



ESG | 2023 REPORT

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

Shandong Xinhua Pharmaceutical Company Limited

CONTENTS

About the Report 01

Introduction to Xinhua
Pharmaceutical 03

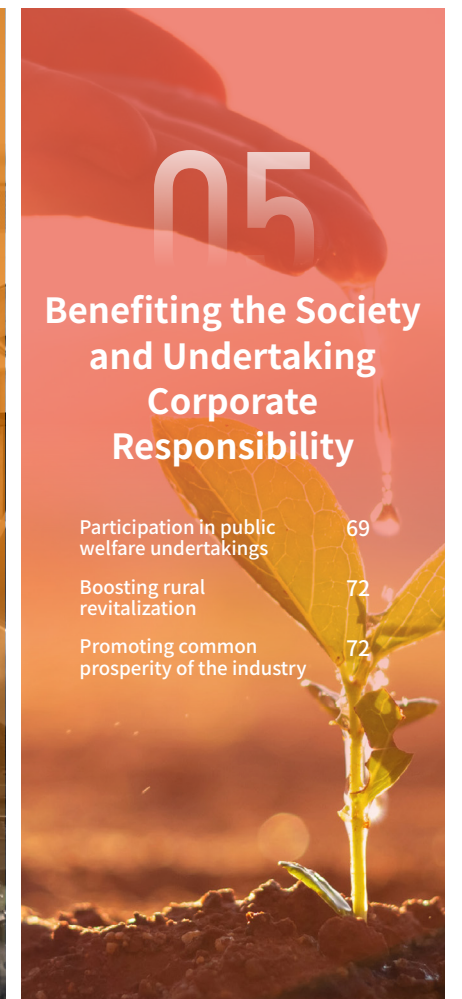
ESG Governance 13

Appendix 75

List of Key Performance
Indicators (KPIs) 75

Index to the Contents of the
Environmental, Social and
Governance Reporting Guide
of HKEX 81

Reader Feedback Form 85



About the Report

Shandong Xinhua Pharmaceutical Company Limited (hereinafter referred to as the "Company") has disclosed Environmental, Social, and Governance (ESG) Reports for eight consecutive years (Social Responsibility Reports from 2016 to 2021). This report outlines the Company's ESG performance in 2023 and sets forth the future ESG development goals of the Company.

The Company and all the Directors of the Board guarantee the truthfulness, accuracy, and completeness of the content and that the report does not contain any false representation, misleading statement, or major omission.

Report scope and boundaries

Reporting scope: This report mainly covers Shandong Xinhua Pharmaceutical Company Limited and partly its subsidiaries.

Reporting period: From January 1, 2023 to December 31, 2023. Part of the report extends moderately to the years before and after to enhance its comparability and forward-looking nature.

Data

The report's data and cases are sourced from relevant statistical data and cases of the Company and its subsidiaries. All of the related financial information is extracted from the Company's 2023 Annual Results Announcement. Monetary units mentioned in the report are all denominated in Renminbi.

Report references

This report is prepared in compliance with all the provisions set out in the Environmental, Social, and Governance Reporting Guide as contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK") issued by the SEHK, with reference to the Shenzhen Stock Exchange Guidelines on Normative Operation of Listed Companies on the Main Board, the Guidelines to Chinese State-owned Enterprises on Fulfilling Corporate Social Responsibilities issued by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") and so on.

Reporting procedures

The content of this report is developed in accordance with a systematic process that includes identifying key stakeholders, identifying and ranking key ESG issues, determining the boundaries of this report, collecting relevant materials and data, reviewing the data, and preparing this report based on the information.

Addressing and representation

For ease of presentation and reading, unless otherwise specified, "Xinhua Pharmaceutical", "the Company", "we", and "us" in this report refer to Shandong Xinhua Pharmaceutical Company Limited.

Report accessibility

This report is published in electronic form. To obtain the electronic version of this report, please visit the websites of Juchao Information Network (www.cninfo.com.cn), the SEHK (www.hkex.com.hk), or the official website of the Company (www.xhzy.com) for downloading.

This report is prepared in Chinese and English respectively. In case of any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Introduction to Xinhua Pharmaceutical

Brief introduction of the Company

Xinhua Pharmaceutical, previously known as Shandong Xinhua Pharmaceutical Factory, was established in Jiaodong Anti-Japanese Base in 1943. The Company is a significant pharmaceutical enterprise in China, producing and exporting analgesic-antipyretic drugs in Asia. Additionally, the Company is an important domestic manufacturer of cardiovascular and cerebrovascular drugs, anti-infection drugs, and central nervous system drugs. Xinhua Pharmaceutical holds a high status and influence in the domestic chemical and pharmaceutical industries. The Company is listed on both A-share and H-share markets and is ranked among the top 100 pharmaceutical enterprises, the top five enterprises in exporting APIs, and the top ten enterprises in exporting preparations. Currently, the Company possesses 5 industrial parks and 14 subsidiaries, with total assets exceeding RMB8 billion. The Company offers 26 products with top-one market share or of exclusive varieties, including aspirin, ibuprofen, levodopa, etofesalamide, tribendimidine, irisquinone, and pipemidic acid. The Company has established long-term strategic partnerships with many renowned transnational enterprises, such as Bayer, Perrigo, and GlaxoSmithKline.

Core Values	<ul style="list-style-type: none"> Focus on health and take responsibility
Mission	<ul style="list-style-type: none"> Protecting health and benefiting society
Vision	<ul style="list-style-type: none"> Develop Xinhua into a high-tech enterprise that meets international standards and embodies a humanistic spirit
Spirit	<ul style="list-style-type: none"> Inheritance, innovation, harmony, and dedication
Work Style	<ul style="list-style-type: none"> Pragmatic, strict, efficient, and honest



 4 pillar industries	 5 industrial parks
 14 subsidiaries	 RMB 8.3 billion of total assets

Major events in 2023

January

- At the start of the year, Xinhua Pharmaceutical ensured the supply of ibuprofen by providing over 1,000 tons of APIs and 800 million tablets to 31 provinces and cities across the country. This achievement was widely praised by society, and letters of condolence and gratitude were received from various organizations including the Ministry of Industry and Information Technology, Beijing, Fujian, Nanjing, Dalian, Yangzhou, and Tsinghua University.



- Xinhua Pharmaceutical Bulin® (ibuprofen suspension) was approved for marketing.



- Xinhua Pharmaceutical's project "Research and Development and Industrialization of Key Technologies of Polymer Drugs" was awarded first prize in the 2022 Science and Technology Awards of the Shandong Society of Chemistry and Chemical Engineering.
- Shandong Xinhua Pharmaceutical Chemical Design Co., Ltd. was certified as a high-tech enterprise in Shandong Province.
- Xinhua Pharmaceutical's OAB-14, a Class I innovative drug for treating senile dementia, was approved for clinical use.

February

- Xinhua Pharmaceutical's piracetam injection successfully passed the evaluation for consistency as a generic drug.
- Xinhua Pharmaceutical's Sevelamer Carbonate Tablets received the Certificate of Drug Registration.



- Xinhua Pharmaceutical signed a comprehensive strategic cooperation agreement with the Bank of China Zibo Branch.
- The "Analgin Series Product Technical Transformation Project of Shandong Xinhua Pharmaceutical Company Limited" designed by Xinhua Design Institute was awarded the third prize in the Industrial category.

March

- Xinhua Pharmaceutical's Meloxicam Capsules were the first in China to pass the evaluation for consistency as a generic drug.
- Xinhua Pharmaceutical's "Advanced Manufacturing Project of High Quality Ibuprofen" was awarded the "Nomination Award of China Grand Awards for Industry".
- Xinhua Pharmaceutical has launched a Phase I clinical trial of OAB-14, the world's first multi-target small molecule anti-Alzheimer's disease (AD) candidate drug targeting Aβ clearance.



April

- Xinhua Pharmaceutical was granted the qualification of a marketing license holder for ambroxol hydrochloride oral solution.
- Xinhua Medical Trade was qualified as a modern pharmaceutical logistics enterprise.
- Xinhua Pharmaceutical was rated as the Benchmarking Enterprise of Intelligent Manufacturing in Shandong Province in 2022.
- Xinhua Pharmaceutical's "Digital Workshop of High-End Solid Preparations" won third prize in the first State-owned Enterprise Digital Scene Innovation Professional Competition held by the State Council.

June

- Xinhua Pharmaceutical recruited three new Taishan industry-leading talents.
- Xinhua Pharmaceutical introduced Xinwei® Zinc Vitamin C Effervescent Tablets as the newest addition to its Freyant product line.



- Xinhua Pharmaceutical's Shutaide® (Rabeprazole Sodium Enteric-Coated Tablets: 10mg) passed the evaluation for consistency as a generic drug.
- Xinhua Pharmaceutical's API, Alogliptin Benzoate, was approved for marketing.
- Xinhua Pharmaceutical's Freyant Zebai brand fish oil softgel was awarded the title of "2023 Most Valuable Single Product for Cooperation in Chinese Chain Pharmacies".

May

- Xinhua Pharmaceutical's valsartan and amlodipine tablet (I) received the Certificate of Drug Registration.
- Xinhua Pharmaceutical debuted at the China Animal Husbandry Expo.

July

- Xinhua Pharmaceutical's Shutaide (Rabeprazole Sodium Enteric-Coated Tablets: 20mg) and Dobutamine Hydrochloride Injection (5ml:100mg) passed the evaluation for consistency as generic drugs.
- Xinhua Pharmaceutical held a "One-day Donation" activity, with 5,669 individuals from 44 branches donating a total of RMB231,529. The donation was fully handed over to the Municipal Charity Federation.
- The Zibo Federation of Trade Unions awarded Xinhua Pharmaceutical Trade Union the title of "Top Ten Workers' Trusted Home".

August

- Xinhua Pharmaceutical's Alogliptin Benzoate Tablets (25mg, 12.5mg) were approved for marketing.
- Xinhua Pharmaceutical was awarded the title of Excellent Organization Unit of the "Work Safety Month" event in Shandong Province in 2023.
- Xinhua Pharmaceutical held the 2023 Autumn Scholarship awarding ceremony.

October

- Xinhua Pharmaceutical's Febuxostat APIs and Apixaban Tablets were approved for marketing.
- Xinhua Pharmaceutical's preparation factory achieved the highest level of MHRA certification.
- Xinhua Pharmaceutical passed ISO 9001 recertification audit and ISO 14001 reassessment audit.
- Xinhua Pharmaceutical held the graduation exchange and sharing meeting for the "First Trainee Growth Training Course".
- Xinhua Pharmaceutical participated in the 89th API China (full name: China International Pharmaceutical Raw Materials/Intermediates/Packaging/Equipment Trading Fair) held in Nanjing.
- After more than four months of preparation, the "Workers' Variety Show of the 80th Anniversary of the Founding of Xinhua Pharmaceutical" was held at the Zibo Radio and Television Theatre. The event was written, directed, and performed by employees. Thousands of customer representatives and employees attended the performance. The show was broadcast live, attracting more than 1.6 million online viewers.



September

- Clarithromycin granules (0.125g) of Xinhua Pharmaceutical (Gaomi) Co., Ltd. successfully passed the evaluation for consistency as a generic drug.
- The production base (API factory) of Xinhua Pharmaceutical No. 1 Branch passed the on-site inspection by the U.S. Food and Drug Administration (FDA) with zero defects.
- Xinhua Pharmaceutical's ibuprofen was included in the second batch of brands representing "Excellent Products in Shandong" in Shandong Province.
- Xinhua Pharmaceutical and Kexing Biopharm established a strategic partnership to expand their overseas market for Sevelamer Carbonate Tablets.
- Xinhua Pharmaceutical's "Shandong Engineering Research Center for Advanced Manufacturing of Analgesic-Antipyretic Drugs" was approved by the Provincial Development and Reform Commission (LFGGJ [2023] No. 739).
- Xinhua Pharmaceutical passed the certification of the intellectual property management system.

November

- The conference celebrating the 80th anniversary of the establishment of Xinhua Pharmaceutical and its breakthrough in innovation and high-quality development was held in Zibo.



- Xinhua Pharmaceutical's "High-End Preparation Smart Factory" was included in the list of National Intelligent Manufacturing Demonstration Factories in 2023.
- Xinhua Pharmaceutical (Gaomi) Co., Ltd. and Shandong Xinhua Wanbo Chemical Industry Co., Ltd. were certified as high-tech enterprises for the first time.



