • Breastfeeding room • Breastfeeding leave • Overseas employee insurance • Overseas employee subsidy • Insurance for families of overseas employees • Medical examinations for overseas employees • Medical examinations for families of overseas employees

Employee Care

In order to create a more harmonious, healthy, and positive work atmosphere, the Company promotes work-life balance by establishing employee activity centers, gyms, libraries, and other facilities. We have held various series of sports competitions multiple times, such as badminton, basketball, and table tennis; Organized various team building activities, including masquerade dance, Winter Solstice food themed festival activities, fun sport day, Chinese Valentines Day festival fellowship activities, etc; Established interest clubs such as choirs, fitness groups, table tennis clubs, badminton clubs, and dance clubs, greatly enriching the lives of employees.

Shandong Kelun Women's Day Reading Sharing Event, Empowering Women in the Workplace

On Women's Day 2024, the Shandong Kelun Reading Club organized a reading sharing event with the theme *Being a Woman in the Workplace*. This event not only strengthened communication and connection among employees but also promoted personal growth and development. By reading more books, and reading good books, employees continuously enhance their cultural literacy and cultivate a life philosophy of loving life and being confident and resilient.

Shandong Kelun "Reading Sharing Conference"

Headquarters & Xindu Base: "Little Kelun Employee" (Children of Employees) Embark on an Exploratory Journey into pharmaceuticals

In July 2024, the "Little Kelun Employee - Exploratory Journey into pharmaceuticals" event, hosted by the Human Resources Department of the Company's headquarters and organized by Xindu Base, took place at Chengdu Medical College. A total of 30 children of employees from the headquarters, Kelun-Biotech, Research Institute, and Xindu Base participated in the event and had the opportunity to personally experience the allure of the medical and pharmaceutical professions. The children had the opportunity to visit the university library, explore the Life Science Museum, learn about emergency care at the first aid center, experience traditional Chinese medicine tie-dyeing, and engage in in-depth interactions with professors. Through these activities, they gained a close-up understanding of the rigor and wonders of the medical and pharmaceutical fields. The event sparked their interest in the pharmaceuticals industry and deepened the emotional connection between the children and their parents' professions. They not only acquired valuable knowledge in pharmaceuticals but also experienced the academic atmosphere of a university, laying a solid foundation for their future academic planning. This event provided more learning and growth opportunities for the children of employees and contributed to the preservation and development of the Company's culture.

Support for Employees in Distress

The Company has always attached great importance to assisting employees in difficult situations. Through initiatives such as the "Kelun Love Fund" and "Million Medical" insurance, the Company has established a comprehensive and secure healthcare protection system. This enhances employee happiness and fosters unity within the Company.

During the reporting period:

The Kelun Love Fund Committee has received donations totaling over RMB 1.35 million from the headquarters, subsidiaries, and certain regions. It has provided love and assistance funds totaling over RMB 1.39 million for 98 employees and their family members who are suffering from serious illnesses or have experienced accidents. Since its establishment, the Group's Love Fund has provided assistance for 1,783 individuals in need, with a total assistance amount of over RMB 14 million.

A total of 638 individuals have purchased medical insurance through the "Million Medical" exclusive platform.

Employee Communication

To safeguard employee rights, optimize management, enhance satisfaction, and foster enterprise cohesion, the Company has established systems such as the *Employee Appeal System*, and created various channels for feedback and suggestions. Employees can choose the appropriate channel to provide feedback and raise concerns, and relevant departments will conduct joint investigations and provide timely feedback. During the reporting period, the Company implemented the *Chairman's Hotline Reporting System*, allowing employees to report significant issues directly to the chairman. The Company and its subsidiaries (branches) have also set up a "General Manager's Mailbox" to actively listen to employee voices and encourage them to offer suggestions and ideas for the Company's development.

Additionally, the Company conducts employee satisfaction surveys, organizes employee forums and discussions, engages with university students, and provides platforms for employees to express their wishes. This includes the use of WeChat groups, democratic meetings, staff representatives meetings, on-site office sessions with the general manager, regular inspections, team leader meetings, and work meetings. These platforms ensure that employee concerns are promptly and effectively addressed.

During the reporting period, all employee-related complaints were properly handled, and there were no disputes raised by the individuals who filed the complaints.

Formal Grievance Reporting Procedure

The Company is committed to providing employees with a smooth and confidential formal grievance reporting procedure. The confidentiality of the appellant and their appeal information is strictly maintained, and necessary measures are taken to protect the personal safety and lawful rights and interests of the appellant. During the reporting period, the Company revised the *Employee Appeal System*, clarifying the departments responsible for handling appeals, the scope of appeals, and the channels for submitting appeals, while optimizing the appeal handling procedure. The scope of appeals includes instances of unfair treatment by superiors or colleagues, as well as other matters where lawful rights and interests have been violated (such as any form of human rights violation, including discrimination, harassment, and bullying).

The headquarters and subsidiaries (branches) have established "appeal handling committees" to carry out research, feedback, and response to employee appeals. Appellants can submit their appeals through the appeal handling committees at the headquarters and subsidiaries (branches). They can also choose to report through other appropriate means as deemed suitable by the reporting person. Appeal channels include appeal hotlines, appeal emails, and written reports. The Company has separately established the "Appeal Handling Procedure for Employees of Headquarters" and the "Appeal Handling Procedure for Employees of Subsidiaries (Branches)" for the headquarters and subsidiaries (branches) respectively. For more details on the reporting procedures, please refer to relevant content under "appeal handling procedures" on page 3 of the *Employee Appeal System*, available in the sustainable development section of the Company's official website.

Appellant Protection Measures

The Company has implemented measures to protect appellants. During the appeal handling process, relevant personnel are required to keep the information confidential and strictly avoid any retaliation against the appellant. Those who violate this requirement will face severe punishment.

Labour Union Communication

We firmly abide by local laws and regulations, and continuously improve the democratic management system within the enterprise. We have established trade union organizations in accordance with legal norms such as the *Constitution of the Chinese Trade Unions* and the *Trade Union Law of the People's Republic of China*. The Company regularly convene employee representative conferences, with representatives including but not limited to frontline workers, technical managers, leading cadres, party members, Youth League members, young employees and female employees., ensuring broad democratic participation. This democratic mechanism has played a substantive role in resolving labor disputes, implementing labor protection supervision, fulfilling labor legal supervision functions, and protecting the legitimate rights and interests of female employees, effectively safeguarding the democratic rights of all employees in participating in the process of enterprise reform and development.

Employee Engagement and Satisfaction Survey

We firmly believe that employees are the core driving force and valuable asset for enterprise development. In order to continuously optimize human resource management, improve organizational efficiency, and create a harmonious and efficient work environment, we attach great importance to and continue to pay attention to the dynamic changes in employee engagement and satisfaction. In order to gain a deeper understanding of employee needs, improve the work environment, enhance team cohesion and work efficiency, the Company annually conducts a engagement and satisfaction survey covering all employees.

During the reporting period, the Company designed dedication-related questions from the dimensions of emotions, cognition, and behavior. For satisfaction, questions were designed based on five dimensions: job content, work environment, management, compensation and benefits, and career development. The survey was conducted online through a questionnaire.

During the reporting period, the Company conducted a engagement and satisfaction survey covering all employees, with an effective response rate of **95.4%**. The overall engagement score was **95%**, and the overall satisfaction score was **92%**.

The Company continues to track the results of the engagement and satisfaction survey and develops improvement plans for areas with lower scores. The Human Resources Department at the headquarters organizes all subsidiaries (branches) to analyze employee feedback and conduct targeted interviews based on the survey results and data analysis. The purpose is to explore the possible reasons behind the levels of engagement and satisfaction. The department also organizes key employees to discuss improvement measures, strengthen employee trust and sense of belonging, and further enhance employee engagement and satisfaction.

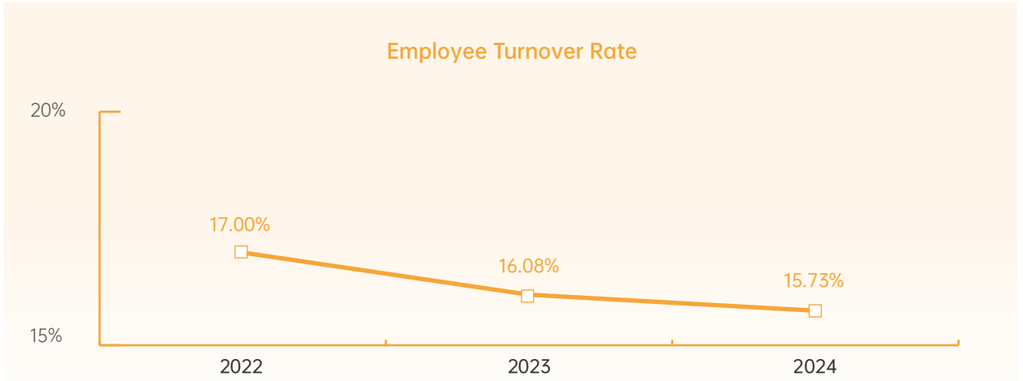
Dimensions	Specific Improvement Measures
Work-life Balance	• Implementing flexible working arrangements (flexible working hours, remote work) • Encouraging paid leave and establishing a reasonable leave policy • Organizing cultural and sports activities (such as badminton competitions, yoga classes, etc.)
Career Development Opportunities	• Establishing clear career development paths and specifying promotion criteria • Providing diverse training opportunities (professional skills, management skills, etc.) • Establishing an internal mentoring system and assigning mentors to employees • Encouraging internal job transfers and providing more career development opportunities
Valuing Employees	• Establishing open communication channels (employee forums, general manager's mailbox, etc.) • Establishing employee recognition and reward mechanisms (such as annual employee excellence awards) • Caring for employees' personal lives (birthday greetings, wedding wishes, etc.) • Creating a positive and uplifting corporate culture (team building, cultural activities, etc.)
Performance Management	• Formulating scientific and reasonable performance assessment indexes • Strengthening performance communication and feedback, assisting employees in developing improvement plans • Linking performance assessment results to compensation and benefits • Regularly evaluating and optimizing the performance assessment system
Work Processes	• Reviewing and optimizing existing work processes, simplifying procedures • Integrating information technology systems with AI to continuously improve system efficiency • Enhancing communication and collaboration between departments, breaking down information barriers • Encouraging employees to provide improvement suggestions and rewarding excellent rationalization proposals
Remuneration and benefits	• Periodically conducting market salary surveys to ensure salary competitiveness • Establishing a sound salary and compensation system based on job value, individual capabilities, and performance • Providing a diverse range of welfare programs (supplemental medical insurance, commercial insurance, paid annual leave, etc.) • Addressing individualized employee needs and offering flexible benefit plans

The Company's Improvement Plan for Low-scoring Areas

Talent Retention

The Company actively builds a comprehensive and sustainable talent management system. Through key dimensions such as compensation and benefits, employee development, promotion channels, and employee care, the Company strives to enhance the value realization and career stability of employees. This helps to reduce employee turnover rate and improve organizational effectiveness. Each year, the Company conducts statistical analysis of employee turnover data and formulates targeted improvement measures. During the reporting period, the employee turnover rate was approximately 15.73% (16.08% in 2023), with no significant turnover among senior management personnel. Over the past three years, the employee turnover rate has shown a decreasing trend, indicating the effectiveness of talent retention strategies.

From 2022 to 2024, the Company and its subsidiaries (branches) did **not** experience significant layoffs or any major mergers or acquisitions that adversely affected employees.



Employee Training and Development

Employee Training System

The Company attaches great importance to talent development and continuously builds and improves an employee training system based on the principles of "strategic guidance", "hierarchical training" and "consistent learning and application". The Company closely integrates talent development with its strategic objectives and the needs of employees' positions. A diverse range of training programs are conducted, and various assessment methods are used to evaluate the effectiveness of training. In addition, the Company implements a lifelong learning concept that combines online and offline learning. Since 2017, an online learning platform has been utilized to facilitate the integrated management of online and offline training. Based on three principles and the concept of compound interest, the Company has built special training programs that provide compounding benefits for employees at different levels and positions. Customized training programs are developed for management cadres, sales personnel, quality management personnel, and other specific roles, aiming to promote talent development and contribute to the Company's sustainable growth.

E-learning Online Platform Empowering Training System

In implementing the educational philosophy of lifelong learning, KELUN PHARMA has adopted a diversified training strategy that combines both online and offline, and both internal and external resources. By deeply integrating the application of the E-learning online learning system, a flexible and efficient dual line training model has been constructed. Since the full launch of the platform in 2017, we have successfully covered online learning and training activities for 25,000+ accounts, and achieved digital and refined management.

As of the end of the reporting period, we have carefully planned and delivered over 5,824 online training programs annually, accumulating a wealth of educational resources. We have developed 25,807 internal online courses that cover various fields, including pre-job training, management, regulations, safety and environmental protection, corporate culture, reference learning, professional technical knowledge, job skills, employee counseling, new employee onboarding, and product knowledge. During the reporting period, the activity level of our ELN platform reached a new high, with 1.9645 million logins and a total online duration of 867,300 hours. These figures demonstrate the strong desire for self-improvement among our employees and their high recognition of the platform's resources.