December

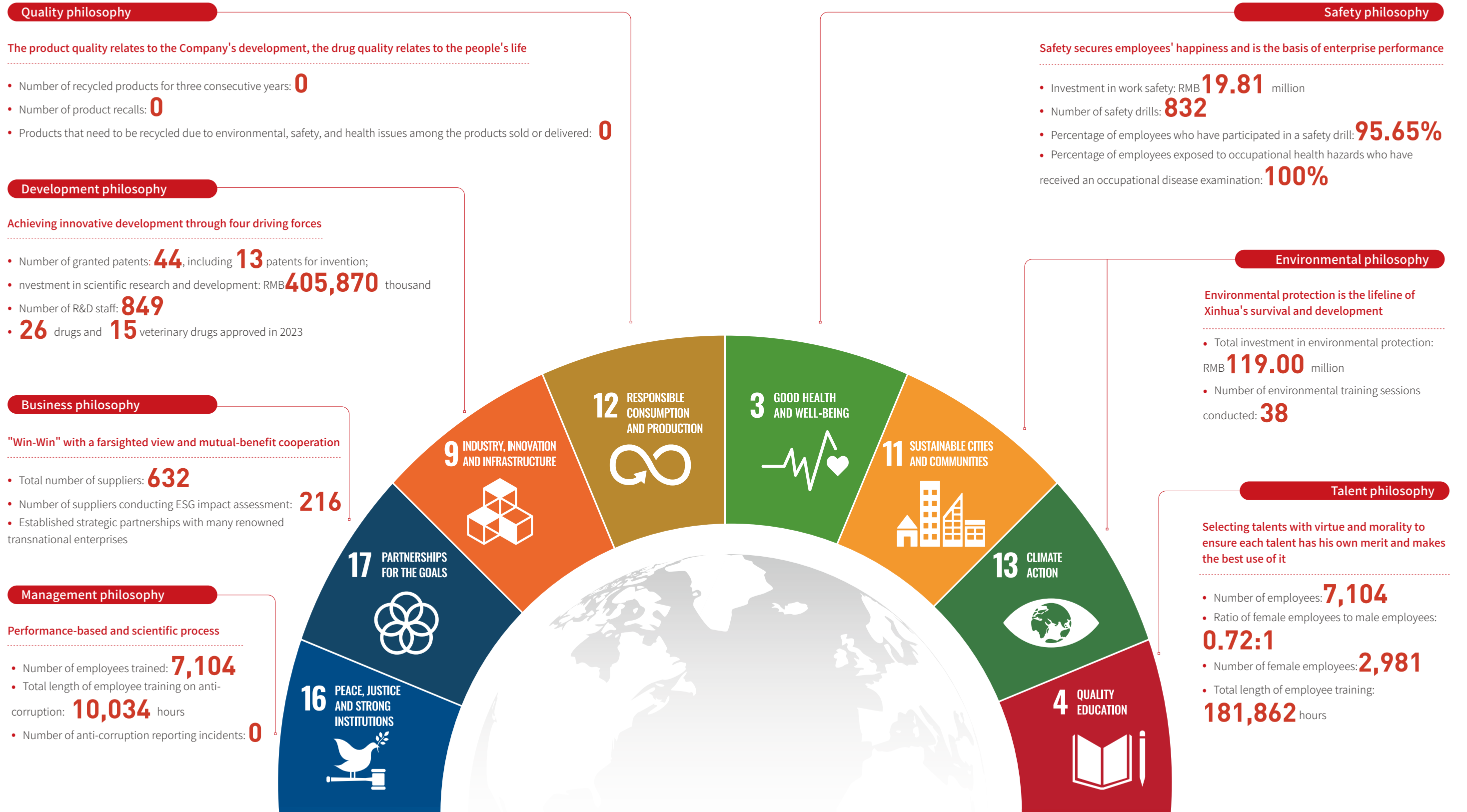
- Xincat Pharmaceutical's cefixime capsules passed the evaluation for consistency as a generic drug.
- Xinhua Pharmaceutical was included in the list of pilot projects for the construction of green, low-carbon, and high-quality development zones in Shandong Province.
- Xinhua Pharmaceutical's Levamlodipine Besylate Tablets (2.5mg) were approved.
- Xinhua Pharmaceutical's Preparation Park once again passed the on-site inspection by the U.S. Food and Drug Administration (FDA) with zero defects.
- Xinhua Pharmaceutical was selected as one of the "2023 Demonstration Enterprises for Production of Quality Drugs in Shandong". Nine products including Ibuprofen Tablets, Ibuprofen, Shutaide (Rabeprazole Sodium Enteric-Coated Tablets), Jiening (Aspirin Enteric-Coated Sustained Release Tablets), Aspirin, Pipemidic Acid Tablets, Caffeine, Baochang (Calcium Polycarbophil Tablets) and Baihongyou (Clarithromycin Granules) were included in the list of "Excellent Products".
- Xinhua Pharmaceutical's DHA fish oil gel candy was released to the market.
- Xinhua Pharmaceutical's Jinzebai brand fish oil softgel was included in the list of "2023 Shandong Famous Brands (Products)".



- The Audit and Legal Department of the Company was awarded the title of "National Advanced Collective of Internal Auditing from 2020 to 2022".
- At 2024 Tmall Health's Health Care Industry Summit, Xinhua Pharmaceutical was awarded the title of "Co-construction Factory of Category of the Year"; while Freyant was named "Tmall Health Dark Horse Brand of the Year".
- Xinhua Pharmaceutical held the annual informal talks in 2023 between the Company's management, employee representatives, and team leaders.
- Shandong Xinhua Pharmaceutical Company Limited and Shandong Zibo Xincat Pharmaceutical Co., Ltd. were certified as high-tech enterprises. By the end of the reporting period, six companies of Xinhua Pharmaceutical were certified as high-tech enterprises.



Outstanding performance in ESG in 2023



List of honors

"Research and Development and Industrialization of Key Technologies of Polymer Drugs" Project was awarded the first prize in the Science and Technology Progress Award of the Shandong Society of Chemistry and Chemical Engineering

January 2023

Benchmarking Enterprise of Intelligent Manufacturing in Shandong Province in 2022

April 2023

Intelligent Manufacturing Demonstration Factories in 2023

October 2023

List of pilot projects for the construction of green, low-carbon, and high-quality development zones in Shandong Province

December 2023

TOP 100 Chemical Pharmaceutical Enterprises in China in 2022

June 2023



[Freyant Zebai brand fish oil softgel] was awarded the title of "2023 Most Valuable Single Product for Cooperation in Chinese Chain Pharmacies"

June 2023



"Nomination Award of China Grand Awards for Industry"

March 2023



Ibuprofen was included in the second batch of brands representing "Excellent Products in Shandong"

September 2023



[Jinzebai brand fish oil softgel] was included in the list of Shandong Famous Brands

December 2023



2023 Demonstration Enterprises for Production of Quality Drugs in Shandong

December 2023



ESG Governance

ESG governance structure

Statement of the Board of Directors

The Board of Directors of Xinhua Pharmaceutical has reviewed this report and confirms that there is no false information, misleading statements or material omissions, and issues the following statement based on the Board's responsibility for the supervision and management of ESG-related matters during the reporting period:

The Company attaches great importance to environmental, social, and governance work. While ensuring steady growth in operating results, we organically integrate the concepts of green and low-carbon operation, employee care, and social contribution with our corporate development strategy, effectively fulfill our corporate social responsibility, strive to meet the expectations of all relevant parties, and build up our sustainable development capacity.

The Company strictly follows the requirements of the Code of Corporate Governance for Listed Companies of the China Securities Regulatory Commission (CSRC) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited issued by the SEHK to enhance the Board's participation in and supervision of ESG-related matters. We also continue to improve our ESG governance structure and management mechanism, and explore ESG practices and ESG development values.

As the highest responsible, decision-making and supervisory body for ESG-related matters, the Board of Directors performs supervisory and management responsibilities for ESG-related matters, including but not limited to material risk assessment, key target setting, work planning and review. In 2023, the Company urged the Board members to improve their ESG management, and conducted ESG knowledge training sessions to emphasize the importance of ESG management by the Board of Directors in corporate governance and ESG understanding of the Board members.

Communication with stakeholders

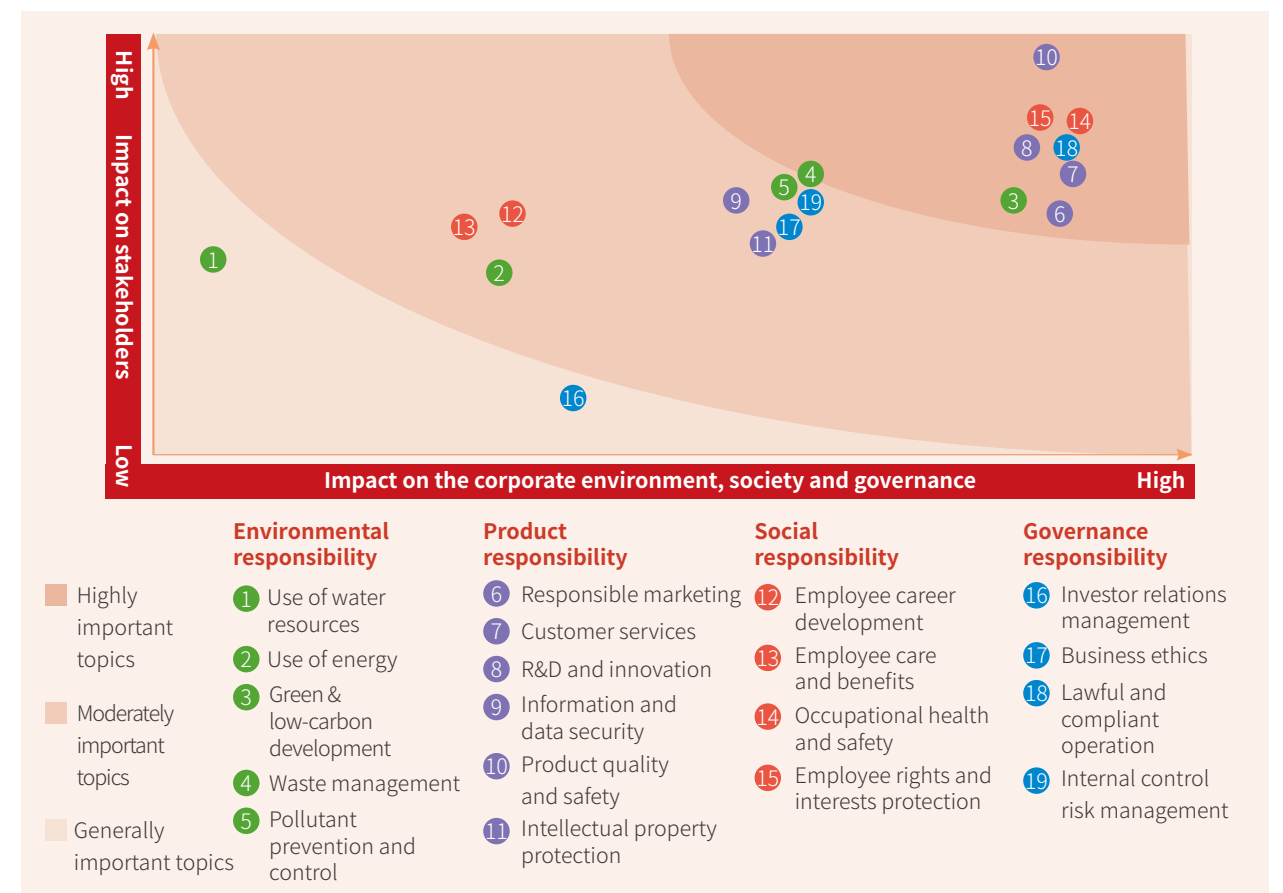
Xinhua Pharmaceutical attaches great importance to the communication with various stakeholders in our development process. We listen to the opinions and feedback of stakeholders and continue to improve the effectiveness of communication with stakeholders by refining communication mechanisms, expanding communication channels, and actively responding to the expectations of stakeholders.


Stakeholders	Communication requirements	Communication channels
Government departments	<ul style="list-style-type: none"> Compliance with the relevant laws and regulations Quality and safety assurance for drug products Cooperation with government supervision for the healthy development of the industry Payment of taxes in accordance with the law and promotion of local economic development 	<ul style="list-style-type: none"> Government-enterprise seminars Supervision and inspection Work reports and research
Shareholders and investors	<ul style="list-style-type: none"> Protection of shareholders' legitimate rights and interests Understanding of the Company's operating performance, governance standards, and tight control of risks Prudent operation for the greatest return on investment Assurance of openness, fairness, and impartiality in the disclosure of information 	<ul style="list-style-type: none"> Website of the Company Exchange meeting for investors and on-site inspection Timely disclosure of major business information and temporary announcements, and regular release of financial data Interview, hotline, and e-mail Hudongyi Platform of the Shenzhen Stock Exchange IR Connect of Hong Kong Stock Exchange
Employees	<ul style="list-style-type: none"> Protection of employees' fundamental rights and interests Concern for the physical and mental health and safety of employees Understanding of the needs of the employees and their suggestions for the Company Provision of a platform for employee training and career development 	<ul style="list-style-type: none"> Workers' congresses and trade unions Four Eagles Program Employee satisfaction survey Occupational health and safety training Feedback platform Daily communication

Stakeholders	Communication requirements	Communication channels
Consumers and customers	<ul style="list-style-type: none"> Protection of consumer rights and interests Compliance with business ethics Assurance of drug quality and safety and prompt recall of any problematic drugs Provision of a guarantee for quality after-sales service 	<ul style="list-style-type: none"> Product label and information disclosure Customer visit Consumer satisfaction survey Consumer complaints and opinions handling
Partners and suppliers	<ul style="list-style-type: none"> Maintenance of good and stable cooperation relationship Conducting business with integrity and ensuring drug compliance Timely communication and coordination with upstream and downstream partners for a win-win situation 	<ul style="list-style-type: none"> Regular communication Work meetings and correspondence over the phone Website of the Company
Media	<ul style="list-style-type: none"> Maintenance of open and transparent information disclosure Maintenance of a good level of communication with the media 	<ul style="list-style-type: none"> Telephone interviews and email exchanges Special interviews
Industry peers and associations	<ul style="list-style-type: none"> Maintenance of fair competition among peers to promote the healthy development of the industry Realization of technology and experience sharing between companies 	<ul style="list-style-type: none"> Meetings organized by the industry Experience sharing meeting Field visits and exchanges
Local community	<ul style="list-style-type: none"> Paying attention to the impact of production and operation on the local area Promotion of local economic development and support for vulnerable groups Dissemination of health information and assistance to sick people Increased recycling of product packaging and waste, and reduction of environmental pollution 	<ul style="list-style-type: none"> Participation in social welfare Regular provision of regional assistance Implementation of volunteer service Disclosure of environmental information

Analysis of important topics

By benchmarking with domestic and international ESG report disclosure standards, Xinhua Pharmaceutical interprets macro policies and hot topics in the industry, conducts extensive research and analysis, and establishes a list of topics in conjunction with the Company's business development strategy and unique features. Through online questionnaires and offline stakeholder interviews, we comprehensively assessed the impact of each topic on Xinhua Pharmaceutical and external stakeholders. Finally, we identified 19 material ESG topics, and disclosed and responded to them in this report.





Adhering to
Compliant Operation

Striving for Strict
Governance

Corporate governance

Governance structure

With strict compliance with the requirements of the currently effective Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules on Shareholders' General Meetings of Listed Companies, the Rules Governing the Listing of Securities of SEHK, Stock Listing Rules of Shenzhen Stock Exchange (SZSE), and other laws and regulations as well as related documents, Xinhua Pharmaceutical has established a comprehensive corporate governance structure including the general meeting, the Board of Directors, the Supervisory Committee and the management.

Upholding the management philosophy of "performance-based and scientific process", the Company improves the internal management mechanism, enhances operational efficiency, and improves the decision-making level from various aspects such as the establishment of institutions, management of procedures, formulation of laws and regulations, etc. To design a reasonable internal management system, the Company strictly follows the Articles of Association, Rules of Procedure of the General Meeting, Rules of Procedure of the Board of Directors, Rules of Procedure of the Supervisory Committee, Powers and Responsibilities of Various Special Committees, and the relevant internal control system of the Company. In this way, we ensure prudent decision-making and standardized operation of the general meeting, the Board of Directors, the Supervisory Committee and the management, safeguard the legitimate rights and interests of the shareholders and creditors of the Company, improve and standardize the organizational behavior of the Company, and promote sound business development and stable operation of the Company.

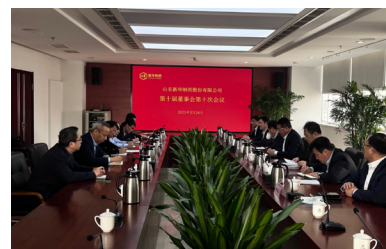
General meeting

The general meeting is the highest authority of the Company. The Articles of Association and the Rules of Procedure of the General Meeting clearly stipulate the duties of the general meeting of the Company and the rules of procedures. They ensure the efficient and standardized operation and scientific decision-making of the general meeting and guarantee that all shareholders, especially the small and medium ones, enjoy equal status and exercise their rights. During the reporting period, the Company held two general meetings.



Board of Directors

The Board of Directors directs and leads the affairs of the Company, formulates strategic orientations, and sets goals and business development plans. The Board of Directors exercises its power to make operational decisions within the scope of its prescribed duties in strict accordance with the Articles of Association and the Rules of Procedure of the Board of Directors. It is also responsible for the establishment and effective implementation of the internal control system to safeguard the overall interests of the Company. The Board of Directors of the Company consists of nine directors, including four independent non-executive directors. Four special committees are set up under the Board of Directors, namely the Strategic Development Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Independent Audit Committee. During the reporting period, the Company held seven board meetings.

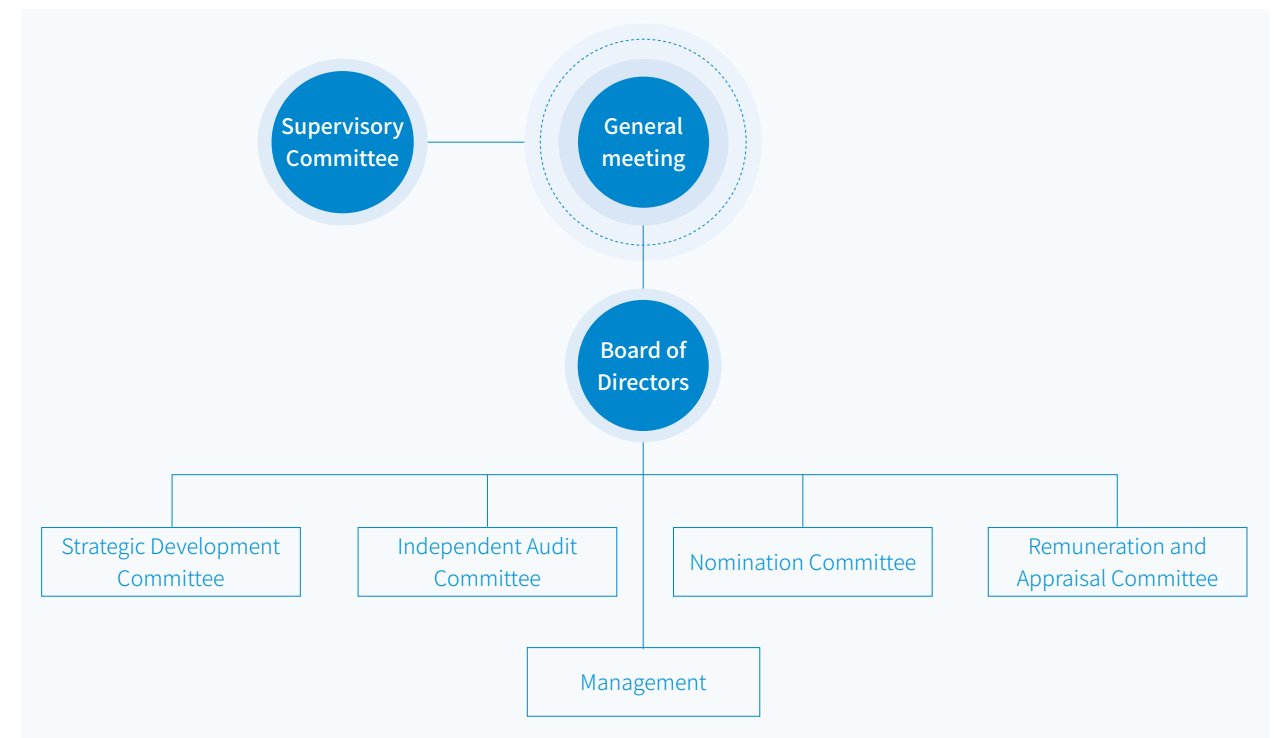


Supervisory Committee

The supervisors of the Supervisory Committee perform their duties in strict accordance with the provisions of the Articles of Association, the Rules of Procedure of the Supervisory Committee and other systems. They examine the financial condition of the Company, supervise the lawful and compliant performance of the directors, managers and other senior management, and give independent opinions. The Supervisory Committee of the Company consists of five supervisors. During the reporting period, the Company held six meetings of the Supervisory Committee.

Management

The Company's management implements the strategies, objectives and plans adopted by the Board of Directors. The management handles production and operation issues of the Company in accordance with the provisions of the Articles of Association and the Rules of Procedure of the General Manager, implements the resolutions of and reports to the Board of Directors, and is subject to the supervision of the Supervisory Committee.



Governance structure of Xinhua Pharmaceutical

Investor relations management

As a domestic and overseas listed company, the Company firmly believes that effective and close contact with investors is the key to maintaining good corporate governance, and investor relations is an indispensable link for listed companies to maintain good corporate governance. The Company strictly implements the Investor Relations Management System of Shandong Xinhua Pharmaceutical Company Limited and the Information Disclosure Management Measures of Shandong Xinhua Pharmaceutical Company Limited Through sufficient information disclosure, we enhance communication with investors and promote investors' understanding and recognition of the Company, and form a corporate culture that respects investors. Our ultimate goal is to maximize the Company's value and shareholders' interests.

The Company has been dedicated to protecting the interests of small and medium-sized investors. We maintain close contact with the public, institutions, and media, and actively develop and safeguard investor relations management. The Company actively utilizes various platforms to deliver information about the market, corporate business performance, business development status, and future prospects to investors. The Company has established a diversified investor communication system to strengthen communication with investors. This is achieved through receiving visits and consultations from investors, conducting online interactions with investors, and providing telephone consultations for investors. These multi-channel approaches have enhanced investors' comprehension of the Company, established robust investor relations, and further consolidated the foundation for the Company's development in the capital market.



Integrity and compliance

Transparent disclosure

Xinhua Pharmaceutical discloses all relevant information in a truthful, accurate, complete, timely, and fair manner, in strict accordance with the Measures for the Administration of Information Disclosure by Listed Companies, the Articles of Association, and the Information Disclosure Management Bylaws. The Company will ensure that all shareholders can obtain the Company's information fairly through compliant websites and newspapers. Meanwhile, the Company has established an insider registration system to clarify the management and accountability of insiders, keep a register of insiders, and ensure the equal rights of investors. During the reporting period, the Company disclosed a total of 86 A-share announcements and 91 H-share announcements.

公司共披露

A 股公告

86 份

H 股公告

91 份

Internal control

Under the framework of comprehensive risk management, the Company has continuously promoted and improved the construction of an internal control system. Moreover, the Company has fully implemented the Basic Internal Control Norms for Enterprises, the Guidelines for Application of Enterprise Internal Controls, and the Guidelines for Evaluation of Enterprise Internal Controls issued by the Ministry of Finance and other four departments of the State. The Company engages a third-party professional institution to conduct an independent audit on the effectiveness of the Company's internal control and organizes all units to rectify the internal control problems identified in the audit. In the meantime, the Company will conduct a self-evaluation of the internal control system in 2023 in accordance with the Basic Internal Control Norms for Enterprises and supporting guidelines, using the Company's evaluation methods.

The main units that fall within the scope of the evaluation include various professional departments and subsidiaries of the Company. The total assets of the evaluated units account for 98.96% of the Company's consolidated financial statements, and their operating income accounts for 97.03% of the total operating income of the Company's consolidated financial statements. This covers the main aspects of the Company's operation and management, with no significant omissions. After the audit of the firm and self-evaluation, no major or significant defects were found.

Enhance the audit and supervision of subsidiaries, and conduct a thorough audit of subsidiaries and an economic responsibility audit of those in charge.

- A total of 51 problems were identified, and 25 audit opinions and recommendations were provided, which effectively enhanced the subsidiary management and improved the ability of senior executives to perform their duties.

Strengthen credit risk management and audit credit risk in marketing and occupation management of "accounts receivable, prepayments, and inventory"

- A total of five problems were identified, and five audit opinions and recommendations were provided, which strengthened the credit risk management and encouraged all units to reduce the risk of bad debts and minimize the occupation of funds.

Strengthen investment control and conduct follow-up and project settlement audits for major projects.

- The approved project cost was RMB242 million. Through auditing, a reduction of RMB15.563 million was achieved, indicating the significant role of the audit in controlling the company's construction cost expenditure.

The Audit and Legal Department of Xinhua Pharmaceutical was awarded the title of "National Advanced Collective of Internal Auditing"

Case

On December 5, 2023, the national "Commendation Conference for Advanced Collective and Advanced Workers of Internal Audit" was held in Beijing to recognize outstanding models in the field of internal audit in China over the past three years. The Audit and Legal Department of Xinhua Pharmaceutical was awarded the title of "National Advanced Collective of Internal Auditing from 2020 to 2022".



Honor

Xinhua Pharmaceutical's Audit and Legal Department has been recognized twice as the advanced collective of internal audits in Shandong Province since 2019. Within the department

- 1 employee was awarded the National Advanced Worker of Internal Audit
- 2 employees were awarded the Advanced Individual of Internal Audit in Shandong Province
- 1 employee was awarded the Advanced Individual of Internal Audit in Zibo City
- 2 employees were included in the Shandong Internal Audit Talent Pool



Risk management

Taking "establishing a compliance system for effective risk control" as our working goal, Xinhua Pharmaceutical promotes the construction of a sound risk management system, and strengthens the multi-layer risk prevention and control system featuring "individual self-control, departmental collaborative control, and centralized control". By identifying, evaluating, managing, and controlling potential risks, we report no major risk events and identify all kinds of risks and hazards effectively and keep them under control.

The Company's overall risk management is arranged by the chairman and implemented by the general manager. The Audit Department is responsible for organizing the process, and the heads of all units are the primary responsible parties. Each risk manager is accountable for analyzing and implementing risk management measures.

The Company has established the Comprehensive Risk Management Measures and Risk and Opportunity Management Procedures, which provide a clear institutional basis for the Company's strategic planning, product research and development, quality, safety, production, environmental protection, market operation, financial management, and other businesses, as well as the risk management carried out by all units of the joint-stock company.

All units and subsidiaries of the Company have conducted a thorough risk identification and evaluation process, resulting in the identification of 115 potential risks based on the Risk and Opportunity Management Procedures. After a comprehensive evaluation and sorting, 10 major risks at the company level were identified. The Company has determined the responsible units, early warning indicators, and specific control measures for major risks, and strengthened daily risk management by profession.