ESG Indicator		Unit	2022	2023	2024
Employee training hours	Total training hours	10,000 hours	134.32	170.95	176.18
	Average training hours per employee	Hours	70.84	86.35	80.58
	Total training hours for female employees	10,000 hours	/	76.07	76.63
	Per capita training time for female employees	Hours	/	83.83	78.60
	Total training hours for male employees	10,000 hours	/	94.87	99.55
	Per capita training time for male employees	Hours	/	88.47	82.18
	Total training hours for senior management	Hours	/	1,032.16	977.67
	Average training hours per senior management	Hours	/	73.73	81.47
Employee training assessment	Total number of training sessions per year	10,000 times	4.44	6.32	6.16
	Annual training expenditure	RMB'0,000	189.02	428.05	487.80
	Number of employees trained	Persons	18,422	19,798	21,864
	Employee training coverage rate	%	100	100	100

Integration of Industry and Education

In recent years, KELUN PHARMA has taken the construction of a national industry education integration enterprise as an opportunity to deeply participate in industry education integration and school enterprise cooperation. Through innovating the work mode of industry education integration, promoting deep cooperation between industry, academia, research and application, jointly building industry education integration internship bases, establishing a skilled talent training system, and promoting the construction of a "dual teacher" teacher team, it has played an important role in the reform of vocational colleges and higher education, and has produced a demonstration effect in improving the quality of technical and skilled talent training.

The integration of industry and education is an upgraded version of traditional school enterprise cooperation. The Company has formulated a management system for the integration, clarifying guiding principles, planning goals, key tasks, and guarantee measures. When carrying out the integration of industry and education, we focus on clinical needs and common technical challenges in the industry. Projects serve as the link, allowing us to closely combine industry, university, and research. We collaborate with universities and research institutions to achieve joint development and shared benefits. Through this collaboration, we drive breakthroughs in key core technologies and tackle challenging problems. As of the end of the reporting period, the Company has established strategic cooperative relationships for talent training with 113 universities and colleges, including 55 undergraduate universities, 52 colleges, and 6 vocational schools.

KELUN PHARMA's headquarters have collaborated with educational institutions on joint training projects

We have collaborated with Sichuan University to establish the "West China KELUN Class" to train senior pharmaceutical marketing and management professionals as well as engineers. There have been 8 sessions, with a total of 192 participants. We also conduct joint training programs for postgraduate students, with the third session currently in progress.

We have partnered with Chengdu University for the "Integration of Industry and Education in Medicine and Health" demonstration project. By sharing resources and complementing each other's strengths, we aim to cultivate pharmaceutical talents that meet industry needs and promote the industrial application of research achievements.

We collaborate with China Pharmaceutical University for the "Return from Hundred Battles for Further Education" training program. This program involves inviting professors and leaders from China Pharmaceutical University to provide regular training for executives in the Group on policy interpretation, investment analysis, and pharmaceutical market-related management. The goal is to cultivate highly specialized talent, broaden the talent cooperation interface, and deepen the integration of industry and education.

The KELUN Postdoctoral Research Workstation has established a joint training mechanism with the Postdoctoral Research Station of Sichuan University. We have attracted 11 postdoctoral fellows to the station, with 7 of them completing their tenure (6 of whom have been retained). During their tenure, they have led over 30 high-tech drug research projects, creating a beneficial cycle of talent and output.

West China KELUN Class Event Site

Postdoctoral Defense Site

KELUN PHARMA's bases have collaborated with educational institutions on joint training projects

Xindu Base has deepened collaboration with Chengdu Medical College, participating in the development of teaching cases for graduate students. They are also advancing university-enterprise innovation projects, exploring solutions based on the college's professional advantages to promote industry-university-research integration. All projects are steadily progressing.

Qionglai Branch has partnered with Chengdu University, with General Manager Cui Dexiu serving as an off-campus mentor. They are jointly training 4 master's students and participating in the compilation of the textbook *Pharmaceutics*, which is used in multiple vocational colleges.

Some management personnel of Guizhou Kelun have been appointed as off-campus industry mentors in Guizhou Medical University and other universities. They are involved in the compilation of the textbook *Pharmaceutics* used in Guizhou Healthcare Vocational University, Guangxi Vocational University of Agriculture, and other vocational colleges.

Hubei Kelun has enhanced cooperation with Wuhan University of Science and Technology. They exchange technical knowledge, establish expert workstations, and invite university mentors to provide guidance. In June 2024, they made a donation of the "Baopuzhong" scholarship and assistance fund. Graduate students participated in the transformation of the production line, fostering a virtuous cycle of industry, university, and research.

Kunming Nanjiang has successfully completed the evaluation of the new apprentice dual training program in collaboration with Kunming Chemical Vocational and Technical School. They have also jointly conducted the certification of pharmaceutical formulation technical skill levels. As a result, 96 employees have achieved intermediate-level certification, and 94 employees have achieved advanced-level certification. This has contributed to an increase in the proportion of skilled frontline personnel. In 2024, the Company underwent a review and confirmation of the new apprentice training program by the government authorities.

CHUANNING BIOTECH adheres to an innovation-driven philosophy and engages in academic exchanges and technological collaborations with renowned institutions such as Tsinghua University and Harbin Institute of Technology. They have applied for 8 invention patents and published 7 academic papers. By deepening the integration of industry, university, and research, they are driving advancements in the industry's technology.

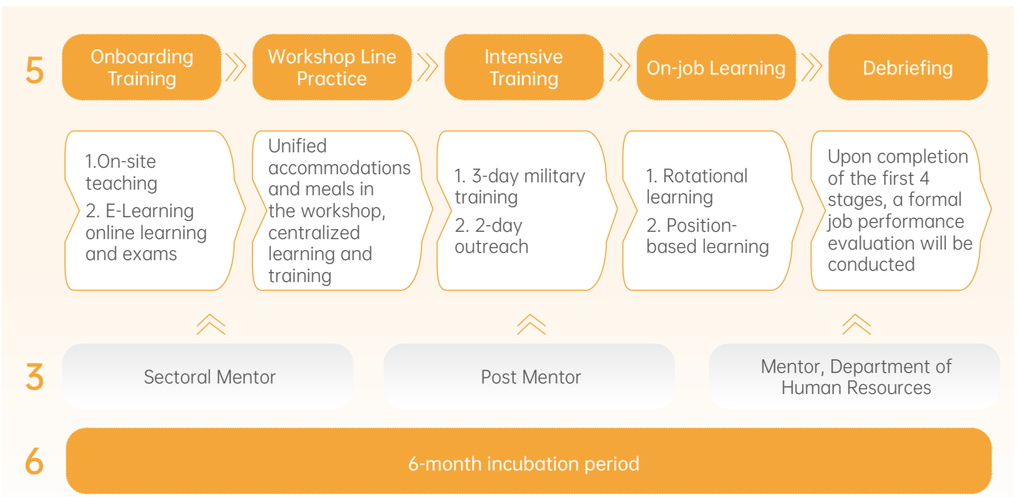
Launch Event of "KELUN Class" Joint Innovation Project Between Xindu Base and Chengdu Medical College

New Apprentice Dual Training Between Kunming Nanjiang and Kunming Chemical Vocational and Technical School

New Employee Training

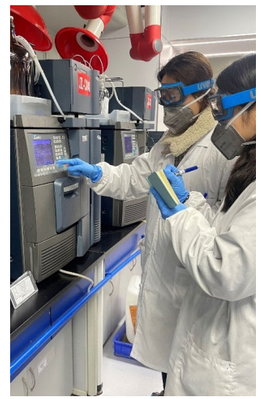
In order to ensure that new employees can quickly adapt to the environment and efficiently fulfill their job responsibilities, KELUN PHARMA implements a comprehensive coverage policy in new employee training, requiring a 100% participation rate in new employee training to help them deeply understand the Company's development history, core values, and management policies and behavioral requirements that need to be followed in daily operations.

Additionally, the Company has launched the "Program of Excellence" specifically targeting fresh graduates, with the aim of building a "Kelun New Army" with ideals and courage to strive, and reserving talents for Kelun's third decade of development. With the talent cultivation model of "five stages + three mentors", the employees from school recrements to successfully go through the rapid transformation from school to the workplace. This ensures that they quickly integrate into the Company's culture and unleash their potential.



"Program of Excellence" Training Program (536 Training Principles)

The Quality Department of Xindu Base Innovates the "Master-Apprentice" Training Model to Facilitate Rapid Growth and Skills Inheritance of New Employees



To comprehensively improve the job competence and professional skills of new employees, the Quality Department of Xindu Base of KELUN PHARMA has innovatively launched a one-on-one apprenticeship program. Through a deep binding mechanism that involves the mentor's whole process guidance and shared responsibilities, this program achieves rapid development of new employees and efficient transfer of team experience. The program focuses on core positions in quality analysis technology, selecting senior employees with over 5 years of experience, solid technical skills, and excellent communication abilities as mentors. Pairings are based on job compatibility and complementary personalities. Mentors are required to develop customized training plans for a period of 1-3 months. They use a three-dimensional coaching method of "theory explanation + hands-on training + case review" to systematically teach quality inspection methods, application of inspection tools, and disposal of typical issues. They also keep daily teaching logs and provide weekly feedback and growth assessments. To strengthen process management, the department establishes a "Dual Assessment for Mentor-Apprentice" mechanism, directly linking the skill attainment rate of new employees and the completion rate of independent tasks to the performance evaluation of mentors. Since its implementation, the average training period for new employees has been reduced by 40%, and the pass rate for key equipment operation certification has reached 100%. This has truly achieved a virtuous cycle of "experienced mentors guiding new employees while new employees promoting the improvement of experienced employees".

Job-specific Development Training

We firmly believe that implementing job specific training can not only improve individual employee skills and work efficiency, but also ensure that the Company maintains a competitive advantage in the rapidly changing market environment.

We have designed rich and targeted training courses based on the specific requirements and future development needs of each position:

In the field of professional development of employees	We have carefully organized business reception etiquette training courses to enhance the professional image and service ability of employees in external communication, and demonstrate the value connotation of the Kelun brand.
In the field of quality control	The KELUN quality training system includes knowledge lectures and the Drug Vigilance Training Center for quality management personnel. It continuously improves the quality theory and practical skills of each production base by establishing online and offline quality knowledge databases. Through the "Knowledge Lecture Hall" online platform, experience-based knowledge is extracted, resulting in the launch of 22 professional themes such as statistical application, data governance, and technology transfer. The total number of learners exceeds 200,000.
In the field of production management	We have launched an international high potential talent special training camp project, aiming to select and cultivate senior talents with a global perspective and professional skills, and help Kelun achieve modernization and internationalization in production and manufacturing.
In the field of marketing	We have implemented comprehensive leadership and business training programs that cover all levels of management. These programs aim to enhance strategic thinking abilities, decision-making skills, and teamwork and communication skills by focusing on innovative business model thinking and interpretation of industry regulations and policies.
In the field of corporate culture construction and training	We also spare no effort in promoting corporate culture construction and training. Through systematic educational and training activities, we deeply imprint Kelun's corporate values and social responsibility in every employee's mind, jointly shaping a team that combines professional skills and noble character.

At the same time, through a combination of online and offline teaching modes, together with various teaching methods such as theoretical teaching, practical exercises, simulation operations, and mentor guidance, we ensure that employees can fully grasp and proficiently apply them to practical work, continuously broaden their horizons, and enhance industry competitiveness. By regularly evaluating the effectiveness of training and making dynamic adjustments, we continuously optimize the job specific training system, ensuring that it always aligns with the Company's strategic goals and industrial development trends, thereby effectively driving the common growth of the enterprise and employees, and laying a solid talent foundation for achieving sustainable and excellent performance.

Promotion and Job Transfer Mechanism

The annual promotion mechanism is a regular channel provided by the Company each year to recognize and incentivize the career development of outstanding employees. It is carefully planned and arranged by the headquarters' Human Resources Department in accordance with annual regulations, following strict evaluation procedures, to ensure orderly promotions of employees to higher levels. At the same time, we also take into account the need for new positions or vacancies in existing positions, ensuring that employees who meet the criteria and are capable of performing the corresponding duties have a fair and equal opportunity to be promoted through the vacancy promotion process at any time during the year. This ensures optimal allocation of human resources, constantly improving overall Company efficiency.

To clarify employees' career development paths and unleash employees' potential, the Company is exploring new models for multi-channel career development. In addition to the traditional hierarchical promotion channels, we have established multiple career development paths such as management, professional, technical, operational, and support sequences. Employees can make lateral transitions based on the Company's needs and personal abilities.

Succession Planning and Leadership Development

The Company places great emphasis on leadership training aimed at nurturing leaders with vision, a sense of social responsibility, and environmental responsibility. We implement a comprehensive leadership training program as part of our succession planning initiative, which encompasses management personnel at all levels. The program aims to enhance their strategic thinking abilities, decision-making skills, and team collaboration and communication techniques.

Succession Planning

We adhere to the principle of "internal training as main focus and external introduction as supplement", and has developed the "Long Bench Succession Program" to prepare excellent successors for department heads within the Company. This program selects, trains, and reserves department heads and above, implementing dynamic management and evaluation processes. It provides resources for team and project management to help successors grow rapidly.

Management and Leadership Development Training

Based on the principles of ''strategic guidance'', ''hierarchical training'' and "consistent learning and application", the Company implements a comprehensive leadership development training program following the compounding mindset model. Our management and leadership development training covers employees at all levels, including grassroots staff, junior management, middle management, and senior management. This ensures that every employee has the opportunity to receive management and leadership development opportunities that match their career stage.

New employee orientation training	For our management trainees recruited from campus, we focus on developing their execution skills, team cohesion, and critical thinking capabilities. We conduct regular talent program boot camps as part of our efforts to nurture and reserve new talents for Kelun's next decade.
Junior management training	To enhance the management skills and mentoring abilities of grassroots managers in our industry, we have implemented a comprehensive team leader training program for the Group. This program aims to continuously improve the managerial proficiency and mentoring capabilities of the team leaders in the production process. For grassroots marketing managers, we have implemented various training programs focusing on product knowledge, management skills, and team leadership.
Middle and senior management training	For middle and senior management personnel in the quality field, we have implemented a quality module leader management system and developed a targeted training program that focuses on both quality technical skills and management capabilities. For middle and senior management personnel in marketing, we have initiated the "Return from Hundred Battles for Further Education" program. This program regularly invites professors and industry leaders from China Pharmaceutical University to provide training on policy interpretation, investment analysis, and pharmaceutical market-related topics for our executives.
Senior management training	For senior management executives, we offer various training programs, including International Pharmaceutical Engineering Management (IPEM) education course and the Finance EMBA at the Tsinghua University Wudaokou School of Finance. These programs cover not only management theory, business model innovation, and interpretation of industry regulations and policies but also focus on decision-making in complex business environments, social responsibility practices, and the design and execution of environmentally-friendly strategies. For management executives in the Group, we implement learning activities that revolve around meetings rather than traditional training, with a focus on the study of corporate management.

In addition, we emphasize the long-term effectiveness of leadership training. Through regular evaluation of training outcomes, tracking the growth trajectory of participants, and providing opportunities for continuous learning and development, we ensure that the results of training programs can be translated into enhanced leadership skills and effective execution of the Company's strategies in practical work settings.

During the reporting period , the total duration of management and leadership development training provided by the Company was approximately **136,248** hours, with the participation of **4,866** employees. Among the employees who participated in the Company's management and leadership development training, **113** employees were promoted (accounting for **2.32%** of the total workforce), with a successful succession rate for managerial positions of **19.47%**.

Junior Management Training

In 2024, the Company conducted a Group's Team Leader Training program for junior management aiming to cultivate a team of outstanding team leaders with strong professional competence, high efficiency, and exemplary leadership qualities. This initiative aimed to support the Company in achieving effective growth. A total of 2,026 employees from 20 production bases within the Group participated in this training. From developing personalized training programs and launching the program to implementing the training, conducting mid-term reviews, and summarizing the outcomes, each production base successfully completed the training project in strict accordance with the requirements of the Human Resources Department at the headquarters.

Group's Team Leader Training Program

Education and Professional Qualification Support

The Company encourages employees to continuously pursue further education and supports all employees (including full-time, part-time, contract, and temporary workers) in upgrading their educational qualifications, applying for professional titles and qualifications, and applying for government talent awards. The Company provides comprehensive measures to empower employees in their development.

Education Upgrade Support

The Company supports all employees (including full-time, part-time, contract, and temporary workers) in utilizing their spare time to improve their educational qualifications. This helps enhance the overall quality and professional technical level of the workforce, ensuring a sustained competitive edge in talent and meeting the rapid development needs of the Company.

During the reporting period, we have supported **181** employees in upgrading their academic qualifications

including **52** who have been promoted to associate degrees

126 who have been promoted to bachelor's degrees

and **2** who have been promoted to master's degree

and **1** who have been upgraded to doctoral degree

During the reporting period, all subsidiaries (branches) under the Group provided subsidies for eligible employees according to the established criteria. The highest subsidy reached RMB **300**/month

the Company has granted a total of RMB **2.33** million in educational subsidies to 942 regular employees

Support for Professional Titles and Qualifications

We support all employees (including full-time, part-time, contractors, and temporary workers) to apply for professional and technical titles or professional qualifications related to their positions in their spare time. In order to create a learning oriented enterprise, improve the professional technical/skill level and structure of the employee team, and enhance the professional quality and business level of important positions, we have formulated the *Regulations on Encouraging Employees in Important Professional Positions to Participate in Professional Title Evaluations and Vocational Qualification Examinations*. During the annual title examination period, the Company collects and organizes information about title examinations and professional qualification evaluations conducted by various provincial and municipal governments. This information is communicated to all employees, and active assistance is provided for employees who express interest and meet the evaluation requirements in their application process.

During the reporting period, the Company supported **796** employees in applying for title certifications and professional qualifications

This includes **241** employees applying for junior-level titles

224 employees applying for intermediate-level titles

42 employees applying for senior-level titles

and **289** employees applying for professional qualifications

All subsidiaries (branches) within the Group provide subsidies for employees who obtain corresponding titles or qualifications after joining the Company and meeting the requirements. The highest subsidy reaches RMB **1,000**/month

The Company has granted a total of RMB **1.32** million in subsidies for title certifications or professional qualifications to 654 employees

In addition, the Company responded actively to the title management arrangements made by the Sichuan Provincial Party Committee and Provincial Government. In 2024, in conjunction with talent development and industry needs, the Company initiated an independent review project for senior-level title certifications in pharmaceutical engineering, supporting employees in their professional qualification advancements. The project has entered the preparatory stage under the guidance of the competent department, contributing to the professional development of the talent pool.

Supporting to Apply for Government Talent Awards

In order to provide sustained talent support for the Company, under the guidance of provincial and municipal governments' strategies for prioritizing talent development, the headquarters and subsidiaries (branches) actively support the applications for various government talent awards by outstanding talents who meet the application criteria within the Company. This support includes providing material incentives and recognition in order to encourage and recognize excellent professionals and managerial talents, creating favorable conditions for talents to wholeheartedly pursue business and technical expertise. It also helps foster an environment that values talent recognition, talent retention, and talent utilization.

During the reporting period, the Company applied for talent awards for **685** eligible employees

and successfully obtained talent award funding amounting to RMB **19.8887** million

Occupational Health and Safety

Occupational health and safety management system

We are deeply rooted in the core belief of "all accidents can be prevented through measures" in occupational health and safety management, firmly adhering to the strict requirements of national laws and regulations such as the *Safety production Law* and *Occupational Disease Prevention and Control Law*. Based on this, we also actively adopts the occupational health and safety management standard - *ISO45001 Occupational Health and Safety Management System*, and constructs a comprehensive EHS (Environmental Health and Safety) integrated management system, including but not limited to core procedure documents such as the All Staff Safety Production Responsibility System, Safety Hazard Investigation and Governance System, Emergency Plan Management System, Occupational Health Monitoring Management System, as well as series of process specifications for risk assessment, accident prevention, emergency response, education and training, and awareness enhancement, such as the Monthly Safety Production Management Report and Accident Internal Investigation and Handling Report.

During the reporting period, the Company continuously improved its occupational health and safety management system. It revised the *Employee EHS Manual*, *Dust Explosion Safety Management System*, and *Process Safety Information Management System (Template)*. It also added new procedural documents, such as the *Internal EHS Audit System (Trial)*, *Guidelines for Occupational Disease Hazard Notification Management*, and *Environmental Facility Safety Management System*. These measures were implemented to ensure the safety of employees and compliance with regulations.

During the reporting period, KELUN PHARMA invested RMB **28.8624** million in occupational health and safety management. The number of subsidiaries (branches) that have obtained ISO 45001 certification for occupational health and safety management has reached **15**

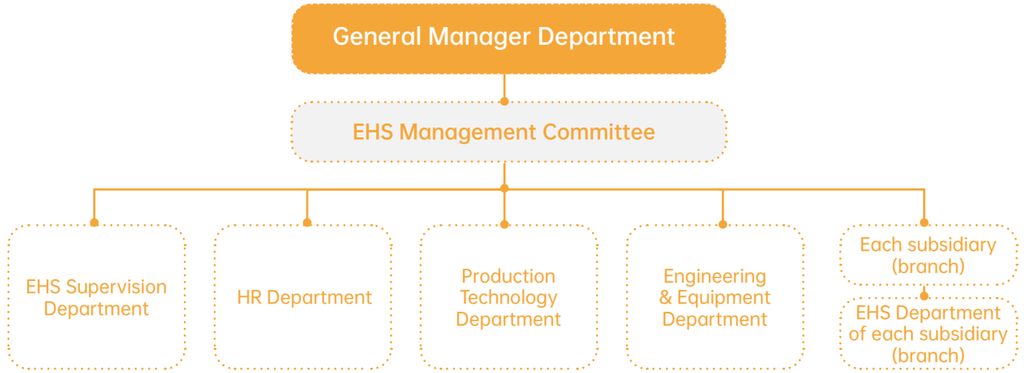
Annual Occupational Health and Safety Target Achievement

- 0 occupational disease cases reported;
- 100% signing rate for occupational disease hazard notification forms for new employees;
- 100% handling rate for abnormal results in occupational health examinations;
- 100% written notification rate for occupational health examination results.
- Completion of annual declaration for occupational disease hazards.
- 0 major and catastrophic accidents;
- 100% rectification rate for safety hazards.

ISO 45001 Occupational Health and Safety Management System Certification (Partial Display)

EHS Management Committee

In oder to effectively prevent the occurrence of occupation related diseases and injuries, optimize the working environment and conditions, and effectively ensure the physical and mental health, safety and well-being of employees, we have officially established the EHS Management Committee, with senior leaders of the Company as the directors and relevant department heads as members. In accordance with the authoritative standards of national safety production standardization, process safety management, and environmental health and safety management, the Company jointly formulates and supervises the implementation of various policies and measures for occupational health and safety.



EHS Management Structure

Occupational Health and Safety Audit

To comprehensively identify and evaluate EHS risks throughout the production process, ensure the efficient operation and legal compliance of the Company's EHS management system, and promote continuous optimization and upgrading of environmental and occupational health and safety management in the enterprise, we have established a complete and refined audit mechanism including internal and external assessments. During the reporting period, the Company developed and implemented the *Internal EHS Audit System (Trial)* to further standardize internal occupational health and safety audit procedures and standards.

Internal Audit System

- Focus on comprehensive examination of EHS regulatory risks and accident risks, delving into the construction and improvement of the EHS management system, meticulously inspecting the execution status of various procedural documents, and conducting a detailed evaluation of the current situation of EHS management on production sites;
- Focus on various key processes and explore potential hazards from multiple perspectives to ensure the rigor and effectiveness of internal EHS management.

External Audit System

- Strictly follow a series of standards and guidelines formulated by the International Organization for Standardization (ISO), and through independent and impartial third-party certification audits, showcase the high level and high standards of our EHS management system to the outside world;
- This mechanism not only enhances the credibility of the Company's EHS management, but also provides strong guarantees for promoting continuous improvement, aligning with international advanced management models, and achieving outstanding improvement in environmental and occupational health and safety management.

Occupational Health Management

To achieve precision management and risk control, the Company has established a special working group to comprehensively identify occupational disease hazards in the production environment, work processes, and production processes. At the same time, the Company entrusts qualified third-party companies to conduct testing. Based on the test results, job exposure frequency, work intensity, and relevant national standards such as the *Grading of Occupational Disease Hazardous Operations in the Workplace*, a scientific grading assessment is conducted. For different risk levels, multidimensional measures such as engineering controls, management methods, and personal protective equipment are implemented to effectively control occupational disease risks and ensure the occupational health and safety of employees.

Regular Testing for Occupational Disease Hazards in Guangxi Kelun

Regular Testing for Occupational Disease Hazards in Xindu Base

Occupational Health Examination

The Company strictly adheres to regulatory requirements and organizes pre-employment, on-the-job, and post-employment health examinations and other health monitoring for employees to effectively prevent and reduce the risks of occupational diseases. Furthermore, the Company includes the results of occupational hazard factor testing and occupational health surveillance in occupational health record management. The relevant information is communicated to employees through written notifications, bulletin board announcements, and other means to ensure that employees are fully aware of potential hazards in the work environment and their own health conditions. This enables them to take appropriate protective measures, effectively safeguarding their occupational health. During the reporting period, the Company introduced an EHS management module that integrates electronic records for occupational health surveillance, enhancing the efficiency of record management. In addition, the reporting process for individuals with abnormal examination results was optimized to ensure timely communication of abnormal information to relevant departments, establishing an efficient management system.