In terms of legal risk prevention and control, the General Counsel of Xinhua Pharmaceutical reviewed the legality of the Company's significant decision-making matters, participated in the decision-making process for all major investment and operational matters, independently issued legal opinions, and conducted a comprehensive legal review of various rules and regulations, litigation cases, and important decisions, achieving a legal review rate of 100%. The Company consistently reinforces legal risk prevention and control awareness among all employees through various means, such as the informatization construction of contract management, publicity and education on the rule of law, organization of knowledge contests, and special training.



The Company conducted special training on risk prevention Case

In June 2023, the Company invited Professor Lu Xinlai from Shandong Normal University to provide special training on "Integrated Construction of Comprehensive Risk Management, Internal Control, and Compliance". The participants in the training include the leaders of the Company, the principal persons in charge of each department, and the risk managers from all departments. The training focuses on providing in-depth and detailed interpretation, as well as specific guidance on policies related to internal control and compliance, ideas for constructing internal control and compliance systems, implementation points, and other aspects. This lays a solid foundation for promoting compliance management.



Information security

Xinhua Pharmaceutical takes ensuring information and data security as an important corporate responsibility to strengthen information security management. We establish a sound network security control system and further improve the management of network security, technical support and technical service systems. We ensure network security through technical and business management, and provide effective protection for basic information networks and important information systems to ensure the safe, stable and reliable operation of the Company's networks and information systems. The Company has formulated the Information Network Security Management Measures, Information Data Backup and Storage Equipment Management Regulations, Information System Database Maintenance Regulations, Data Security Management Regulations, Network Equipment Management Regulations and other relevant regulations to carry out comprehensive network security checks, upgrade border firewalls and strengthen protection strategies. In 2023, to improve the information-based work level and daily computer operation ability of our employees, the Company conducted 1 training session on information security and computer ability and knowledge, with 43 employees attending.

We continuously strengthen the construction of digital and intelligent factory and office systems. In May 2023, the Company submitted intelligent factory evaluation materials, and was rated as a provincial intelligent factory in August. In October, the production operation visualization data analysis platform was put into operation and the Company won the honorary title of Excellent Enterprise for Informatization and Industrialization Integration of the Year.

Anti-corruption

The Company adheres strictly to the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and other laws and regulations related to bribery, extortion, fraud, and money laundering that significantly impact the Company. The Company has successively established the Measures for the Implementation of Responsibility System for the Construction of the Party Conduct and of an Honest and Clean Government, Provisions on the Integrity and Self-Discipline of Party Members and Leaders, Provisions on the Registration System for Receiving Gifts and Cash Gifts by Relevant Personnel, Interim Provisions on Reporting on the Work and Integrity of Company Leaders, Several Provisions on the Integrity of Company Leaders, Rules of Procedure for the Plenary Session of the Discipline Inspection Committee of Shandong Xinhua Pharmaceutical Company Limited, Implementation Opinions on the Decision-making System of "Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money", Fault-Tolerance and Error-Correction Work Method Implemented by Xinhua Pharmaceutical to Motivate Cadres to Action, Notice on Several Measures to Strengthen the Supervision of Top Leaders and the Leading Group, Implementation Plan for Strengthening the Division of Work in the Construction of a Clean and Honest Culture in the New Era, Measures for the Implementation of Consultation between the Party Committee and the Commission for Discipline Inspection and Notification of Important Information (Trial), and so on. The Company places significant emphasis on the development of an anti-corruption system. The Company has a Committee for Discipline Inspection comprising of one secretary and four members, as well as an office for the committee. Additionally, 45 grassroots Party organizations of the Company have set up posts for discipline inspection members.

During the reporting period, no reports of corruption lawsuits against the Company or our employees were found.

Anti-corruption	Unit	2021	2022	2023
Number of employees receiving anti-corruption training	Persons	1,131	1,143	1,124
Hours of training received by employees	Hours	5,152	5,196	10,034
Number of Directors receiving anti-corruption training	Persons	4	4	4
Hours of training received by Directors	Hours	8	8	60
Number of anti-corruption reporting incidents	-	0	0	0
Number of corruption proceedings concluded	-	0	0	0

Conference on Improving Party Conduct, Upholding Integrity and Combating Corruption and Cautionary Education Conference

Case

Xinhua Pharmaceutical held the 2023 Conference on Improving Party Conduct, Upholding Integrity and Combating Corruption and Cautionary Education Conference for Cadres. The Company's leaders and middle to upper-level managers from all units attended the conference. During the event, the participants watched the educational film, "Evil Influence" and "Greediness", Disasters of State-owned Enterprises - Warnings from a Series of Corruption Cases in Energy Field of Zibo City. This film reinforces the importance of honesty and effectively educates viewers on the consequences of dishonesty.



Leading role of Party building

Xinhua Pharmaceutical has consistently followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. The Company has fully implemented the spirit of the 20th CPC National Congress and made significant efforts to establish a working system in which party building leads development with high-quality development as the goal. The political advantages of the Party have been effectively integrated into the entire process of the Company's reform and development. The Party's various constructions have been continuously strengthened, providing a strong guarantee for consolidating the Company's high-quality development.



Xinhua Pharmaceutical had

45 Party general branch **1,124** party members.



Adherence to the "One Policy": We consistently strengthen political and cultural development while emphasizing the leading role of Party organizations.

In 2023, the Company's Party Committee focused on political construction, integrated it with cultural construction, and strengthened the construction of a brand culture of party building. The Company created 48 annual work lists, held 14 Party committee meetings, studied and determined 96 important matters, organized 12 central group learning sessions, held 4 meetings for the Party building leading group, 4 regular Party building meetings, organized branch changes, 2 branch secretary forums, and 1 Party building inspection.



Cohesion of "One Heart": We enhance our ideological construction and foster stronger employee cohesion.

We provide education and guidance to all employees so that they follow the instructions and guidance of the Party

Throughout the year, 2,056 books were distributed and 5 special study classes were organized. Additionally, leaders took the lead in giving 12 Party lectures. A propaganda team was established to conduct 408 studies, 174 special lectures, and 69 special Party lectures. The members of the Party Committee took the lead in conducting in-depth grassroots research, delivering 55 high-quality research findings.



The secretary of the Party Committee gave a Party lecture to the branch

We aim to enhance employee cohesion and centripetal force

We have fully utilized the significant milestone of the Company's 80th anniversary by planning one logo, one slogan, and 10 activities. These activities include organizing an innovation and breakthrough development conference, producing eight publications, such as Xinhua Pharmaceutical Journal (Volume IV), Image Xinhua, Remembrance of Xinhua, Company Brochure, and Company Stamp Album, arranging signature events for employees, conducting interviews with typical characters from 8 People for 80 Years of Xinhua Pharmaceutical, as well as ordinary employees for Meet Xinhua, preparing a review of the Company's 80th-anniversary development and conducting interviews on special topics such as innovative marketing for Party building, organizing the production of a long video named Best wishes to Xinhua, and updating the Corporate Culture handbook.



Exhibition of cultural achievements of the 80th anniversary of Xinhua Pharmaceutical

We fully inspire our employees to be creative and enthusiastic

For two consecutive years, we have held a seminar on innovation and breakthroughs for the Theoretical Center Group of the Party Committee. At the grassroots level, we conduct a model selection process of "good examples and new measures" to exploit 23 internal good practices. We select excellent cases to promote learning, effectively inspiring the entrepreneurial enthusiasm of all staff and officers.



Description of "One Picture": We prioritize Party building leadership and promote the seamless integration of Party building with development and innovation.

We formulate an innovation roadmap

- In order to achieve the Company's "3+1" construction goals (i.e. establishing three world-class bases for pharmaceutical intermediates, APIs, and pharmaceutical preparations, as well as becoming one of the top three domestic bases for narcotic and psychotropic drugs), we will follow a working policy that emphasizes leadership, three-level contracting, whole-process management and control, and incentives, and create an innovation roadmap for Xinhua Pharmaceutical's key work.

We involve all employees in the implementation of the project

Party Committee level	Party Branch level	Party member level
<ul style="list-style-type: none"> We have identified 61 breakthrough goals and tasks in 8 aspects to achieve the "3+1" construction goal. 	<ul style="list-style-type: none"> A total of 79 critical projects and 50 gift projects for the 80th anniversary of Xinhua Pharmaceutical have been determined. 	<ul style="list-style-type: none"> In terms of ensuring production, research and development, sales, lifeline engineering, etc., 894 goals and tasks have been set for each serving Party member based on his or her own work.

We strengthen the leadership and strictly implement responsibilities

- We focus on improving institutional improvement. The Measures for the Assessment and Management of Innovative Breakthrough Development Projects (Trial) and the Measures for the Administration of Green Channels for R&D and Transformation (Trial) have been formulated and implemented to provide institutional guarantees for the effective implementation of innovative breakthrough projects.
- We conduct quarterly summaries and establish a supervision team to perform special inspections on the progress of innovative breakthrough projects. Completed projects will be rewarded in a timely manner, while slow-progressing projects will be supervised and assessed to ensure the speed of project progress.



First, Party building at the grassroots level has become more solid and effective

- The organizational capacity, service capability, influence, and combat effectiveness of grassroots Party organizations continue to strengthen, with over 90% of them being excellent Party branches, and 17 of them achieving five-star ratings. In 2023, the Party building brand of the Company's Party Committee and the Party building brand of one branch were rated as excellent cases of Party building brand construction for state-owned enterprises. The Company was recognized as the Shandong Party Member Education On-site Teaching Base by the Organization Department of the Provincial Party Committee. Additionally, the Company was rated as the "Research Base for Party Building in State-owned Enterprises", making it the first company in the pharmaceutical industry and the 17th nationwide to obtain such an honor.

Second, the team's cohesion is increasing.

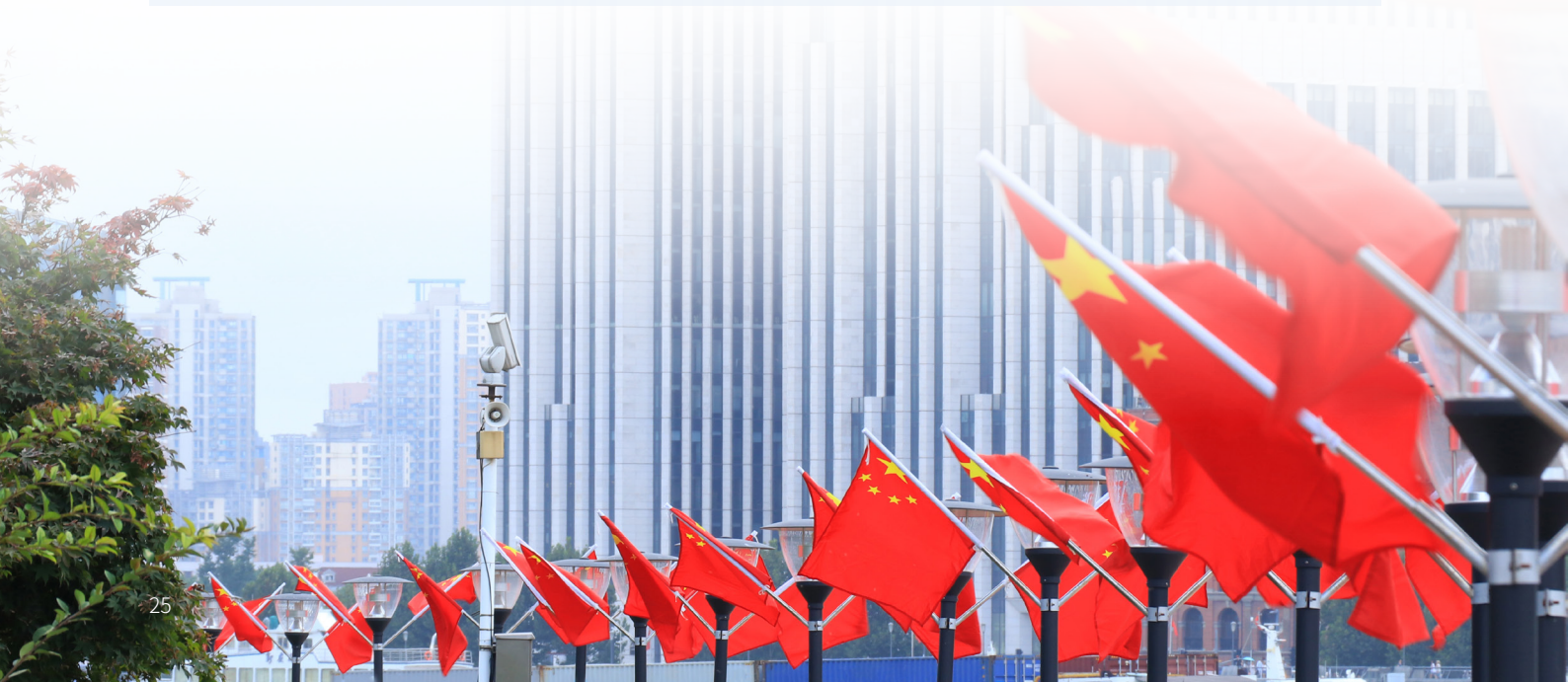
- Difficult times require courage. At the start of last year, the Party Committee of Xinhua Pharmaceutical firmly implemented the decisions of the Central Committee of the CPC and the State Council and gave full play to the role of the Party branches and Party members. Within a month, the Company distributed 800 million ibuprofen tablets nationwide and provided 1,000 tons of APIs to other domestic preparation production enterprises. These actions demonstrate Xinhua Pharmaceutical's original mission and responsibility as a pharmaceutical company.