During the reporting period, a total of **8,497** employees participated in occupational health examinations

achieving a **100%** coverage rate

The incidence rate of occupational diseases was **0**

Occupational Health Examination

"Happy Work, Healthy Life" Employee Mental Health Fun Day Successfully Held

To strengthen employee care and psychological support, on November 25, 2024, the "Happy Work, Healthy Life" Employee Mental Health Fun Day, part of the 2024 "New Labor" brand service activities in Xindu District, Chengdu City, Sichuan Province, was organized by the Xindu District General Union. The event took place at KELUN PHARMA's Xindu Base, with nearly 50 employees participating. Led by a team of psychological counseling experts, the event featured five interactive zones, including personality analysis, stress exploration, effective communication, stress reduction and relaxation, and psychological health assessment. This helped employees learn self-regulation techniques, alleviate stress, improve communication skills, and foster a positive work atmosphere. This event effectively enhanced employees' mental health and strengthened team cohesion.

Employee Mental Health Activity

Safety Culture Development

The Company attaches great importance to safety culture development and promotes a safety-conscious environment through regular training, emergency drills, and safety awareness campaigns. These activities aim to enhance employees' safety awareness and skills and foster an atmosphere of safety engagement where everyone is involved.

Safety Awareness Campaigns

In response to the National Health Commission's publicity week for the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the Company further strengthens its responsibilities in the prevention and control of occupational diseases and promotes knowledge about occupational disease prevention and control. During the reporting period, each subsidiary (branch) focused on the theme of "putting prevention first and safeguarding occupational health". Through organizing training courses, posting promotional materials, and playing informational videos, various forms were used to widely promote the *Law on Prevention and Control of Occupational Diseases* to employees. This effectively enhanced employees' awareness of occupational disease prevention and their ability to protect themselves.

As of the end of the reporting period, KELUN PHARMA has a total of **9** subsidiaries (branches) that have been recognized as Health Enterprises

Among them, **5** are at the provincial level

and **4** are at the municipal level

Guizhou Kelun was Invited to Attend the Launch Ceremony of the Promotion Week of *Law on Prevention and Control of Occupational Diseases* in Guizhou Province

Guizhou Kelun Awarded the Provincial-level Health Enterprise Title in Guizhou Province

Safety Training

The Company always prioritizes safety production and enhances employees' safety awareness and safety management capabilities through multi-level and multi-dimensional training and promotion. Every year, the Company organizes specialized safety training conducted by EHS personnel. It also requires EHS personnel at each subsidiary (branch) to provide comprehensive training for all employees, ensuring the dissemination of safety concepts at all levels and covering all staff members, thus strengthening the line of defense for safety production.

General Manager of Xindu Base Sharing Safety Knowledge (management cadres within the Group sharing special safety work)

During the reporting period, there were **851** safety drills conducted, including fire drills and toxic gas leakage drills

The investment in employee work-related injury insurance amounted to RMB **8.3061** million

The investment in employee safety production liability insurance amounted to RMB **309,200**

The coverage rate of employee work-related injury insurance was **100%**

The coverage rate of employee safety production liability insurance was also **100%**

The number of work-related deaths was **0**

The rate of lost work time per one million work hours was **0.28**

05

Persist in Green Development, Advocate Low Carbon

KELUN PHARMA adheres to the principle of "giving priority to environmental protection and sustainable development" and continuously improves its environmental management system. Through enhancing energy efficiency utilization and implementing water and electricity conservation measures, the Company achieves efficient resource management. It strictly complies with environmental regulations, utilizes advanced pollution control technologies to reduce waste, and enhances disposal efficiency to ensure compliance with emission standards. In the face of climate change risks, the Company strengthens its response strategies, scientifically measures and manages carbon emissions, and promotes low-carbon operations. We advocate integrating the concept of green ecology into the entire production process, taking practical actions to promote harmonious coexistence between industry and nature, and writing a new chapter of green development.

Environmental Management

Environmental Management System

The Company strictly adheres to the laws and regulations of the People's Republic of China, such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, and the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*. During the reporting period, a comprehensive *Environmental, Occupational Health, and Safety Management Policy* was released, covering all key areas of environmental management within the Group. Internal management systems, including the Environmental Incident Investigation and Accountability Management System (Trial) and the Enterprise-wide Environmental Management Guidelines, were updated to further standardize environmental management processes and continuously enhance environmental management levels. In order to enhance environmental awareness among all employees, the Company revised the *KELUN PHARMA Employee EHS Manual (2024 Version)* to emphasize internal environmental management objectives, principles, policies, and code of conduct.

Furthermore, based on operational requirements and environmental regulations in the pharmaceutical industry, the Company and its subsidiaries (branches) have developed a series of improved management practices in key areas of environmental management. They rigorously follow the annual environmental key performance objectives and carry out various work activities accordingly.

Critical Areas	Internal System Checklist (Example)
Wastewater management	*Measures for Energy Saving, Consumption Reduction, and Emission Reduction in Wastewater Treatment Systems (Trial)*, *Regulations for Wastewater Treatment System Management*, *Wastewater Management Manual*, and *Management System for Wastewater Treatment Plants*
Exhaust emission	*Regulations for Air Emission Control Systems*
Solid waste management	*Regulations for Solid Waste Management*
Noise management	*Environmental Noise Management Measures*, *Noise Emission Control System*
Soil protection	*Soil Hazard Investigation System*, *Interim Measures for Soil and Groundwater Pollution Prevention and Control*

During the reporting period, KELUN PHARMA did not have any violations of environmental laws and regulations, nor did it receive any administrative penalties from the Ministry of Ecological Environment or other relevant departments due to environmental incidents. The discharge of exhaust gases and wastewater met the required standards after treatment or reuse, and the disposal or recycling of waste was carried out in compliance with regulations.

KELUN PHARMA's Environmental Protection Expenses in 2024

Expense investment category	Investment amount (RMB 10,000)
Total investment in environmental protection	66,139.57
Investment in environmental equipment construction and operation maintenance	61,095.78
Investment in environmental protection project management	5,034.78
Investment in environmental protection training	9.01

Environmental Management Objectives

To further strengthen the management of toxic emissions and waste, and to continuously improve resource efficiency, the Company collects, calculates, and analyzes historical emissions data. Based on this, scientifically formulated environmental management objectives are implemented and regularly reviewed to monitor progress and assess the achievement of environmental management goals. Improvement action recommendations are also proposed as needed.

KELUN PHARMA's 2024 Environmental Management Objectives and Achievement Status

Category	Item	Indicator	2030 Final Goal
Wastewater	Wastewater discharged	Wastewater discharged per output of RMB 10,000	A decrease by 5% compared to 2024
Waste gases	Nitrogen oxide emissions	Nitrogen oxide emissions per output of RMB 10,000	A decrease by 3% compared to 2024
Hazardous waste	Hazardous waste resource utilization	Hazardous waste resource utilization per output of RMB 10,000	An increase by 5% compared to 2024

Environmental Management Structure

The ESG Committee of the Company serves as the highest executive body for environmental protection, carbon emissions management, resource utilization, and climate change response. The Board of Directors oversees the progress of related work. To ensure the effective operation of the Group's environmental management system and achieve environmental management objectives, the Company has established an environmental management structure from top to bottom. Environmental management tasks are systematically defined, and responsibilities for environmental management are implemented to provide strong support for the continuous advancement of the Group's environmental management. Additionally, the Company links the compensation of the management team to environmental performance through the EHS Management Committee. By establishing key performance indexes and implementing an incentive mechanism, environmental compliance and sustainable management are effectively promoted.

Board of Directors ESG Committee
It is the highest executive body responsible for environmental issue management. It is responsible for formulating environmental strategies, reviewing environmental management policies, and reporting on relevant matters to the Board of Directors.

EHS Management Committee
It is chaired by senior leaders of the Group serving as director and deputy director, with department heads and general managers of the subsidiaries and branches as members. They jointly develop and supervise the implementation of development plans, policies, and measures related to environmental, occupational health, and safety.

The EHS Management Committee establishes an office within the EHS Supervision Department, responsible for organizing meetings of the EHS Management Committee. It executes tasks assigned by the committee and handles daily work, while also implementing group-wide EHS tasks and coordinating and overseeing EHS-related work in subsidiaries (branches).

EHS Supervision Department
It reports annually to the Company's EHS Management Committee on the environmental management work of each subsidiary (branch). The report includes information on pollution control, achievement of environmental performance indexes, and environmental management results such as the current status of internal management, categories in need of improvement, and future work to be conducted. Additionally, the EHS Supervision Department is responsible for preparing the environmental section of the Company's annual report and ESG report. These reports are then submitted to the ESG Committee for approval.

Environmental Impact Audit

To verify the effectiveness of the Group's environmental management system and ensure that all production and operation sites within the Group implement a unified environmental management system to enhance the overall level of environmental management. The Company conducts regular internal audits and external audits for all production and operation sites within the Group to ensure the implementation of the Group's environmental management policies and the achievement of management objectives.

Internal Audit

The Company has developed an internal audit system for EHS and established a relatively comprehensive environmental assessment system, which includes performance indicators for subsidiary production companies. The Company follows a hierarchical control principle and conducts regular environmental management compliance audits for all production and operation sites within the Group. The audit covers areas such as construction project environmental "three simultaneities," including pollution discharge permit management, compliance with pollutant emission standards, full-process management of hazardous and non-hazardous waste, construction and operation of environmental protection facilities, and operation. For issues identified during the audit, the Company proposes corresponding corrective measures and deadlines based on their severity, and continues to monitor the progress of improvement by each enterprise. The frequency of internal audits is as follows:

For major core production companies, at least 1 comprehensive on-site EHS audit is conducted each year. For other production companies, at least 1 comprehensive on-site EHS audit is conducted every two years;

Production companies submit daily environmental management materials on a monthly basis, which are then reviewed online;

Production companies hold at least 1 Company-level EHS meeting each month to learn about new EHS laws and regulations. Training is conducted on key laws and regulations, and the implementation of relevant requirements is tracked.

External Audit

All subsidiaries (branches), which have been certified under the ISO 14001 environmental management system and within the validity period, hire independent third-party certification bodies to conduct a system supervision audit annually, and undergo a recertification audit every three years. The audits cover various aspects including the design, research and development, production, and related environmental management activities of the Company's products and the associated facilities.

Subsidiaries (branches) and production bases involved in international business regularly undergo international external audits from partners. Furthermore, we continuously compare against international high standards, conduct inspections, and make improvements to ensure that all business operations fully comply with international norms and requirements.

Supplier Environmental Impact Audit

To further enhance the assessment of EHS risks associated with suppliers and identify any existing EHS risks in a timely manner, the Company has established a *Supplier EHS Risk Assessment System*. EHS management is incorporated into supplier audits, and the results of EHS audits are included in the overall audit and evaluation of suppliers, thereby exerting substantive constraints on the EHS performance of suppliers. Furthermore, we impose requirements for green and sustainable development on suppliers who are willing to engage in long-term partnerships. The green and low-carbon performance of suppliers is effectively included as one of the comprehensive evaluation factors in market procurement.

Supplier EHS audit management and execution requirements

Basic principle	EHS audits should be incorporated into the supplier audit plan.
Audit scope and frequency	Consistent with the requirements for supplier audits. Please refer to the relevant content in this report under "03 Building a Sustainable Supply Chain - Supplier Audits" for specific details.
Audit content	The audit mainly includes implementation of administrative licensing and environmental management systems, compliance with emission standards of pollutants (including harmful emissions such as exhaust gases, wastewater, and hazardous waste), compliance with the collection and disposal of solid waste, safety progress, emergency management and drills, education and training, and hidden danger inspection.
Audit method and process	Remote or on-site audits are conducted. After the audit, a Supplier EHS Audit Report is prepared and submitted to the Group's Supply Department for unified review, resulting in the final audit report.
Audit results	The audit results are divided into four levels based on EHS deficiencies: Danger, Vigilance, Attention, and safety. For suppliers categorized as Danger, it indicates that there are extremely serious EHS risks. There is a high probability that the supply of their products cannot be continued or stably provided due to EHS issues. Heightened vigilance is required during the cooperation period, and consideration should be given to excluding them from future collaborations until the risk is reduced to "Vigilance" or below.
Green supply chain program	Encourage suppliers to obtain ISO system certification and apply for green factory certification to enhance their EHS performance;Prioritize environmentally friendly products and services when selecting suppliers; Given equal conditions, give preference to suppliers with higher EHS audit scores.

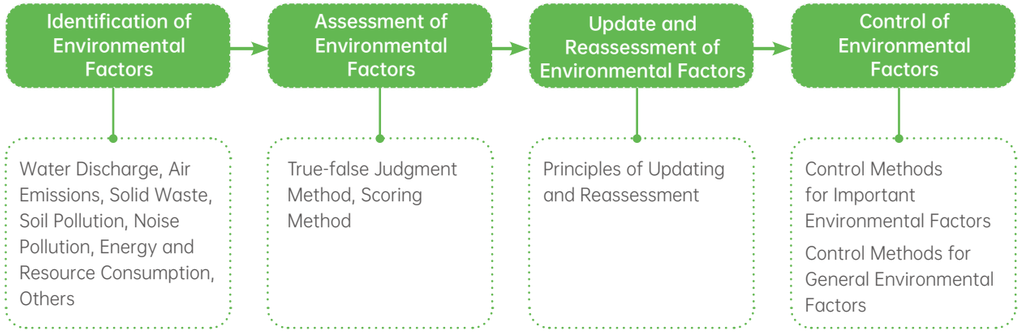
Environment Management System Certification

While steadily advancing the construction of the environmental management system, the Company actively conducts third-party certification work and fully supports the ISO 14001 management system certification for subsidiaries (branches). This systematic approach enhances the Group's environmental management standards As of the end of the reporting period, 16 of the Company's production enterprises had obtained ISO 14001 environmental management system certification, and 2 are currently in the process of certification. The proportion of production enterprises that have passed certification and are in the process of certification among all production enterprises of the Company is 56.25%.