Third, the promotion of innovative development has yielded remarkable results

- In 2023, Xinhua Pharmaceutical trained one academician from the European Academy of Sciences, three leading talents in the Taishan industry, and seven senior-level talents independently. A total of 26 drugs were approved, exceeding the target of 10 set by the innovation index. Additionally, 15 veterinary drugs were approved. 44 patents were granted during the year. The Company achieved record-high economic indicators with the help of innovation. The "three improvements, two breakthroughs, and one reduction" strategy yielded remarkable results, fostering a new atmosphere of collaborative development across all sectors.

Activation of a "Pool of Water": We are improving our personnel system and strengthening the construction of a high-level talent team.

<p>We implement life-cycle incentives</p>	<ul style="list-style-type: none"> Through research and analysis of obstacles and inefficiencies in the implementation process of the original assessment and incentive mechanism, we formulated and implemented the Measures for the Administration of Whole Life Cycle Incentive of Scientific and Technological Innovation of Xinhua Pharmaceutical. This effectively addressed the problems of "focusing only on one aspect and neglecting the overall situation, prioritizing short-term goals over long-term ones, and prioritizing planning over market considerations". The new assessment method sets the maximum reward at RMB5 million.
<p>We continue to make progress in reforming the personnel system</p>	<ul style="list-style-type: none"> The leading group of the Party Committee of the Company is formed through a process that incorporates the effective strategies of "streamlining departments", "streamlining employees" and "streamlining functions". This process involves adjusting roles and competing for positions, further ensuring that all management personnel are promoted or demoted based on their performance and capabilities. Open and competitive recruitment processes are implemented for important management, technical, and marketing positions.
<p>We strengthen the construction of a high-level talent team</p>	<ul style="list-style-type: none"> We focus on attracting high-end talents in scientific and technological innovation, internationalization strategy, large preparation strategy, e-commerce, enterprise management, capital operation, and intelligent manufacturing fields. We introduce these talents through various channels to expand our R&D team. We enhance talent development by improving the construction of our talent pool, implementing the Four Eagles Program, and further strengthening the training of young cadres. In 2023, 10 young cadres were promoted, contributing to a growing proportion of young cadres. This lays a solid talent foundation for the development of innovative breakthroughs.





国际合作中心 (1)

国际合作中心 (1)

Fulfillment of
Product Responsibility

Innovative Research
and Production

Scientific research and technological innovation

R&D strategies

Xinhua Pharmaceutical considers research and development innovation as the foundation of the Company's sustainable growth. The Company continues to implement the "Great R&D Strategic Plan" and focuses on new chemical entities and cutting-edge technologies in the global pharmaceutical research and development field. Xinhua Pharmaceutical has identified four innovative fields based on clinical value and differentiation: bio-macromolecular drugs, chemical small-molecule drugs, new drug delivery systems, and great health nutrition and health care. Additionally, the Company is currently prioritizing 12 research areas, including the digestive system, pain management, cardiocerebral vascular system, antimetabolic system, nervous system, nutrition and health, and hormones.

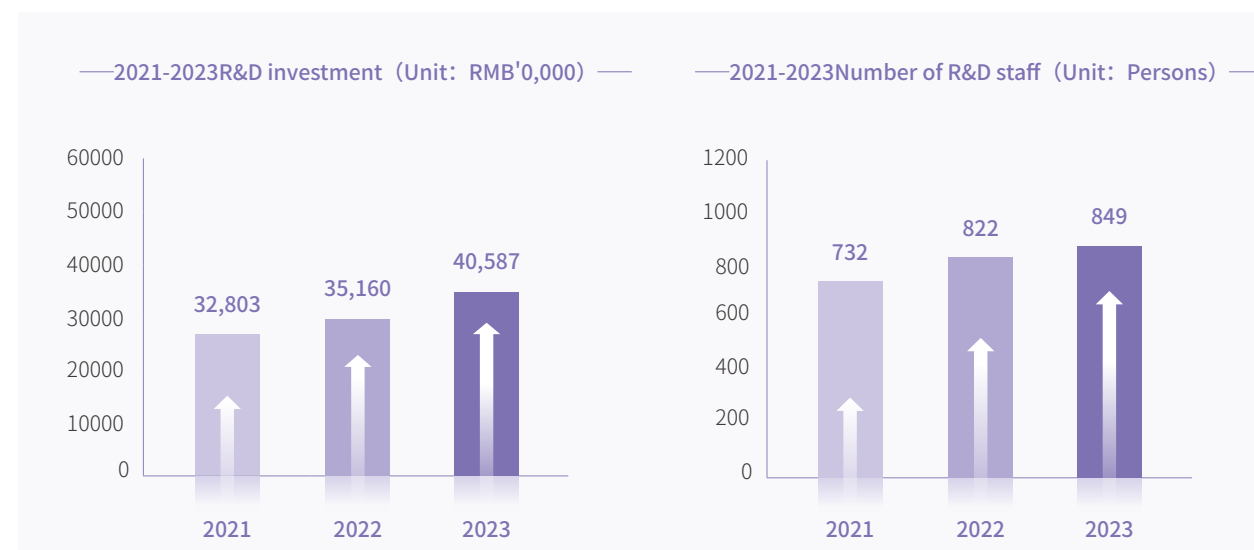
Capacity for scientific research

The Company prioritizes science and technology and places great importance on constructing a technological innovation platform. The Company strengthens diversified and multi-faceted joint research to comprehensively enhance its capability of independent innovation. Xinhua Pharmaceutical is a national high-tech enterprise, a key high-tech enterprise of the National Torch Program and a backbone enterprise of the biomedical industrial base of the National Torch Program. The Company has established seven talent platforms, including a Post-Doctoral Research Center, an Academician Workstation, a Taishan Industrial Talent Position, a Taishan Scholar Position, a Provincial Engineering Research Center, a Shandong Technician Workstation, and a Shandong National Skill Master Studio. These platforms have yielded significant results in building the capacity for innovation-driven development.

The Company focuses on recruiting and training R&D professionals, resulting in a steady increase in the number of high-level talented personnel. This provides a solid foundation for the Company's scientific and technological innovation and development.

Awards for R&D of pharmaceuticals in 2023

- Science and Technology Award of Shandong Society of Chemistry and Chemical Engineering, project name: Research and Industrialization of Key Technologies of Polymer Drugs
- Third Prize of Science and Technology Award of Shandong Pharmaceutical Association in 2023, project name: Key Technology and Industrialization of Antiplatelet Drugs and New Preparations



Industry-University-Research cooperation

To achieve the strategic goal of the enterprise as a subject of innovation, the Company collaborates with scientific research institutions and institutions of higher learning through an "enterprise-school cooperation" model to establish a scientific research center.

- Xinhua Pharmaceutical and the Institute of Materia Medica, Chinese Academy of Medical Science & Peking Union Medical College have signed a Laboratory Agreement on Innovative Drugs for Nerve Injury and Protection to establish a joint laboratory to develop innovative drugs for strokes.

- Xinhua Pharmaceutical and China Pharmaceutical University (CPU) have jointly invested in establishing the first school-enterprise cooperation center, known as the "Xinhua-CPU New Drug Research and Development Center".

- Xinhua Pharmaceutical and China Pharmaceutical University have signed a Cooperation Agreement for Joint Research and Development of Major Innovative Drugs and High-End Preparations. The agreement promotes the construction of a "Joint Research Center for Innovative Drugs and High-End Preparations", as well as an "Innovation Center for Research and Development of Major Public Safety and Emergency Drugs".

- Xinhua Pharmaceutical collaborates with the Institute of Medicinal Biotechnology (IMB), Chinese Academy of Medical Sciences & Peking Union Medical College to establish a "Postdoctoral Workstation Collaboratory".

- Xinhua Pharmaceutical and Central South University have signed a Framework Agreement on Cooperative R&D of Innovative Drugs for Treatment of Pulmonary Hypertension. This represents a new collaborative mechanism integrating industries, academia, and research. This initiative aims to establish a cutting-edge innovation platform and expedite the development of innovative drugs.

- Xinhua Pharmaceutical and Shenyang Pharmaceutical University have signed a Framework Agreement on Cooperative Research and Development of OAB-14, a Major Innovative Drug to Treat AD. They have also developed a technology research and development platform for sustained and controlled-release pills and sustained-release microspheres using this innovative drug as the carrier.

In terms of chemical drug synthesis, drug preparation research and development, and technological innovation, we have fully utilized the respective advantages of schools and enterprises. We have carried out practical cooperation in new drug research and development, personnel training, and scientific and technological research projects. As a result, we have achieved a series of successes in finding the source of innovative drugs and accelerating the research and development of innovative drugs.

Intellectual property protection

In 2023, the Company established the Measures for the Administration of Trademarks of Shandong Xinhua Pharmaceutical Company Limited, which provides guidelines for the use and registration of trademarks to protect intellectual property rights from infringement. Additionally, the Company has developed patent management systems for patent application, patent information research, and patent feasibility analysis. These systems are supported by highly skilled patent management personnel. Meanwhile, the Company provides intellectual property training and invites external lawyers to offer guidance on managing intellectual property. This helps the Company better protect patents related to technologies.

The Company's intellectual property office worked with multiple departments to tease out management systems and documents necessary for certifying the intellectual property management system. This process involves various aspects, including research and development, production, procurement, marketing, human resources, financial assets, and legal affairs. In 2023, the Company successfully passed the external audit for intellectual property management system certification and evaluation of intellectual property management system.



In 2023, the Company was awarded the honorary title of "Zibo City Trade Secret Protection Model Enterprise"

Digitalization construction

The Company always upholds its vision of "Smart Xinhua" and strives towards the goal of "Building a Smart Enterprise". The Company leverages cutting-edge digital technologies such as artificial intelligence, big data, blockchain, industrial Internet plus, and the Internet of Things to establish a "platform-based, digital, information-based, intelligent, industrialized, and ecological" enterprise digital system. This system enables the integrated optimization and intelligent management of the entire product life cycle, from R&D and design to process, production, testing, logistics, sales, and service. The characteristics of "equipment interconnection, digital mutual sharing, system interoperability, and business integration" are formed as a result. These characteristics provide solid hardware and software support for the construction of the smart factory.

Xinhua Pharmaceutical has constructed a smart factory for the production of high-end preparations

Case

To promote lean management and business process innovation, Xinhua Pharmaceutical builds a high-end preparation smart factory. The Company innovatively applies digital transformation projects such as MES, SCADA, AR digital operation and maintenance system, CDS system, online energy monitoring, automatic stereoscopic warehouse, and electronic bills for safe operation to achieve the interconnectivity with the original ERP, OA, CRM, drug traceability, and other systems. Additionally, the Company builds a visual data analysis platform for production and operation to enhance the integration of digital technology and business processes. The Company also actively promotes the integrated application of digital transformation in product research and development, production, quality, logistics, warehousing, sales, and other systems. This further improves the automation, continuity, intelligence, and digitalization of the production, quality, and operation of the Company. In 2023, the smart factory was included in the list of National Intelligent Manufacturing Demonstration Factories in 2023 of the Ministry of Industry and Information Technology.

Product quality and safety

Quality management philosophy

Xinhua Pharmaceutical implements the corporate mission of "Protecting Health and Benefiting the Society" and upholds the values that "Product quality is essential for a company's development, while drug quality is critical for people's lives". We continuously strengthen our awareness of legal and compliant operations and strictly abide by national and industry laws and regulations in China, the United States, the European Union, and the World Health Organization. We aim to establish a scientific, modern, professional, and systematic quality management system that aligns with the Company's actual situation. We implement risk management throughout all stages of drug production and conduct annual self-inspections of our quality management and GMP systems to ensure their smooth and effective operation. This helps us to effectively protect the safety of people's medications.

Quality management system

Keeping in mind the pattern of "In China, for Global", we have established a mature and robust Corrective and Preventive Action (CAPA) system using the most advanced Quality Metrics model of the FDA as a systematic focus. The system also serves as a basis for management review and impetus for continuous improvement of the quality management system. Based on the effectiveness of quality management reviews and customer satisfaction surveys, we have continuously improved our quality culture construction. This has allowed us to achieve our strategic goal of leading in global competition and market innovation, providing a solid guarantee for our road to internationalization. At the same time, we have established a reward system for quality contracting and an evaluation system for economic responsibility for quality, encouraging technical improvements and reasonable suggestions to ensure more rigorous and scientific quality management.