ISO 14001 Environmental Management System Certificate of KELUN PHARMA and its Subsidiaries (Branches)

Management of Environmental Risk Factors

To further strengthen environmental risk control, the Company has developed the *Environmental Hazard Factor Identification and Control System*, *Environmental Factor Identification Evaluation Form*, and *List of Important Environmental Factors*. By regularly identifying and reviewing environmental risk factors and assessing their level of risk impact, a list of important environmental factors is created. Targeted risk control measures are then formulated to enhance the Company's capability for emergency response to environmental incidents and continuously strengthen environmental risk management.



Process for Environmental Risk Factor Management of KELUN PHARMA

Specific Risk Control Measures

Regularly conduct environmental monitoring

Each subsidiary (branch) shall conduct regular environmental monitoring in accordance with the relevant requirements of the *Environmental Impact Assessment Report*, *Technical Guidelines for Self-monitoring for Pollutant Discharge Units*, and the industry's self-monitoring guidelines, taking into account their own actual conditions. This will effectively monitor the emission of pollutants and disclose the results of environmental monitoring as required, subject to review by regulatory authorities and public supervision.

Strengthen emergency management capabilities

Each subsidiary (branch) shall develop an *Emergency Plan for Environmental Incidents* based on the actual environmental risks of the Company. They shall establish an environmental emergency management system, improve the emergency response plan system, conduct regular drills, and maintain good communication with local governments and relevant stakeholders. This includes establishing a mechanism for early warning, receiving alarms, rescue and recovery, thereby enhancing the emergency response and rescue capabilities for various types of incidents and major accidents.

Increase investment in environmental protection and application of new technologies

Each subsidiary (branch) shall allocate funds for environmental protection in accordance with relevant regulations and actual needs, and fully guarantee them in the annual cost budget.

Promote environmental management exchange activities

Encourage each subsidiary (branch) to actively engage in extensive environmental management exchange activities, learn from the environmental management and technical experiences of advanced entities, and accelerate the introduction, absorption, and independent innovation of advanced environmental protection and management technologies. Encourage and guide employees to actively participate in activities where they can provide rational suggestions for environmental management.

Emergency Management for Environmental Incidents

The Company strictly adheres to the relevant regulations such as the *Emergency Management of Environmental Emergencies* and the *Regulations on the Safety Management of Hazardous Chemicals*, and has formulated a series of environmental safety management systems, including the *Emergency Plan for Environmental Incidents*, *Management System for Environmental Incident Investigation and Accountability*, and *Dangerous Goods Management System*. To effectively prevent and handle environmental incidents, we regularly conduct environmental risk assessments, identify, and rectify potential environmental risks and hazards. Additionally, we continuously improve our measures for preventing and controlling environmental incidents, and dynamically adjust our plans based on actual situations.

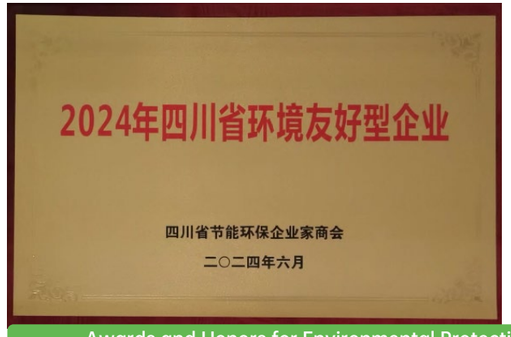
During the reporting period, the various subsidiaries (branches) of the Group actively conducted emergency training and drills, covering multiple environmental risk scenarios, including sewage accidents, hazardous waste leakage, and flood prevention at sewage stations. Through these emergency drills, the Company effectively enhanced employees' emergency response capabilities and coordination skills in dealing with environmental incidents, thus strengthening the overall level of environmental risk prevention and control.

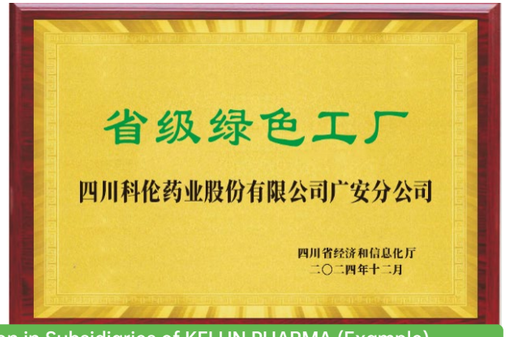
Emergency Drill for Environmental Pollution Incidents at Xindu Base

Emergency Drill for Flood Prevention at the Sewage Station of Hunan Kelun Yueyang Branch

Honors and Qualifications

The Company places high importance on green development and encourages its subsidiary production-based enterprises to boldly innovate and break through in environmental protection technologies. They actively participate in activities such as clean production audits and green factory assessments, and have received multiple honorary titles. During the reporting period, among all the production-based enterprises within the Group, 13 companies passed the clean production audit, 7 companies obtained national-level green factory certification, 3 companies obtained provincial-level green factory certification, 1 Company obtained provincial-level green supply chain certification, 1 Company received provincial-level environmental-friendly enterprise recognition, 1 Company obtained provincial-level beautiful factory certification, 8 companies received provincial-level environmental integrity enterprise titles, 2 companies obtained municipal-level zero-waste factory certification, and 1 Company was recognized as a climate-friendly enterprise of Tianfu.





Awards and Honors for Environmental Protection in Subsidiaries of KELUN PHARMA (Example)

Environmental Training and Education Activities

The Company develops an EHS (Environmental, Health, and Safety) training plan at the beginning of each year to provide relevant training for environmental protection directors and EHS personnel in each subsidiary (branch). The Company establishes EHS education and training records. Training topics include *2024 Carbon Inventory Training*, *Green Transformation Path Training*, *Key Points in Environmental Daily Management Work*, *Comprehensive Training on Basic Knowledge, Construction, Acceptance, and Operation Management of Wastewater Treatment*, and more.

In addition, each subsidiary (branch) continues to promote a green culture through various means, such as actively organizing environmental-themed promotional events, environmental campaigns in schools, playing environmental videos, creating environmental awareness posters and display boards. This aims to encourage employees to adopt the concept of green production and green living, promote transparency of environmental information, and encourage public participation in ecological environmental protection.

6.5 Environment Day Campus Event at CHUANNING BIOTECH

Environmental Training Site at Henan Kelun

Environmental Protection Publicity Video for 6.5 Environment Day of Yueyang Branch

Toxic Emissions and Waste

Exhaust gas treatment

The Company strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*. For the toxic emissions generated during the production process, the Company has developed the *Regulations for Air Emission Control Systems* and *Guidelines for Developing Volatile Organic Compound (VOCs) Management Ledgers*. These regulations comprehensively guide the Company's waste gas treatment during the production process. Technologies such as cryogenic recovery, activated carbon adsorption, molecular sieve adsorption concentration, and high-temperature oxidation combustion are utilized to achieve standard emissions of process waste gases and reduce the discharge of uncontrolled waste gases.

To reduce pollutant emissions during the production process, KELUN PHARMA conducts annual waste gas treatment projects within the Group. These include upgrading and transforming waste gas treatment processes, replacing advanced treatment equipment, conducting comprehensive VOCs governance, centralized collection and treatment of uncontrolled waste gases, and improving production processes. These measures aim to continuously reduce the emissions of carbon dioxide, nitrogen oxides, particulate matter, VOCs, and other waste gases. Additionally, the Company continuously monitors the operation and effectiveness of the treatment projects to ensure effective emission reduction and treatment measures are implemented.

Key Waste Gas Treatment Projects of KELUN PHARMA in 2024

Company Name	Project Type	Project Implementation Details and Effects
Kunming Nanjiang	Technical and process improvement	Kunming Nanjiang regularly cleans the gas boilers, replaces filters, and adjusts the combustion parameters of the gas boilers according to the actual conditions to achieve optimal combustion efficiency. In 2024, it achieved a **15%** reduction in particulate matter emissions per output of RMB 10,000.
Xindu Base	Equipment upgrade and transformation	Xindu Base underwent technical upgrades and optimizations for organized waste gas treatment facilities. Temperature and airspeed sensors were installed in all facilities to monitor real-time emissions parameters. PLC devices were added to all waste gas treatment and production equipment to view historical operating records. After the transformation, the uncontrolled volatile organic compound (VOC) emissions from the entire factory were virtually reduced to **0**.
Hunan Kelun Yueyang Branch	Technical and process improvement	To effectively manage the dichloromethane waste gas generated in the workshop, Yueyang Branch implemented process improvements in January 2024. Pre-treatment was adopted to cool the waste gas, ensuring optimal adsorption efficiency. During the collection phase, a mixture of industrial steam and dichloromethane was condensed and collected, significantly improving the treatment efficiency and ensuring the effective management of the waste gas and the rational utilization of resources.
Henan Kelun	Equipment upgrade and transformation	Henan Kelun conducted technological transformations for the production line and carried out upgrades to the waste gas equipment in the project construction workshop and existing workshops. The equipment was replaced with catalytic combustion equipment that has higher treatment efficiency. After the upgrade and transformation, the organic waste treatment efficiency will be improved by approximately **60%**.
Guangxi Kelun	Equipment upgrade and transformation	Guangxi Kelun has improved its existing VOCs condensation and recovery system. Throughout the year, a total of 242.29 tons of vehicle equivalents were recovered, including 231.28 tons that could be directly reused as ethanol, acetone, and ethyl acetate. The VOCs emission concentration at the discharge outlet was reduced by **40%**, and the VOCs emissions were reduced by **90%**.

Waste Gas Treatment Equipment at Xindu Base Workshop

Dichloromethane Waste Gas Treatment Facility of Yueyang Branch

VOCs Condensation and Recovery System of Guangxi Kelun

Wastewater treatment

The Company strictly adheres to the *Water Pollution Prevention and Control Law of the People's Republic of China* and has formulated management documents such as the *Wastewater Treatment System Management Regulations* and *Wastewater Treatment Management Manual* as the overall guidelines for wastewater management within the Group. The Company also requires its subsidiary production-based enterprises to develop internal management systems in compliance with regulations, taking into account their specific production operations. This is done to ensure that wastewater is discharged in compliance with standards and to continuously improve the quality of wastewater effluent and the proportion of wastewater reuse.

Key Wastewater Treatment Projects of KELUN PHARMA in 2024

Company Name	Project Type	Project Implementation Details and Effects
CHUANNING BIOTECH	Technical and process improvement	CHUANNING BIOTECH employs multiple technologies such as "MVR evaporation" and "special membrane + advanced treatment" to treat over 80% of wastewater for reuse in circulating cooling water, water for pre-production processes, and water for thermal power boilers. This achieves the circular utilization of wastewater resources.
Qionglai Base	Technical and process improvement	Qionglai Base strengthens control measures such as wastewater segregation and diversion and internal drainage permits. By keeping the inlet valves of the sewage stations closed and opening them only after passing the inspection, unauthorized discharge by operators is eliminated. Through production control, high-salt wastewater is reduced, ensuring that the water inflow remains within the processing capacity. In 2024, the emission of wastewater per output of RMB 10,000 decreased by 35%. At the same time, the sewage stations fully utilize the homogenization function of the regulating tank. The concentration of pollutants in the discharged wastewater has been significantly improved, with chemical oxygen demand per output of RMB 10,000 reduced by 70%.
JINHE BIOTECH	Technical and process improvement	JINHE BIOTECH has optimized its processes and carried out technological transformations. It has added a wastewater reuse system in the existing workshop, achieving a wastewater reuse rate of over 80% through operations. The remaining wastewater is directed to soapberry fruit processing, and the collected residues are sold externally, ensuring no wastewater discharge throughout the year.

Waste Management and Circular Economy

The Company strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. It has formulated regulations such as the Solid Waste Management Regulations to regulate and require subsidiaries (branches) to control solid waste treatment facilities and implement full life cycle management of solid waste.

To continuously promote the reduction, resource utilization and harmlessness of waste generated during production and operations, the Company carries out waste management enhancement projects within the Group. Through effective measures such as improving production processes, optimizing product structures, and implementing clean production, the Company ensures the efficient execution of waste reduction efforts.

Key Waste Management Projects of KELUN PHARMA in 2024

Company Name	Project Type	Project Implementation Details and Effects
Guang'an Branch	Technical and process improvement	Guang'an Branch has implemented a carbonless process and eliminated the addition of activated charcoal in the preparation process of some products, resulting in a year-on-year reduction of approximately 15% in the production of waste activated carbon.
Qionglai Base	Technical and process improvement	Qionglai Base intensified source control measures by conducting daily inspections to remind responsible personnel in relevant areas. This helps prevent the mixing of valuable waste with general solid waste and hazardous waste, as well as the improper disposal of general solid waste as hazardous waste. Additionally, internal communication was conducted within the production process to raise awareness, and fine-grained control measures were implemented in the workshops. These efforts aim to reduce the waste-to-output ratio, identify the major waste stream of organic solvents, and strengthen the recycling of waste solvents.
Shandong Kelun	Technical and process improvement	Shandong Kelun actively pursued source control and promoted carbonless process improvements. They have completed the carbonless process verification for some products. In 2024, the production of activated carbon decreased by approximately 37% compared to 2023.

Noise management

We have formulated the *Environmental Noise Management Measures* in accordance with the requirements of the *Law of the People 's Republic of China on the Prevention and Control of Environmental Noise Pollution* and other regulations to guide the base in equipment selection and installation and noise control during the production process. All our production enterprises of conduct factory boundary noise testing in accordance with national regulations to ensure that daytime/nighttime noise meets the requirements of the *Environmental Noise Emission Standard for Industrial Enterprises at Factory Boundaries*.

When purchasing equipment, the Company ensures that the equipment meets the functional requirements of normal production while selecting low-noise equipment whenever possible. Noise reduction measures such as vibration reduction, sound absorption, and sound insulation are implemented during equipment installation. Moreover, comprehensive measures are taken, including proper layout of noise facilities within the plant area, to reduce the impact of noise generated during production processes.

Efficient Resource Utilization

Energy management

The Company strictly complies with relevant laws and regulations such as the *Law of the People's Republic of China on Conserving Energy* and the *Renewable Energy Law of the People's Republic of China*. It has established internal management regulations such as the *Energy Management Measures* and the *Energy Conservation and Emission Reduction Management Trial Measures* to clarify the work responsibilities and requirements of energy management departments. Dedicated personnel are appointed to oversee energy conservation and consumption reduction management activities to ensure the implementation of resource allocation, comprehensive planning, execution tracking, statistical analysis, and other tasks in energy management. This ensures the scientific and rational utilization of energy resources.

Additionally, the Company actively promotes energy-saving improvement projects and the development of photovoltaic power generation projects. It aims to improve the energy consumption structure and continuously increase the proportion of renewable energy use, thereby enhancing energy utilization efficiency.

Key Energy Conservation and Consumption Reduction Projects of KELUN PHARMA in 2024

Company Name	Project Type	Project Implementation Details and Effects
Xinkaiyuan	Equipment optimization and upgrades	It implemented an energy management system that records real-time data on water, electricity, gas, and other energy consumption. The system allows for the comparison and analysis of data within set timeframes, providing deviation warnings. This system provides data support for energy conservation efforts.
Shandong Kelun	Transformation of energy-saving technology	It added a first-grade energy-efficient variable-frequency centrifugal chiller unit, completing the energy-saving technological transformation project for the air conditioning system's chiller unit; It added two first-grade energy-efficient two-stage screw air compressors, completing the energy-saving technological transformation project for the compressed air system.
Hunan Kelun	Equipment optimization and upgrades	It replaced 2 sets of high-water consumption pumps with high-energy efficiency pumps, resulting in a reduction of **28 kW** in energy consumption per hour and a **30%** energy-saving rate; It replaced 3 sets of high-energy consumption transformers with new high-energy efficiency transformers, resulting in reduced electricity consumption; It introduced and implemented domestically-produced thermal compression distillation water machines, which achieve **40-50%** energy savings compared to traditional multiple-effect water machines.
CHUANNING BIOTECH	Transformation of energy-saving technology	Following the energy policy of "Energy Conservation, Continuous Improvement", CHUANNING BIOTECH implemented a total of 14 energy-saving measures in various workshops, building upon the energy conservation measures implemented last year. In 2024, the comprehensive energy consumption per unit of product decreased by **4.89%** compared to the same period last year.
Hunan Kelun Yueyang Branch	Equipment optimization and upgrades	Yueyang Branch carried out improvements on 13 pulsating sterilization cabinets across 7 production lines. This included the addition of pressure reducing valves and adjustments to the sterilization balance time. Additionally, steam-water separators were installed at the end of steam mains in some workshops, enhancing quality assurance capabilities while reducing steam consumption.
Guangxi Kelun	Equipment optimization and upgrades	Guangxi Kelun replaced screw-type chiller units with magnetic levitation ice storage units, resulting in significant energy savings and a substantial improvement in energy utilization efficiency.

Water Resource Management

KELUN PHARMA is aware of the significance of water resources protection and takes concrete actions to promote the scientific utilization of water resources. We strictly abide by the Water Law of the People's Republic of China and other relevant laws and regulations, and comprehensively implement measures such as water conservation and wastewater reuse across our research and development, production, and supply chain operations, to progressively reduce water consumption and maximize the efficient utilization of water resources.

Each subsidiary (branch), according to its own production characteristics, has established water conservation management measures and formed an organization responsible for supervision and implementation of water-saving work. Water resource managers and specialists are appointed to track and report water usage, continually strengthening water resource management efforts. Furthermore, the Company's production-based enterprises enhance water resource management and process innovations. They actively undertake projects such as upgrading water-saving equipment and recycling wastewater and recycled water to improve water utilization efficiency. Here are some highlighted examples:

01 **New Kaiyuan:** The wastewater from the sand filter cleaning at the pure water station is directed to the cooling water collection pool for use by the vacuum pumps in the workshop, thereby improving water resource utilization efficiency.

02 **Kunming Nanjiang:** It implements measures for reusing steam condensate water, recycling treated wastewater, and reusing cooling water. In 2024, the total water consumption decreased by **14%** compared to the previous year.

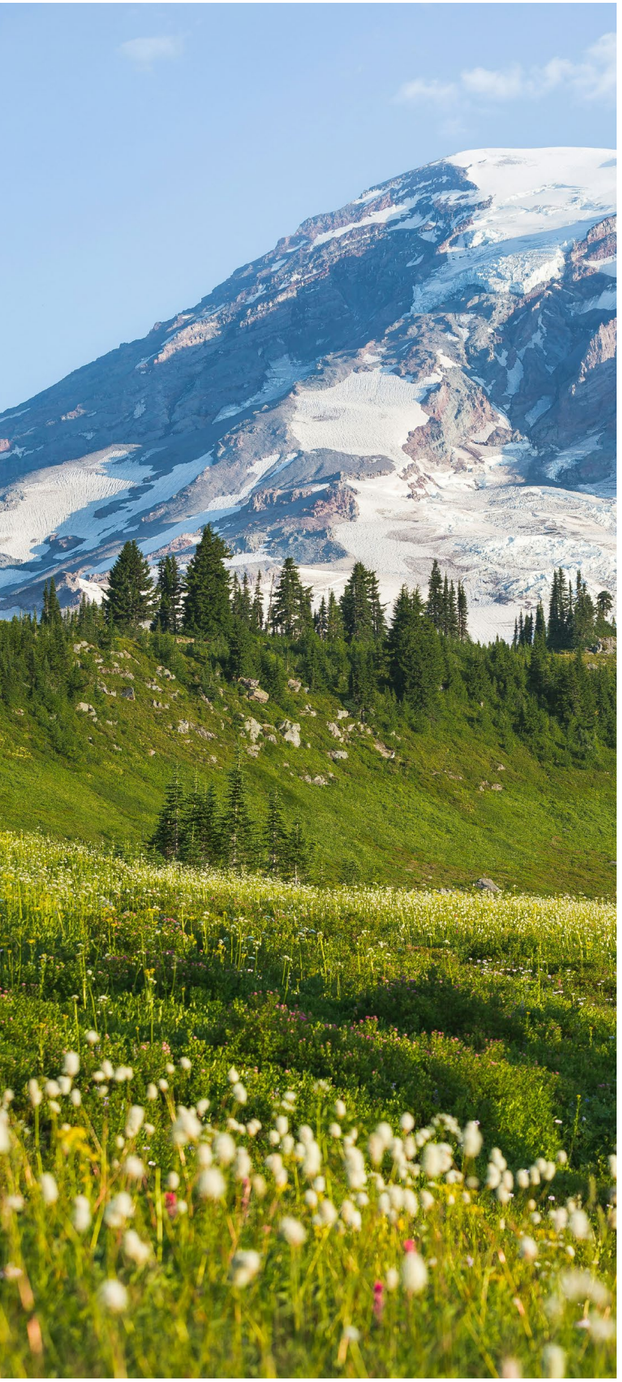
03 **Hunan Kelun:** It has added a primary reverse osmosis unit to recycle and reuse the concentrated water, increasing the water utilization rate to up to **90%**.

Reverse Osmosis Concentrated Water Filtration Unit of Hunan Kelun

04 **Jiangxi Kelun:** During operation, the Company extensively utilizes condensate water and sterilization circulating water in its boilers, resulting in a significant reduction in wastewater discharge and fresh water intake. Compared to previous years, the wastewater discharge has decreased by approximately **14491.46 m³**, and the fresh water intake has decreased by approximately **8%**.

05 **CHUANNING BIOTECH:** It optimized water resource reuse processes in the cephalosporin extraction workshop and increased the utilization of recycled water. As of the end of 2024, the wastewater discharge had been reduced by **158,789m³**.

06 **Qingshan Likang:** It has conducted energy-saving transformation projects for boiler blowdown cooling systems, saving **6,000m³** of water per year. By implementing energy-saving projects for the cooling water network system in the eye drops production workshop, **8,016m³** of water can be saved annually; Optimizing the flushing frequency process of the water production system can save **5,000m³** of water per year.



Raw Materials and Packaging Management

On the path of sustainable development, the Company consistently integrates green concepts into every production process. During the product development stage, priority is given to the selection of non-toxic or low-toxic solvents and reagents to minimize potential harm to the environment at the source. Additionally, through continuous optimization of production processes and the use of advanced technologies and equipment, the Company strives to minimize the usage of solvents and reagents while ensuring product quality. This effectively reduces resource consumption and environmental pollution during the production process.

When selecting packaging materials such as paper drums, cartons, and plastics, the Company requires its subsidiaries (branches) to prioritize the use of recyclable materials. This facilitates proper recycling after use, reducing landfill and incineration volumes of waste. The materials can also be transformed through further processing into new resources, promoting the circular utilization of resources. Here are some highlighted examples:

01 **Guangxi Kelun:** All organic solvents used in production are recycled, with an average recycling rate of 95%. The Company also uses recyclable packaging materials, with an average recycling rate of 95%.

02 **Kelun-Biotech:** Where possible, the Company prioritizes purchasing products with larger packaging or packaging that can be recycled and reused, such as using recycled drums to store other waste materials.

03 **Yueyang Branch:** For large quantities of penicillin bottles used in the factory, the Company adopts tray packaging, and the trays are returned to the penicillin bottle manufacturers for reuse after use, reducing the use of cardboard boxes.

Fighting Climate Change

KELUN PHARMA deeply recognizes the profound impacts of climate change, both in terms of risks and opportunities, on its business and value chain. The Company integrates the concept of green development into its core business strategy. The Company is committed not only to promoting the transformation of its production and operations towards clean and low-carbon sources of energy but also to systematically analyzing the risks and opportunities brought about by climate change. It formulates effective and science-based strategies to address climate change, thereby enhancing its overall capacity for climate change management.

Climate Governance Strategy

During the reporting period, our Company and subsidiaries (branches) referenced recommendations and frameworks provided by TCFD to comprehensively assess the climate risks and opportunities we face and formulated and deployed specific plans to address climate change and reduce greenhouse gas emissions.

Governance

The ESG Committee serves as the representative body for addressing climate change issues, and the Board of Directors oversees the implementation of related initiatives. The ESG Working Group acts as the executing body of the ESG Committee and is responsible for coordinating the comprehensive implementation of climate change management across various departments, units, and subsidiaries (branches) of the Company.

Each subsidiary (branch) has established a greenhouse gas inventory team. The EHS Department appoints a team leader, and other departments assign team members. The Company designates a representative as the management representative to promote and supervise the implementation of climate-related activities in their respective companies. This ensures effective communication and action at the execution level.

Strategies

The Company incorporates climate change and its associated risks into its governance and decision-making processes for sustainable development. It analyzes the risks and opportunities presented by climate change and, based on the direction of Group's business development, formulates targeted strategies to proactively manage climate change, reduce greenhouse gas emissions, and enhance climate change resilience.