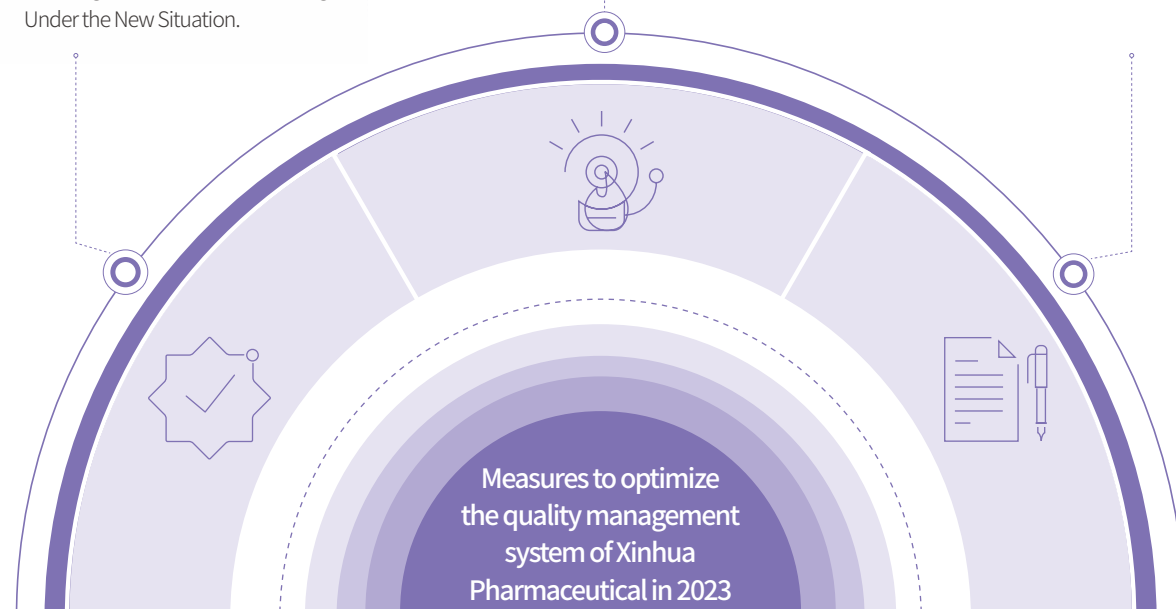
In terms of quality management system certification, the Company has obtained the new GMP certification of China and ISO 9001 quality system certification. These certifications cover businesses related to APIs, preparations, pharmaceutical and chemical industries. The Company has also received excellent results in official inspections conducted by the U.S. Food and Drug Administration (FDA), the U.K. Medicines and Healthcare Products Regulatory Agency (MHRA), and the European Medicines Agency (EMA) multiple times.



- The Company kept track of updates in laws and regulations, continuously optimized management, developed document systems, and organized and conducted training. A gap analysis was conducted in light of the recently issued Provisions on the Supervision and Administration of the Fulfillment of Medicinal Product Quality and Safety Responsibilities by Holders of Marketing Authorization for Medicinal Products, Implementation Rules for Managing Post-Marketing Changes in Drug Filing in Shandong Province, and Guidelines for Quality Risk Management of the Collinear Production of Drugs. The Company organized training for the staff of the Preparation Quality Assurance Department. The training includes Management and Requirements for Drug Registration Verification in 2023, Training for Quality Risk Management for the Collinear Production of Drugs, GMP-related Regulations for Drugs Used in Research and Development to Clinical Trials, Public Welfare Training Courses on Improving the Quality Management Ability of Pharmaceutical Manufacturing Enterprises in Shandong Province and the First Special Training, as well as the Drug Pollution Control Strategies Under the New Situation.

- On January 1, 2023, Xinhua Pharmaceutical's Akso eGMP quality management system officially launched its deviation and CAPA module. Additionally, the Company completed revisions and training for the Standards for the Management of Preparation Deviations, Corrective and Preventive Actions Management Standards, Akso eGMP System Management Regulations, Standards for Operation Management of Planned Events, and Standards for Operation Management of Unplanned Events. These updates provided better guidance for the QMS process setting and online operation.

- To meet the demand for continuous optimization of the product quality management system, the Company organized the revision of management documents, including the Management Standards for Verification and Confirmation of the Preparation Process, Standards for Supervision and Management of Preparation Storage, Management Standards for Preparation Suppliers, Management Standards for Quality Audit of Suppliers of Preparation Materials, Management Standards for Batch Production Records of Preparation Products, Management Standards for Raw and Auxiliary Materials of Preparation, Management Standards for the Recall of Preparation Drugs, Management Standards for Technology Transfer of Preparation Products and Management Standards for Release of Preparation Materials. The Company also conducted training based on the requirements outlined in these documents.



The Company strengthened the construction of quality information engineering to comprehensively improve the management and control level of the quality management system Case

To enhance the construction of quality informatization engineering, the Company launched the Quality Information Management (QMS) system in 2023. This system covers important quality management modules, enabling the collection, processing, classification, retrieval, and accumulation of data throughout the quality management process. The system also facilitates the coordination and standardization of daily business operations, and effectively manages and promotes the online recording, approval, task distribution, tracking, notification, reminder, query, and statistics of GMP events, quality events, deviations, corrective and preventive actions (CAPA), and changes. The application of this information system eliminates the isolated islands of information of the quality system and establishes closed-loop management by connecting all aspects of quality management in series. This system enables effective collection of quality data, analysis of quality metrics trends through big data collection, risk prediction, beforehand control, and significant improvement in the management and control level of the quality management system.

In 2023, the Company successfully passed various pharmacy administration and customer audits with the help of QMS, including the pre-approval inspection of oseltamivir phosphate capsules by the FDA of the United States and the routine GMP on-site inspection with zero defects. Additionally, the Company passed the periodic on-site supervision and inspection of MHRA and received the best grade of MHRA inspection rating. These achievements have promoted the implementation of key projects and empowered the Company's high-quality development.

中文名称	英文名称	数据类型	来源	状态	Code	操作
新建文档	New Document	文档	自建文档	已发布	NewDocument	新增 删除 编辑
变更	Change	文档	自建文档	已发布	Change	新增 删除 编辑
变更变更(CAPA变更记录)	Change Change	文档	自建文档	已发布	ChangeChange	新增 删除 编辑
行动项描述	Action Item Description	文档	自建文档	已发布	ActionItemDescription	新增 删除 编辑
截止完成日期	Deadline Completion	日期	自建文档	已发布	DeadlineCompletion	新增 删除 编辑
其他审批人	Other Approves	审批人	自建文档	已发布	OtherApproves	新增 删除 编辑
责任部门	Responsible Department	部门	自建文档	已发布	ResponsibleDepartment	新增 删除 编辑
类型	Type	文档	自建文档	已发布	Type	新增 删除 编辑
备注	Remarks	备注	自建文档	已发布	Remarks	新增 删除 编辑

Quality inspection

Quality inspection is a crucial component of the Company's quality system. The Company has established and improved professional technical and management standards, and maintains pharmacopoeias of various countries and standard versions. Additionally, the Company has clearly stipulated the sampling and inspection of raw materials, packaging materials, process water, and finished products, as well as analysis method verification, transfer, and product stability inspection. Quality control will be implemented throughout the entire process of drug production, inspection, and release. The Company's inspection instruments have reached an internationally advanced level, and the inspectors are adequately equipped and fully trained to ensure the quality control of products. The Company's inspection standards comply with the requirements of the China Pharmacopoeia, European Pharmacopoeia, and American Pharmacopoeia. At the same time, the Company utilizes information systems, such as Chromatographic Data Management System (CDS) and Laboratory Information Management System (LIMS), to manage inspection data efficiently. This improves the efficiency of the laboratory and enables timely issuance of result reports, ensuring the integrity of the data in the reports.



Product recall management

In 2023, the Company upgraded and optimized the Management Standards for the Recall of Preparation Drugs. The updated standards strictly stipulate the handling procedures and management requirements for activities such as timely risk control and elimination of hidden dangers of preparation drugs due to quality problems or other safety hazards. Additionally, the standards include guidelines for managing recalls of drugs outsourced for production and drugs produced on a commission basis. In the event of a product recall, the Qualified Person shall assemble a recall team to conduct a risk assessment of any known adverse information that may endanger consumer safety. The team should include production personnel, inspection personnel, or individuals with medical expertise to investigate potential drug safety hazards. Based on the results of the investigation and evaluation, the team should determine the appropriate level of drug recall, develop a recall plan, and communicate with drug regulatory agencies to ensure effective recall of the product. Finally, the team should prepare a recall report. Appropriate corrective and preventive actions should be determined based on the cause investigation of the recall to prevent the problem from recurring.

Additionally, the Company regularly conducts product recall drills to test the effectiveness of the recall system and these simulations may occur during non-working hours. If the Company's sales model or quality system changes, product recall drills will also be initiated.

Pharmacovigilance management

To assess the safety, effectiveness, and quality control of post-marketing drugs, and to monitor, identify, evaluate, and control potential harmful reactions caused by patients' drug use, the Company adheres strictly to applicable laws and regulations in the countries and regions where the Company operates, such as the Drug Administration Law of the People's Republic of China and the Regulations on the Use of Drugs in Shandong Province. The Company has also formulated pharmacovigilance quality system management systems, such as the Pharmacovigilance System and Quality Management System, Working Mechanism Procedures of Drug Safety Committee, Pharmacovigilance Quality Objectives and Control Indicators Management System, Pharmacovigilance Training and Education Management System, Pharmacovigilance Internal Audit Management System, Pharmacovigilance Entrustment Management System, Pharmacovigilance Records and Data Management System, Pharmacovigilance Corrective and Preventive Actions Management System, and Pharmacovigilance Document Management System, and other relevant pharmacovigilance operating procedures.

		
In 2023, the Company conducted	including	
17 pharmacovigilance management training sessions	7 company-level training sessions	10 intra-departmental training sessions
		
The training plan was completed at a	rate with a total of	
100 %	661 participants.	



In 2023, the Company did not recycle any products, did not sell any recycled products, did not have any product recalls, and did not have to recycle any products that have been sold or delivered due to environmental, safety, or health problems.

0

Customer relationship management

Customer relationship management (CRM)

Xinhua Pharmaceutical values customer relationship management and customer service quality. To meet the needs of different customers, the Company establishes contact with each customer type, understands their unique needs through regular communication and follow-up visits, and provides personalized services accordingly.

Customer complaint handling

The Company is dedicated to enhancing customer service quality and complaint-handling speed to maintain customer loyalty and uphold the Company's reputation. The Company has established and strictly implemented the Management Standards for Handling Customer Complaints and Returned Products of Preparations. These standards clearly specify the procedures and requirements for handling customer complaints and product returns caused by quality problems or unsafe factors of preparations (including drugs, food, and health food). The Company determines appropriate corrective and preventive actions based on the risk of the event to patient health and its impact to prevent recurrence. If there are product quality issues with other batch numbers, the investigation should include those batches. A risk assessment of the products with potential risks should be conducted to determine if they are affected. Measures should be formulated to address potential complaints due to product defects, including consideration of a product recall, initiation of the recall procedure, and notification of relevant drug regulatory agencies.

The Company reviews customer complaints every six months, analyzing the proportion of complaints by classification, identifying causes and trends, evaluating the effectiveness of corrective and preventive actions, tracking repeated complaints, monitoring the number of complaints being handled and those that have been resolved, to prevent recurrence and potential drug recalls. Additionally, the Company will implement appropriate improvement measures based on the review results.

Complaints about products	Unit	2021	2022	2023
Number of complaints about products	-	27	23	25

Customer satisfaction survey

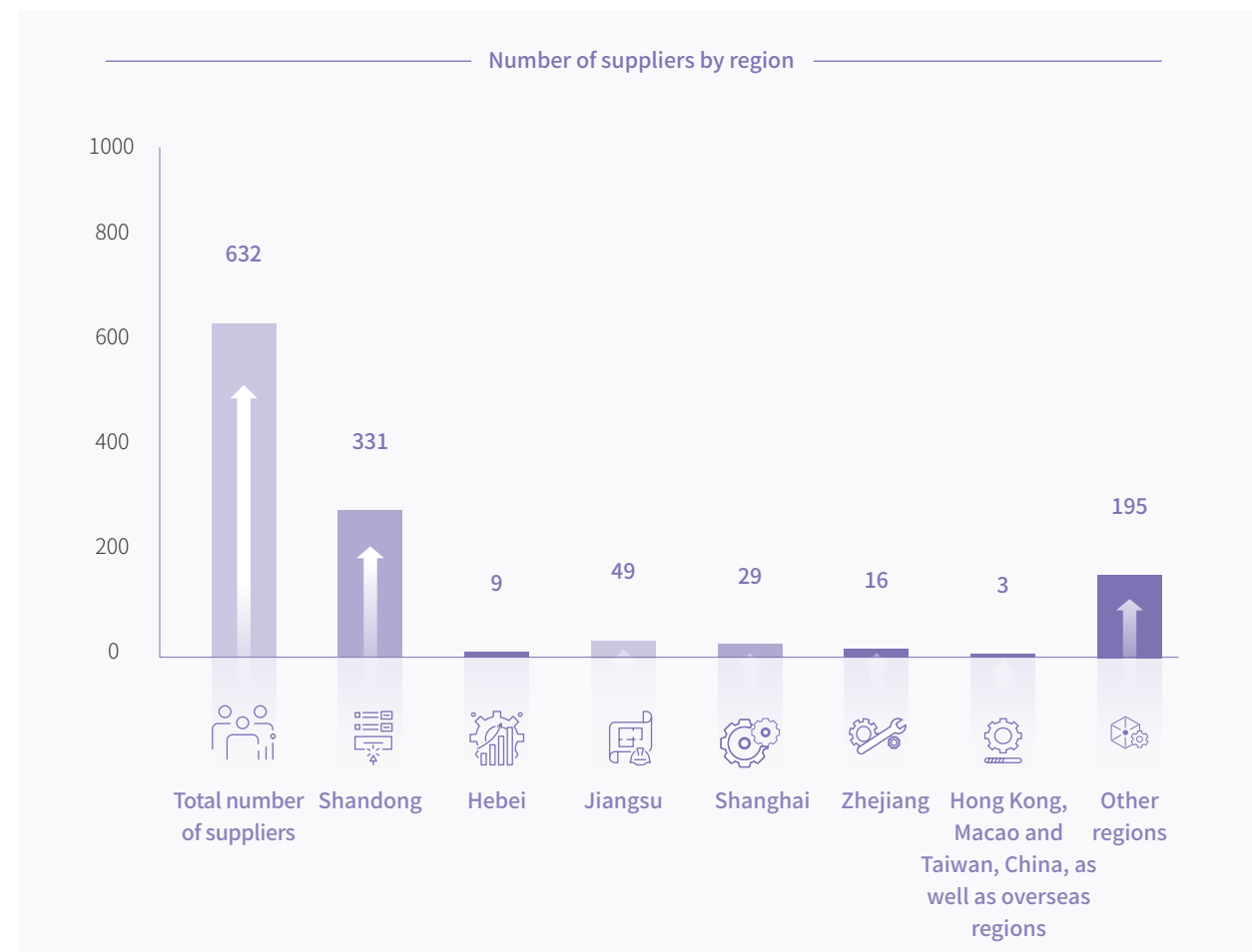
Following the principle of being responsible for the customers, the Company conducts measurement of customer satisfaction on a regular basis and prepares annual customer satisfaction survey reports. As the Company is devoted to learning and mastering the customers' expectations and demands all the time, it can find out the directions and breakthrough points for improving its management level, enhancing its product quality, and properly offering services to the customers. Our goal is to develop new products based on customer demands, and to satisfy the customers through continuous innovation and reform.