Climate Risk Identification and Response Status of KELUN PHARMA

Risk type		Risk Description and Impact	Response Strategy
Physical Risks	Acute Risks	**Typhoons, heavy rain, and floods:** Extreme weather events cause disruptions in logistics and transportation, impacting product production and timely delivery, leading to increased operating costs; Damage to production equipment and operational interruptions resulting from the destructive force of extreme weather events, leads to increased equipment repair costs; Potential risks are posed to employees' personal safety and occupational health, with work-related accidents leading to reduced production efficiency.	Plan for various transportation methods, allocate logistics transportation time based on weather warnings to ensure material inventory reserves; Continuously improve emergency response mechanisms for natural disasters, stockpile emergency supplies, and strengthen safety inspections; Implement emergency plans for extreme weather events and conduct regular drills to prepare for such events;
	Chronic risks	**Sea level rise:** Operational entities in coastal areas may need to relocate inland, resulting in damage or premature scrapping of fixed assets leading to increased production costs; **Temperature rise:** Employees may experience heat exhaustion, heat stroke, or other health issues due to extreme heat, resulting in increased operating costs. Production machinery may face overheating issues, leading to reduced lifespan and increased capital expenditures.	Avoid locating new facilities in low-lying areas; Develop suppliers in multiple regions within the same category to ensure a continuous and sufficient supply of materials without dependence on a single source; Install refrigeration facilities to address temperature increases; Equip facilities with comprehensive fire safety systems; Conduct emergency drills and fire safety training to enhance employee awareness and capabilities in fire prevention and response.
Transition risks	Policy risks	**Tightening carbon emission management policies and regulations:** The national deployment of "peak carbon dioxide emissions and carbon neutrality" initiatives, including the introduction of energy-saving and emission-reduction policies and standards, may increase compliance costs for carbon emissions; Potential production reductions caused by local government power restrictions, may lead to income losses.	Closely monitor carbon emission policies and regulatory updates in its operational regions to respond appropriately; Properly arrange production plans, such as staggering production schedules; Optimize process flows to reduce electricity consumption; Regularly share domestic and international policy trends and distribute them to subsidiaries (branches) for learning and implementation.
	Technical risks	**Transition to low carbon emission technologies:** Early retirement of high-energy-consuming equipment leads to increased operating costs; Research and development and application of clean energy or innovative low-carbon technologies result in increased R&D expenses.	Select low-energy-consuming production equipment, optimize production processes, explore and implement energy-saving and emission reduction projects to reduce energy consumption; Strengthen carbon emission reduction across the entire process, including production operations and logistics transportation.
	Market risks	**Rising raw material costs:** Chemical raw materials, auxiliary materials, packaging materials, and other raw materials have been affected by various factors such as macro economy, monetary policy, environmental protection management, and natural disasters. This may lead to supply constraints or significant price fluctuations, which will affect the Company's profitability to some extent.	The Company will better monitor and analyze the market and arrange inventory and procurement cycles reasonably to reduce risks; The Company will actively organize product technology research to effectively reduce product costs.
	Reputation risks	**Company's performance in responding to climate change based on social concerns:** As global awareness and concern for climate change and environmental protection increase, stakeholders expect companies to take on more emission reduction responsibilities. Failure to initiate early low-carbon transition plans may result in reputational damage.	Proactively disclose climate-related risks, opportunities, and corresponding response measures; Establish energy-saving and emission reduction goals and regularly monitor the progress of goal attainment; Proactively respond to inquiries from stakeholders; Enhance overall awareness of energy-saving management within the Group and provide climate-related training for employees.

Greenhouse Gas Emission Management

The Company attaches great importance to the monitoring and analysis of greenhouse gases. It actively promotes a series of measures to reduce greenhouse gas emission intensity and strives to achieve carbon peaking between 2028 and 2030. At present, our direct carbon emissions (Scope 1) mainly come from fixed emission sources (such as natural gas, coal, etc.), mobile emission sources (such as Company-owned vehicles, etc.), and emissions from other production auxiliary facilities. Indirect carbon emissions (Scope 2) mainly come from purchased electricity, steam, etc.

Greenhouse Gas Emissions of KELUN PHARMA in 2023-2024[1]

Indicator	Unit	2023	2024
Total GHG emissions	tCO_2e	2,659,459.92	2,845,549.25
Direct (Scope 1) GHG emissions	tCO_2e	2,190,590.17	2,361,763.17
Direct (Scope 2) GHG emissions[2]	tCO_2e	468,869.75	483,786.08
GHG emissions intensity	tCO_2e/ RMB 10,000 revenue	1.24	1.30

The Company and its subsidiaries (branches) continue to conduct greenhouse gas emission inspections at the Company level. In accordance with the *Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Sectors of Industry (Trial)* for all facilities within the production area, the emissions from fossil fuel combustion, CH_4 emissions from anaerobic wastewater treatment, and emissions from purchased electricity and heat were verified. This helps to identify key emission categories, and develop effective mitigation measures to jointly promote the achievement of the Company's sustainable development strategy.

Product carbon footprint assessment

During the reporting period, Xindu Base, Hubei Kelun, Guang'an Branch and New Kaiyuan hired third-party verification organizations to conduct product carbon footprint assessments for products such as amino acid injections, metronidazole injections and zinc acetate. The assessments followed relevant standards such as *Greenhouse Gases - Carbon Footprint of Products - Requirements and Guidelines for Quantification* (GB/T 24067-2024). and *Greenhouse Gases - Carbon Footprint of Products - Requirements and Guidelines for Quantification* (ISO 14067:2018). The assessments covered resource extraction, raw material production, raw material transportation, energy production, and the production of the products from cradle to gate. The Company obtained relevant carbon labeling certificates.

KELUN PHARMA's Product Carbon Footprint Certificate (Example)

[1] The data covers the Company's headquarters and its subsidiaries (branches).

[2] The CO_2 emission factor for electricity is based on the average national carbon emission factor of the power grid published by the Ministry of Ecology and Environment for the year 2022, which is 0.5366 tCO_2/MWh.

Participation in Green Power Trading Projects

The carbon trading market is an effective mechanism to achieve carbon emission reduction targets. It optimizes the allocation of carbon emission rights through market-based approaches, incentivizing companies to reduce their carbon emissions. Subsidiaries of the Company has taken the lead in participating in green electricity trading. Through market-based procurement of renewable energy sources such as wind and solar power, the Company effectively reduces the carbon emission intensity in its production processes. This initiative also sets an example for the green transformation of the entire industry chain.

- Xindu Base has participated in the "Carbon Benefiting Tianfu" mechanism in Chengdu, implementing a series of energy-saving measures and accumulating significant experience in carbon emission reduction, achieving remarkable results. As of now, Xindu Base holds a certain amount of Chengdu "Carbon Benefiting Tianfu" mechanism's certified emission reduction (CDCER), reflecting the solid achievements of the Company in pursuing its "carbon peaking and carbon neutrality" goals.
- On January 24, 2024, Kunming Nanjiang obtained the trading voucher of Green Power Certificate, corresponding to the purchase of 1,050 MWh of electricity, further promoting the Company's green and low-carbon transformation.
- In 2024, Kelun-Biotech purchased 4,900 megawatt-hours of domestically sourced renewable energy green electricity.

Trading Voucher of Green Power Certificate of Kunming Nanjiang

Trading Voucher of Green Power Certificate of Kelun-Biotech

Clean energy utilization

The Company continuously strengthens energy-saving management and explores multiple energy-saving pathways. By exploring nuclear, solar, wind, and biomass energy, it optimizes its energy mix, significantly increasing the share of renewable energy to achieve source-level carbon reduction. Currently, solar photovoltaic (PV) power is the primary clean energy source of the Company.

Photovoltaic Power Generation of Subsidiaries (Branches) of KELUN PHARMA in 2024:

Guangxi Kelun:	Hunan Kelun Yueyang Branch:	Jiangxi Kelun:	Shandong Kelun:
Installed capacity	Installed capacity	Installed capacity	Installed capacity
3.84 MW,	4.35 MW,	3.15 MW,	1.123 MW,
electricity generation	electricity generation	electricity generation	electricity generation
3,246.06	4,040.70	2,935.29	1047.56
MWh in 2024	MWh in 2024	MWh in 2024	MWh in 2024

Phase I Photovoltaic Project of Yueyang Branch

Photovoltaic Project of Shandong Kelun

Biodiversity Protection

The Company attaches great importance to the impact of new, upgraded, and expanded projects on biodiversity. It strictly complies with relevant laws and regulations such as the *Soil Pollution Prevention and Control Law of the People's Republic of China*, the *Forest Law of the People's Republic of China*, the *Wildlife Protection Law of the People's Republic of China*, and the *Opinions on Further Strengthening Biodiversity Conservation*. It actively fulfills the obligations of the United Nations' *Convention on Biological Diversity* and takes various measures to protect biodiversity.

Project evaluation

Strict evaluation is conducted to determine if projects comply with ecological protection redlines, if they exceed environmental quality limits, if they surpass resource utilization limits, and if they meet the control requirements outlined in the ecological environment access list;

Environmental risk identification

Project construction is avoided in areas with high biodiversity value, such as near designated ecological protection zones, to ensure that the implementation of projects does not have any negative impacts on biological habitats.

Assessment of biodiversity

Encouragement is given to production companies to actively carry out biodiversity assessments related to their business activities. This enables a deeper understanding of the potential impacts on biodiversity and the development of targeted protective measures to support the conservation of endangered species and promote ecosystem balance and stability.

During the reporting period, all new, upgraded, and expanded projects of KELUN PHARMA's production companies were not located in ecologically protected areas or areas of high biodiversity value. These projects did not have significant adverse impacts on biodiversity.

Appendices

Appendix I: Data List of Key Performance Indicators

Economic Performance

Indicator	Unit	2023	2024
Gross revenue	RMB 10,000	2,145,393	2,181,241
Net profit attributable to shareholders of the listed company	RMB 10,000	245,611	293,589

Governance Performance

Directors, Supervisors, and Senior Management

Indicator	Unit	2023	2024
Total members of board directors	Persons	8	9
Including: Number of executive directors	Persons	1	1
Including: Number of independent directors	Persons	3	3
Proportion of independent directors	%	38	33
Number of board meetings convened	Times	11	9
Attendance rate of board members	%	100	100
Number of general meetings of shareholders held	Times	4	3
Number of Board of Supervisors meetings convened	Times	6	6

Business Ethics

Indicator	Unit	2023	2024
Number of anti-commercial bribery and anti-corruption training sessions	Times	12	11
Percentage of employees covered by anti-commercial bribery and anti-corruption training	%	100	100
Percentage of major subsidiaries (branches) covered by business ethics audits	%	/	100
Percentage of core suppliers engaging in business with the Company that have signed Sunshine Agreement	%	100	100

Investor Communication

Indicator	Unit	2023	2024
Number of disclosure announcements	Copy	142	144
Number of earnings briefings held	Times	1	1
Number of online targeted research sessions	Times	/	3
Number of responses to questions on the Interactive Platform	Times	/	73
Number of investor hotline calls answered	Times	/	718

Ensuring Information Security

Indicator	Unit	2023	2024
Number of information security incidents or breaches of client privacy	Times	0	0
Specific amount involved in data security incidents	RMB'0,000	0	0
Confirmed customer privacy breach incident	Times	0	0
Specific amount involved in breaches of client privacy	RMB'0,000	0	0
Number of cybersecurity training sessions conducted	Times	1	3
Number of cybersecurity awareness campaigns conducted	Times	/	4
Number of cybersecurity emergency drills conducted	Times	1	1

Environmental Performance[3]

Environmental Management

Indicator	Unit	2023	2024
Total investment in environmental protection	RMB 10,000	60,535.51	66,139.57
Total hours of environmental protection training	Hours	39,949	46,786
Number of violations of environmental laws and regulations	Item	0	0
Number of incidents punished for violating environmental protection laws and regulations	Times	0	0

[3] Due to changes in the method of environmental data collection for some subsidiaries (branches) in 2024, we have conducted retrospective adjustments to the environmental data for the year 2023.

Energy Usage

Indicator	Unit	2023	2024
Total energy consumption	Tons of standard coal	/	978,600.17
Direct energy consumption	Tons of standard coal	/	844,877.61
Including: Coal	Tons	1,349,678.37	1,376,176.22
Gasoline	Liter	232,401.13	219,057.97
Diesel	Liter	224,719.02	230,079.95
Natural gas	Cubic meter	44,933,325.00	43,741,984.60
LPG	Cubic meter	301.00	240.00
Indirect energy consumption	Tons of standard coal	/	133,722.56
Including: Electricity	Megawatt-hour	671,943.05	728,069.32
Steam	Tons	492,423.04	609,171.11
Renewable energy usage (Photovoltaic power generation)	Megawatt-hour	68,851.36	69,671.14

Greenhouse Gas Emissions

Indicator	Unit	2023	2024
Total GHG emissions	tCO_2e	2,659,459.92	2,845,549.25
GHG emissions (Scope 1)	tCO_2e	2,190,590.17	2,361,763.17
GHG emissions (Scope 2)	tCO_2e	468,869.75	483,786.08
GHG emissions intensity	tCO_2e/ RMB 10,000 revenue	1.24	1.30

Exhaust Emission

Indicator	Unit	2023	2024
Total exhaust emission	Tons	2,637,085.72	2,947,721.69
Particulate matter (PM) emission	Tons	23.79	57.54
Nitrogen oxides (NOx) emission	Tons	368.50	466.01
Sulfur oxides (SOx) emission	Tons	82.84	126.77
Volatile organic compounds (VOCs) emission	Tons	183.43	270.36

Wastewater Discharge

Indicator	Unit	2023	2024
Total wastewater discharged	Tons	4,775,858.88	5,108,191.20
Chemical oxygen demand (COD)	Tons	304.51	348.57
Five-day biochemical oxygen demand (BOD5)	Tons	81.34	94.35
Suspended solids	Tons	65.91	54.28
Ammonia nitrogen	Tons	14.64	20.31

Waste Discharge

Indicator	Unit	2023	2024
Hazardous waste (generated)	Tons	217,767.81	251,112.33
Hazardous waste (recycled)	Tons	197.96	1,115.63
Hazardous waste (disposed)	Tons	217,748.41	250,601.02
Non-hazardous waste (generated)	Tons	219,500.53	236,909.06
Non-hazardous waste (recycled)	Tons	7,341.10	7,298.64
Non-hazardous waste (disposed)	Tons	212,243.11	229,599.68
Municipal solid waste (generated)	Tons	16,809.81	17,657.54
Municipal solid waste (recycled)	Tons	15.10	39.60
Municipal solid waste (disposed)	Tons	16,791.71	17,617.94

Utilization of Water Resources

Indicator	Unit	2023	2024
Total water consumption	Tons	28,559,448.92	31,388,028.53
Including: Fresh water consumption (=A+B+C)	Tons	16,109,743.48	16,397,458.45
Urban (or other water supply agencies) water supply consumption (A)	Tons	5,948,036.15	6,187,481.25
Surface water consumption (B)	Tons	9,832,299.63	9,744,798.00
Groundwater consumption (C)	Tons	329,407.70	465,179.20
Reclaimed water reuse	Tons	12,586,330.43	15,049,294.08

Product Performance

Product Responsibility and Service

Indicator	Unit	2023	2024
Percentage of production enterprises with ISO9001 certification	%	/	40.63
Number of products recalled	Item	0	0
Percentage of products recalled	%	0	0
Number of product regulatory warning incidents received	Times	0	0
Number of internal quality training sessions	Times	27,457	28,898
Coverage of internal quality training	%	99.28	99.32
Total number of participants in internal quality training	Person-time	498,777	587,962
Internal quality training hours	Hours	821,934	725,186
Number of product quality tests conducted	10,000 times	75	60
Number of pilot tests conducted for products	10,000 times	13	15
Number of existing product quality/safety tests conducted	10,000 times	60	50
Coverage of pharmacovigilance training	%	/	100
Number of pharmacovigilance training sessions	Times	/	273
Total number of participants in pharmacovigilance training	Persons	/	10,672
Total pharmacovigilance training hours	Hours	/	825
Number of employees participating in responsible marketing training	Person-time	/	8,800
Duration of responsible marketing training	10,000 hours	/	11.78
Average duration of responsible marketing training per person	Hours	/	40
Number of responsible marketing audits conducted	Times	/	35
Number of employees covered by responsible marketing audits	Persons	/	2,956
Amount involved in significant safety and quality responsibility accidents related to annual products and services	RMB10,000	0	0

Supplier Management

Indicator	Unit	2023	2024
Number of supplier training sessions	Nr	300	320
Coverage rate of high-risk supplier training	%	100	100
Supplier training hours	Hours	400	400
Number of supplier participating in supplier training	Persons	2,000	2,000
Number of supplier audits	Nr	383	420
Coverage rate of high-risk supplier audits	%	100	100

Research and Development (R&D) and Intellectual Property Management

Indicator	Unit	2023	2024
R&D investment	RMB 100 million	19.53	21.71
Cumulative number of authorized patents held	Item	2,153	1,997
Including: Invention patents	Item	707	735
Utility model patent	Item	1,237	1,069
Design patent	Item	209	193
Number of newly applied patents	Item	409	438
Number of newly granted patents	Item	184	231

Employee Performance

Employment

Indicator		Unit	2023	2024
Total number of employees		Persons	19,798	21,864
Employees by gender	Male	Persons	10,723	12,086
	Female	Persons	9,075	9,778
Employees by type of employment	Labor contract system	Persons	/	21,410
	Labor dispatch system	Persons	/	158
	Other regions	Persons	/	296

Indicator		Unit	2023	2024
Employees by age	Employees aged 30 and below	Persons	/	7,326
	Employees aged 31 to 40	Persons	/	8,733
	Employees aged 41 to 50	Persons	/	4,399
	Employees aged 51 and above	Persons	/	1,406
Number of employees by rank	Senior Management	Persons	14	12
	Female employees in the senior management	Persons	3	3
	Middle management	Persons	442	3,671
	Female employees in the middle management	Persons	1,612	1,792
	Grassroots employees	Persons	/	18,181
Number of employees by region	Mainland China, Hong Kong, Macau, and Taiwan	Persons	19,445	21,470
	Overseas countries or regions	Persons	353	394
Employee tenure	Average tenure of female employees in the Company	Year	6.1	6.0
	Average tenure of male employees in the Company	Year	7.1	6.8
Number of new employees	Number of newly hired employees	Persons	3,598	3,598
	Number of newly hired full-time employees	Persons	/	3,304
	Number of newly hired female employees	Persons	1,606	1,371
Number of employees from ethnic minorities		Persons	1,883	2,197
Number of part-time, outsourced, or temporary employees		Persons	/	158
Number of executive management personnel		Persons	/	3,671
Number of female executive management employees		Persons	/	1,792
Coverage rate of employee social security		%	100	100

Employee Turnover Rate

Indicator		Unit	2023	2024
Overall employee turnover rate[4]		%	16.08	15.73
Employee turnover rate by gender	Male	%	17.36	18.12
	Female	%	14.52	13.20
Employee turnover rate by age group	Employees aged 30 and below	%	24.23	24.65
	Employees aged 31 to 40	%	/	12.95
	Employees aged 41 to 50	%	/	7.47
	Employees aged 51 and above	%	/	7.38

Employee Training and Development

Indicator		Unit	2023	2024
Employee training hours	Total training hours	10,000 hours	170.95	176.18
	Average training hours per employee	Hours	86.35	80.58
	Total training hours for female employees	10,000 hours	76.07	76.63
	Per capita training time for female employees	Hours	83.83	78.60
	Total training hours for male employees	10,000 hours	94.87	99.55
	Per capita training time for male employees	Hours	88.47	82.18
	Total training hours for senior management	Hours	1,032.16	977.67
	Average training hours per senior management	Hours	73.73	81.47
Employee training assessment	Total number of training sessions per year	10,000 times	6.32	6.16
	Annual training expenditure	RMB 10,000	428.05	487.80
	Number of employees trained	Persons	19,798	21,864
	Employee training coverage rate	%	100	100

[4] Overall employee turnover rate = Number of employees who left / (Number of employees at the end of the year + Number of employees who left)

Occupational Health & Safety

Indicator		Unit	2023	2024
Health and safety training and drills	Times of safety drills conducted (fire, toxic gas leaks, etc.)	Times	772	851
Investment in work safety	Investment in occupational health and safety management	RMB 10,000	2,977.79	2,886.24
	Investment in employee work injury insurance	RMB 10,000	644.30	830.61
	Investment in employee safety production liability insurance	RMB 10,000	24.73	30.92
	Employee work injury insurance coverage rate	%	100	100
	Coverage rate of employee production liability insurance	%	100	100
Coverage rate of occupational health checkups		%	100	100
Work-related injury	Lost days due to work injury	Day	904.5	1,582.5
	Incidence of occupational disease	%	0	0

Appendix II: Report Standard Index

KELUN PHARMA referenced the Shenzhen Stock Exchange's Sustainability Reporting Guidelines and GRI standards to report the referenced information in the content index for the period from January 1 to December 31, 2024.

Sustainability Reporting Guidelines		GRI Content Index	Report Locations and Descriptions
Environmental information disclosure			
Section I Response to Climate Change			
Response to climate change	Articles 20, 21, 22, 23, 24, 25, 26, 27 and 28	GRI 201: Economic Performance 2016; GRI 302: Energy 2016; GRI 305: Emissions 2016	Response to climate change Appendix I: Key Performance Indicators (KPIs)
Section II Pollution Prevention and Ecological Conservation			
Pollutant emission	Articles 29 and 30	GRI 2: General Disclosures 2021; GRI 303: Water and Effluents 2018	Toxic Emissions and Waste; Appendix I: Key Performance Indicators (KPIs)
Waste disposal	Articles 29 and 31	GRI 306: Waste 2020	Toxic Emissions and Waste; Appendix I: Key Performance Indicators (KPIs)
Ecosystem and biodiversity conservation	Article 32	GRI 304: Biodiversity 2016	Biodiversity Protection
Environmental compliance management	Articles 29 and 33	GRI 302: Energy 2016; GRI 303: Water and Effluents 2018; GRI 306: Waste 2020	Environmental management
Section III Resource Utilization and Circular Economy			
Energy utilization	Articles 34 and 35	GRI 302: Energy 2016	Energy Management; Appendix I: Key Performance Indicators (KPIs)
Utilization of water resources	Articles 34 and 36	GRI 303: Water and Effluents 2018	Water Resource Management; Wastewater Treatment; Appendix I: Key Performance Indicators (KPIs)
Circular economy	Articles 34 and 37	GRI 306: Waste 2020	Waste Management and Circular Economy; Appendix I: Key Performance Indicators (KPIs)
Social Information Disclosure			
Section I Rural Revitalization and Social Contributions			
Rural revitalization	Articles 38 and 39	GRI 203: Indirect Economic Impacts 2016	Pooling Strength for Rural Revitalization

Sustainability Reporting Guidelines		GRI Content Index	Report Locations and Descriptions
Social contribution	Articles 38 and 40	GRI 203: Indirect Economic Impacts 2016	Practicing Public Welfare and Charity
Section II Innovation-driven Development and Technology Ethics			
Innovation-driven development	Articles 41 and 42	/	Innovation-driven Transformation; Appendix I: Key Performance Indicators (KPIs)
Technology ethics	Not involved. The core business of the Company does not involve scientific research and technology development in sensitive fields such as life science and artificial intelligence ethics.		
Section III Suppliers and Customers			
Supply chain security	Articles 44 and 45	GRI 308: Supplier Environmental Assessment 2016; GRI 414: Supplier Social Assessment 2016	Building a Sustainable Supply Chain
Equal treatment of SMEs	Article 46	/	Equal treatment of SMEs
Product and service safety and quality	Articles 44 and 47	GRI 416: Customer Health and Safety 2016; GRI 417: Marketing and Labeling 2016	Product Safety and Quality; Customer Service; Appendix I: Key Performance Indicators (KPIs)
Data security and customer privacy protection	Articles 44 and 48	GRI 418: Customer Privacy 2016	Ensuring Information Security
Section IV Employee			
Employee	Articles 49 and 50	GRI 401: Employment 2016; GRI 403: Occupational Health and Safety 2018; GRI 404: Training and Education 2016; GRI 405: Diversity and Equal Opportunity 2016; GRI 406: Non-discrimination 2016; GRI 409: Forced or Compulsory Labor 2016	Talent Development Strategy; Talent Retention; Employee Training and Development; Occupational Health and Safety; Appendix I: Key Performance Indicators (KPIs)
Sustainable Development Governance Information Disclosure			
Section I Sustainable Development Governance Mechanisms			
Due diligence	Article 52	/	Systematic Supervision Mechanisms; Business Ethics Audit
Stakeholder communication	Article 53	GRI 2: General Disclosures 2021; GRI 3: Material Topics 2021	Stakeholder Communication
Section II Business Conduct			
Anti-commercial bribery and anti-corruption	Articles 54 and 55	GRI 205: Anti-corruption 2016	Business Ethics; Appendix I: Key Performance Indicators (KPIs)
Anti-unfair competition	Article 54	GRI 206: Anti-competitive Behaviors 2016	Fair competition

Appendix III: Reader's Feedback

Dear Readers,

Hello!

We sincerely appreciate your time in reading our 2024 Environmental, Social, and Governance (ESG) Report. To provide you and other stakeholders with more comprehensive, professional, and valuable ESG information, and to continuously improve our ESG efforts and enhance our ESG management capabilities, we sincerely invite you to assist in completing the relevant questions in the feedback form. Please do not hesitate to give us your comments.

1. Are you satisfied with this report in general?

Yes ☐ Fair ☐ No ☐

2. Do you think this report reflects the significant impact of KELUN PHARMA on ESG?

Yes ☐ Fair ☐ No ☐

3. Do you think the analysis of the stakeholders identified in this report and their relationship with KELUN PHARMA is accurate and comprehensive?

Yes ☐ Fair ☐ No ☐

4. Do you think the information provided in this report is comprehensive?

Yes ☐ Fair ☐ No ☐

5. Do you think the information provided in this report is readable?

Yes ☐ Fair ☐ No ☐

6. Is the overall design of this report satisfactory?

Yes ☐ Fair ☐ No ☐

7. Your other comments and recommendations on the *2024 Environmental, Social and Governance Report of KELUN PHARMA* are welcome.

For any questions, suggestions, or feedback regarding this report, please feel free to contact us through the following channels:

Address: 36 Baihua West Road, Qingyang District, Chengdu

Postcode: 610071

Telephone: 4006860333 (Monday to Friday, 08:00-17:30, excluding statutory holidays)

E-mail: kelun@kelun.com

科伦药业
KELUN PHARMACEUTICAL

Sichuan Kelun Pharmaceutical Co., Ltd.

Address: 36 Baihua West Road, Qingyang District, Chengdu
Postcode: 610071
E-mail: kelun@kelun.com