Responsible supply chain

The Company revised the Management Measures for Transparent Procurement, and newly formulated the Management Standards for Bidding Procurement and the Management Standards for Non-Bidding Procurement. When managing the entire process of selecting and adding suppliers, as well as their classification, evaluation, and assessment, the Company strictly follows the Management Measures for Transparent Procurement, Standards for Material Classification and Supplier Management, Management Standards for Preparation Suppliers, Management Standards for Quality Audit of Suppliers of Preparation Materials, Management Standards for Quality Audit of Suppliers of Materials, Procurement Center Supplier Management System and Assessment Rules, Contract Management Methods, Prepayment Management Method and Food Additive Caffeine Product Supplier Qualification Evaluation Management System. In 2023, the Company signed the Integrity Two-Way Commitment with suppliers to promote suppliers' integrity.

The Company classifies and manages suppliers in accordance with the Standards for Material Classification and Supplier Management, as well as the Management Standards for Preparation Suppliers. The QA department conducts an annual assessment to identify any major quality-related defects, HSE concerns, social ethics or ethical issues, or business-related risks among suppliers. The Company employs a dynamic supplier management system and conducts annual evaluations of supplier performance based on factors such as supply quality, service response, and price. The quality department reviews and confirms the retention of supplier qualifications.

The Company manages and assesses suppliers in accordance with the Supplier Management System and Assessment Rules. The supplier assessment mechanism is constantly improved to ensure that powerful, technologically advanced suppliers are selected as strategic partners for enhanced collaboration. For suppliers that do not meet the Company's requirements, their supplier qualifications will be canceled.



Supplier audit

The Company conducts regular audits of suppliers in the form of on-site, paper, and online audits, as outlined in the annual supplier audit plan formulated and issued by QA. Additionally, the Company administers questionnaire surveys to suppliers and signs quality agreements as necessary to enhance supplier management. For suppliers that do not meet the requirements, the Company requires them to rectify the issues or revokes their supplier qualifications. Under the same conditions, the Company prioritizes suppliers who have obtained certification in the environmental management system, adhere to safety and environmental protection management norms, and demonstrate strong social responsibility.

The Company formulates an annual plan for visiting and inspecting suppliers. This plan includes on-site inspections and quality control, in combination with the quality audit plan issued by QA and preparation QA. The Company provides suppliers with a briefing on corporate culture and safety, requiring them to integrate with Xinhua Pharmaceutical's corporate culture, so as to achieve better cooperation. Additionally, social responsibility matters are specified in the contract. In 2023, Xinhua Pharmaceutical celebrated its 80th anniversary by sharing the Company's founding history and achievements in culture construction with suppliers, to further strengthen friendly exchanges with them.





Ensuring Green
Development

Protecting the Earth

Environmental management system

Xinhua Pharmaceutical believes that environmental protection is crucial for the Company's survival and development. Therefore, the Company follows the path of green development, clean production, project emission reduction, waste recycling, recycling economy, and zero emissions. The Company follows the principle of "point source treatment, scientific and technological pollution control" and implements innovative environmental protection measures. Additionally, the Company actively carries out environmental protection projects to ensure the stable operation of facilities, discharge of wastewater and waste gas up to standard, legal disposal of hazardous waste, and fulfillment of the main responsibility of environmental protection for enterprises.

Investment in environmental protection	Unit	2021	2022	2023
Total annual investment in environmental protection	RMB'0,000	14,000	14,600	11,900
Proportion of total investment in environmental protection to operating income	%	2.13	1.95	1.47
Annual investment in technology transformation for environmental protection and energy conservation	RMB'0,000	5,110	6,021	4,428
Annual training times on environmental protection	Time(s)	29	41	38

Environmental protection management certification

Xinhua Pharmaceutical has implemented a three-level environmental protection management system, strengthened basic environmental protection work, and established a responsibility system for environmental protection. The Deputy General Manager of Production, a corporate-level leader in the environmental protection of the Company, is responsible for reviewing and approving the Company's environmental management guidelines and objectives. The Company's Environmental Protection Management Department is a full-time department for environmental protection management, which is responsible for operating the Company's environmental management system and assessing the environmental protection of all units of the Company. All units of the Company have environmental-protection leaders and specialists in charge of operating the environmental protection system of the unit.



Setting up an environmental protection system

Xinhua Pharmaceutical has implemented a three-level environmental protection management system, strengthened basic environmental protection work, and established a responsibility system for environmental protection. The Deputy General Manager of Production, a corporate-level leader in the environmental protection of the Company, is responsible for reviewing and approving the Company's environmental guidelines and objectives. The Company's Environmental Protection Management Department is a full-time department for environmental protection management, which is responsible for operating the Company's environmental management system and assessing the environmental protection of all units of the Company. All units of the Company have environmental-protection leaders and specialists in charge of operating the environmental protection system of the unit.



Environmental Protection Management System Structure of Xinhua Pharmaceutical

Environmental emergency management

The Company has updated and revised the existing emergency plans for environmental events in four factories to further strengthen environmental safety and risk management. The Company has improved the plan's contents, reorganized emergency supplies, and updated the list of emergency personnel to cover a wider range of risk types and possible emergency scenarios. Additionally, the Company has optimized the emergency response process to improve efficiency and effectiveness in handling unexpected events. During the reporting period, the emergency plan underwent expert review and was subsequently distributed to respective departments in accordance with the procedures.

The Company conducted two comprehensive emergency drills for major hazard sources and verified and assessed the practicability and efficacy of the new plan by simulating various emergency scenarios. This helps employees become familiar with emergency operation procedures and improves their ability to respond quickly and collaborate effectively.



Cultivation of environmental awareness

The Company actively promotes environmental awareness among all employees by actively propagating the importance of environmental protection. Through various environmental protection publicity and education activities, the Company promotes employees' understanding of low-carbon production and lifestyle, publicizes a green office environment, and cultivates awareness of resource conservation and environmental protection. Moreover, the Company regulates its environmental behavior through legislation, and provides training to employees on new environmental protection laws to increase their awareness of environmental protection.

The Company initiated "Environment Day" activities, where all units were organized to create and display environmental protection and energy-saving slogans and banners in the factory area. Additionally, special columns on environmental protection and energy-saving were added to the Company's publications, and education and training courses on the same were conducted. Various forms of publicity and education can help the Company and employees better understand the importance of environmental protection, energy conservation, and the development of a circular economy. This promotes the transformation of production mode and lifestyle towards low-carbon and circular practices.

The Company has been committed to implementing green office practices, improving energy-saving and environmental protection policies, implementing an inspection system, promoting paperless office practices, and encouraging the recycling of printing paper. In addition, the Company aims to reduce travel expenses by improving the cross-regional video and teleconference system and promoting the use of environmentally friendly transportation by employees. The Company utilizes eco-friendly materials and rewards energy-saving behaviors. The Company implements measures to protect the environment and conserve energy in all aspects of daily production and operations. This includes conserving electricity and water in both production and office areas, turning off lights in unused equipment rooms and corridors, and encouraging energy-saving behaviors.

Enhancing emission management

In terms of wastewater discharge, exhaust emission, and solid waste discharge, the Company has implemented management and environmental protection technology innovations, carried out environmental protection projects as planned, and adhered to the principles of emission reduction at the source, engineering management, green and low-carbon development, and circular economy. The Company shall ensure that each unit fulfills its main responsibility in environmental protection. The Company will also take multiple measures at the same time, uphold fundamental principles, break new ground, and comprehensively improve the Company's environmental protection management performance.

In 2023, we monitored and assessed the environmental impact on soil and groundwater at each park. This allowed us to promptly detect soil and groundwater pollution issues and implement preventive measures to stop the spread and accumulation of pollutants. As a result, environmental pollution was effectively controlled and reduced. Additionally, we have gained a better understanding of our own environmental impact, improved the quality of the surrounding ecological environment, and promoted its sustainable development by taking effective environmental management and pollution control measures.

Solid waste management

The Company is committed to sustainable development and strictly controls pollutant emissions to meet standards. A clear responsibility system is in place at the management level to ensure strict supervision of the entire process from waste generation to final disposal. By optimizing processes, recycling and reusing mother liquor, distilling and extracting reaction solvents, and recycling waste carbon, relevant waste production units have made breakthroughs in reducing and recycling point sources of waste disposal.

The Company has a non-hazardous waste management system that focuses on reduction, recycling, and hazard-free treatment, and a hazardous waste management system that aims to prevent pollution and promote resource recycling. In terms of hazardous waste management, the Company has established a hazardous waste management planning system in accordance with national environmental protection laws and regulations to ensure proper control and disposal of hazardous waste. The Company manages hazardous waste comprehensively, classifying, storing, managing, and disposing of it in strict accordance with national and local requirements. The Directory of National Hazardous Wastes identifies 15 types of hazardous wastes, including waste colloid, residues, discarded preparations and drugs, discarded chemicals, spent activated carbon, used mineral oil, wasted nickel, waste mother liquor, waste packaging materials of hazardous wastes, discarded toner cartridges, waste adsorbents, waste lighting equipment containing mercury, waste organic solvents in laboratories, used filter elements, and biochemical sludge. The Company has signed agreements with qualified disposal units for the disposal of these wastes.



Waste disposal	Unit	2021	2022	2023
Total domestic waste	Tons	2,500	2,850	2,790
Density of domestic waste	kg/RMB'0,000	7.11	6.50	6.34
Total general (non-hazardous) solid waste	Tons	/	54,956.49	55,802.17
Total hazardous solid waste	Tons	9,436.50	8,408.90	9,337.72
Density of hazardous solid waste	Tons/RMB'0,000	0.0268	0.0101	0.0145

The Company explored the reduction of biohazardous waste

Case

In 2023, the Company's environmental protection department led the project to reduce biohazardous waste in Workshop 105. Complex microbial inoculants were used in this project to treat two types of hazardous wastes and two types of mother liquor (waste adsorbent, spent activated carbon, mother liquor of sodium theophylline salt after second separation, and centrifugal mother liquor with MVR after second separation) in Workshop 105. The agents rapidly degraded organic substances and released energy to promote microbial growth and reproduction at 65-80°C, resulting in an average weight-loss ratio of over 80%.

Exhaust gas management

The Company installed an RTO with a capacity of 60,000 cubic meters per hour in the No. 1 Branch, along with four sets of backup RTOs. Once each gas-generating unit is connected to the RTO, the workshop's exhaust could achieve a comprehensive, real-time, and stable rate of reaching the standard in an organized manner, resulting in remarkable environmental benefits. The number of exhaust ports was reduced from 30 to 8 after the transformation, resulting in a decrease in emissions from 22 exhaust ports.

Exhaust gas management	Unit	2021	2022	2023
Particulate Matter (PM)	Tons	1.38	1.26	0.19
Nitrogen oxide (NOx)	Tons	0.17	0.15	0.22
Sulfur dioxide (SOx)	Tons	0.13	0.12	0.069
VOC emissions	Tons	24.00	22.30	27.71
Total exhaust emission	Tons	25.68	23.83	29.27

Newly-built RTO facilities in the No. 2 Branch

Case

In 2023, No. 2 Branch newly installed an RTO for its Wanbo high-end medical intermediate project to improve the exhaust gas treatment capacity and completely solve the bottleneck problem of exhaust gas treatment in each workshop. The facility ensures the compliance of the exhaust emissions from No. 2 Branch.

Wastewater management

The Company has collaborated in the disposal of sewage resources in the park, efficiently improving its sewage treatment capacity. The Company has completed several important environmental protection projects, including the recycling of high-concentration wastewater at Workshop 203, the reduction of aspirin emissions at Workshop 207, and the installation of an electrochemical scaling device in the circulating water of the production department at No. 2 Branch.

Wastewater management	Unit	2021	2022	2023
Total wastewater discharged	Tons	2,738,190	1,841,902	1,970,132
Chemical oxygen demand (COD)	Tons	584.11	391.90	484.75
Ammonia nitrogen	Tons	21.01	14.79	25.31

Drainage reconstruction of No. 1 Branch

Case

The drainage system on the North Road of No. 1 Branch was reconstructed into an above-ground pipeline system. This change allows for accurate measurement of water discharge, providing a reliable basis for energy conservation and emission reduction efforts in the workshop. Additionally, it reduces the number of impacts on the sewage treatment system of No. 1 Branch, solves problems such as difficulties in maintenance of leakage of underground drainage pipes, and eliminates hidden dangers of soil and groundwater pollution, which can ensure the stable production of key products in No. 1 Branch and improve environmental and social benefits.

Reconstruction of sewage treatment facilities in No. 2 Branch

Case

In 2023, the No. 2 Branch passed the clean production audit and acceptance organized by Zibo Municipal Ecology and Environment Bureau. The Company's clean production plan was well received.

Workshop 203 of the No. 2 Branch has added facilities to collect and recycle acetone, methyl alcohol, and dichloromethane hydrolysate. This turns waste into treasure by extracting production raw materials from the sewage that originally entered the sewage system. This reduces the emission of wastewater by 600 tons per year and allows for the recovery of 1 ton per year of mixed materials, which further ensures the stable discharge of workshop wastewater up to standard.

A microporous aerator system has been added to the sewage treatment facility at No. 2 Branch. It is installed in the sewage pool without interrupting its operation. After installation, the oxygen utilization rate in the decarbonization pool increases to 30%, reducing energy consumption by 40%. Additionally, the daily removal of COD in the decarbonization pool increases by 0.65 tons, ensuring normal production of No. 2 Branch.

Efficient use of resources

The Company manages energy in strict accordance with the ISO 50001:2018 energy management systems and implements an accountability system for energy conservation goals. It decomposes energy use cost-saving goals to major production units in a scientific manner according to requirements in its annual production and operation work plan. It also requests each unit to sign a statement of responsibility for energy conservation goals, clarify target indicators, and detail management requirements and work measures. The Company develops and implements supporting energy management systems such as Power Supply and Energy Management Procedures, Power Transfer Management Measures, Power Supply and Consumption Management Standards, and Warm Water Use Management Regulations. The implementation of relevant systems is reviewed monthly in accordance with the energy assessment methods. In addition, the Company organizes quarterly energy-saving special inspections, reports any problems found for rectification, and conducts serious assessments.

Use of Resources	Unit	2021	2022	2023
Steam	10,000 tons	51.12	46.61	45.23
Power consumption	100 million kWh	1.85	2.01	2.19
Circulating water	10,000 m ³	8,859.64	9,656.08	9,153.14
Tap water	10,000 m ³	338.30	338.29	360.43
Power consumption (energy consumption per unit output value)	KWh/RMB'0,000	481.83	431.70	449.95
Steam consumption (energy consumption per unit output value)	Tons/RMB'0,000	1.33	1.01	0.93
Water consumption (energy consumption per unit output value)	m ³ /RMB'0,000	8.81	7.28	7.42
Packaging materials used for finished products	Tons	9,219	8,898	10,178

To achieve the Company's energy-saving goal for 2023, we have taken a series of steps and measures.



- The Company broke down energy-saving targets based on equipment and facility conditions, energy consumption levels of products, energy-saving improvement projects, and equipment renewal plans of the main production units. These targets were then issued to the production units, and a responsibility letter for meeting the energy-saving targets was signed. The responsibility letter clearly outlines goal indicators, responsibilities, management measures, and assessment requirements.



- The Company recorded the energy consumption data of each unit on a daily basis and conducted monthly analyses and calculations of the unit consumption of energy of major products. The Company assessed units that have not met their energy conservation goals and required them to analyze the reasons in detail and develop measures for improvement.



- The Company formulated the 2023 energy conservation improvement project plan and the equipment replacement plan. The unit in charge of the project, the Mechanical Power Department and other professional departments are responsible for organizing the implementation of the project, which improved the energy utilization efficiency of production facilities and promoted the achievement of the energy conservation target.

The Company held the Water Conservation Awareness Month event

Case

Pursuant to the Notice on the Launch of Water Conservation Awareness Month in 2023 issued by the Water Resources Department of Shandong Province and five other departments, the Company organized the Water Conservation Awareness Month event from March 22 to 28, 2023. The Company, workshops, and teams have conducted various water conservation publicity activities at different levels. These activities include displaying water conservation pictures and slogans on electronic screens in the park and workshops, organizing water conservation knowledge quizzes, posting water conservation signs, encouraging staff to create water conservation cartoons, and hanging water conservation propaganda banners so as to promote water conservation and consumption reduction and to raise water conservation awareness among employees.



No. 1 Branch added a water recycling device

Case



The wastewater from each workshop of No. 1 Branch has reached the discharge standard after undergoing biochemical treatment in the sewage treatment plant. The quality of the reclaimed water is consistently stable. In 2023, a purification unit was installed. It utilizes the lifting pump to send water to the purification facility where impurities are filtered out and turbidity is reduced. This ensures that the water quality meets the standards required for the circulating cooling water system. Additionally, it replaces tap water to compensate for the evaporation loss of the circulating water system, resulting in a reduction of approximately 4,360m³ of tap water consumption by using the reclaimed water in 2023.

No. 2 Branch replaced the asynchronous motors, resulting in improved energy efficiency

Case

In 2023, the asynchronous motor of No. 4 brine pump in No. 2 Branch was replaced with a synchronous reluctance motor. Compared to the original motor, the synchronous reluctance motor has a higher power density and efficiency from light load to full load, or even overload, but it does not have a rotor winding. The motor exhibits good starting performance, with a starting torque of 2.5 to 3 times its rated torque and a small starting current that has no significant impact on the power grid. After monitoring and comparing the water supply, output, and power consumption before and after the transformation, it is evident that replacing the motor with a reluctance motor has resulted in a significant energy-saving effect. Furthermore, the power consumption of salt water has been reduced by 23%.



No. 2 Branch installed the water pump power-saving device

Case

A dedicated power-saving device (YHDZ-160) was installed on No. 7 circulating water pump in the No. 2 Branch. The control system of the power-saving device is a closed-loop system consisting of an energy-saving device, transformer, motor, and spiral rotor. The system can adjust the output control in real time and maintain a constant pressure water supply automatically based on the comparison between the feedback pressure and the set pressure. The installation of the power-saving device control system reduces energy waste caused by large fluctuations in the user's water load, the slow adjustment speed and low precision of the water pump, and the unstable output pressure. By monitoring the pump's current value before and after the transformation, it was found that the power saving rate increased by over 15%.



Reconstruction project of the air conditioning unit on the second floor of Workshop 206XY

Case

The Company installed U-shaped heat pipe energy recovery devices on eight temperature and humidity control air conditioning units in Workshop 206. These devices are used to recover the cold energy behind the surface cooler and transfer it to the front of the surface cooler to pre-cool the fresh air. Meanwhile, these devices can recover heat from fresh air in front of the surface cooler and transfer it to the back of the surface cooler, which can partially or completely replace the use of steam to regulate the temperature of the low-temperature dry air. This can reduce the cooling water consumption of the air conditioner, save the cost of temperature-regulating steam, and result in double savings. During the peak hours in the summer of 2023, 405 tons of steam and approximately 100,000 kWh of electricity were saved.



Workshop 301 added heat recovery devices

Case

Heat recovery devices were installed in 16 locations where hot water is used, such as lamp inspection areas and employee bathing areas on the first floor of Workshop 301 of the Company. These devices transform the air compressor's heat exchanger, recovering the heat energy generated by the air compressor in the form of high-temperature hot water. This process does not affect equipment performance or air supply index, allowing for full utilization of the heat energy. From mid-October through the end of 2023, the recovered heat resulted in steam savings of approximately 176 tons.



The main plant's Workshop 202 installed a new steam generator

Case

In November 2023, Workshop 202 installed a new steam generator of model 4NWSO.25, which has higher natural gas utilization efficiency. By the end of December 2023, after technical debugging and optimization, the natural gas consumption decreased from 97.9m³ to 87.8m³ after the transformation, resulting in a total savings of 9,181m³ of natural gas for the year.



Addressing climate change

Xinhua Pharmaceutical has established a leading group and working group for the development strategy of "peak carbon dioxide emissions and carbon neutrality". These groups are primarily responsible for studying and proposing the guiding ideology, basic principles, strategic positioning, overall objectives, and phased objectives of the Company's low-carbon development in accordance with the national goal of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality before 2060. The aim is to assess the strategic situation faced by the Company and explore comprehensive solutions for the Company to move towards the goal of "peak carbon dioxide emissions and carbon neutrality".

Carbon emission management

By using both quantitative measurements and qualitative evaluations, the Company analyzes its current energy consumption and low-carbon development, the composition of the total carbon emissions and emission sources, and the historical trends and current characteristics of carbon emissions, so as to identify key emission sources.

Carbon emission	Unit	2021	2022	2023
Direct emissions: Scope I	tCO ₂ e	23,065	14,098	18,956
Indirect emissions: Scope II	tCO ₂ e	227,895	244,370	241,687
Scope I and Scope II	tCO ₂ e	250,960	258,468	260,643



Climate risk identification

As the economy develops and business activities increase around the world, climate change has become a problem that cannot be ignored in the global society. The Company attaches great importance to the potential opportunities and risks brought by climate change to enterprises, identifies major climate-related issues that may have an impact on the Company, and prepares response measures.





Establish a Harmonious
Work Environment

Working with
Employees

Protection of employees' rights and interests

Xinhua Pharmaceutical adheres to a "people-oriented" development philosophy and advocates a "diversified, fair, and inclusive" corporate culture. The Company places significant emphasis on diversified development and sustainable cultivation of talents, prioritizes employee care, ensures occupational health and safety of employees, and promotes mutual growth between employees and the enterprise. The Company promises to treat all employees fairly, respect and protect their basic rights, prioritize their health, and provide a thriving and robust, safe, and comfortable work environment.

The Company strictly adheres to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and other relevant national laws and regulations. The Company respects and protects human rights, standardizes employment procedures, and earnestly safeguards the legitimate rights and interests of its employees. The Company signs employment contracts with employees in accordance with the law, and firmly prohibits the employment and use of child labor as well as all forms of forced labor. Additionally, the Company provides equal employment opportunities for all candidates and employees.

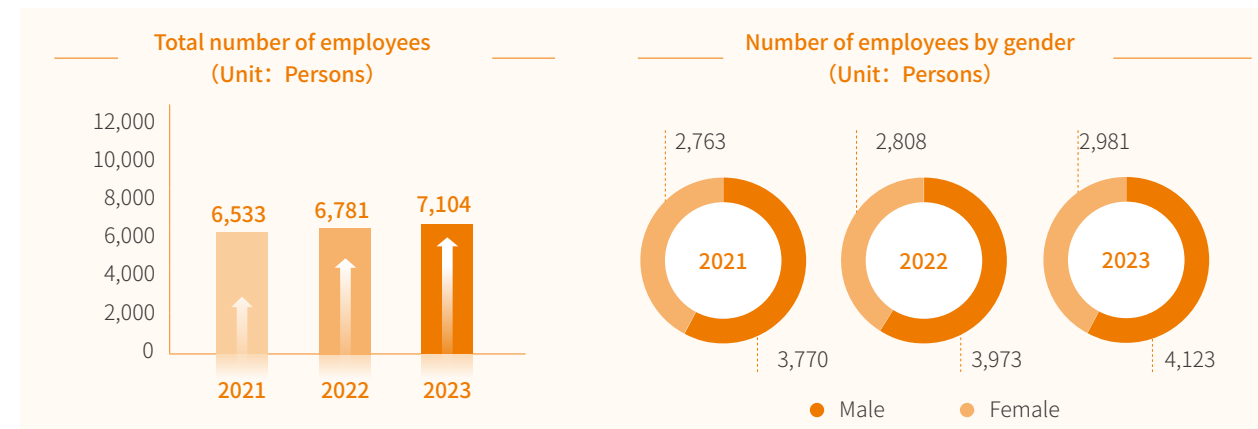
Legal employment

To effectively prevent child labor and forced employment, the Company has established various rules and regulations, including the Social Responsibility Management Manual, Labor and Ethics Management Code, Child Laborer Rescue and Juvenile Laborer Protection, and Special Provisions on Labor Protection for Female Employees. The Company formulated the Labor and Ethics Management Code according to the laws, regulations, and standards related to labor and ethics to better comply with national laws, better protect the interests of workers, assume more labor moral responsibilities, and continue to improve labor ethics. To avoid the recruitment of child laborers by mistake, the Company developed the Child Laborer Rescue and Juvenile Laborer Protection, which specifies the scope of application, the definitions of child laborer and juvenile laborer, departmental responsibilities, rescue procedures for child laborers or juvenile laborers recruited, and other matters. In addition, the Company formulated the Special Provisions on Labor Protection for Female Employees to reduce and solve the unique challenges resulting from the physiological characteristics of female employees in their work and to safeguard their physical and mental well-being. The Company strictly follows legal procedures to handle contract signing, modification, and renewal procedures, timely records labor employment, and handles the rescission and termination of labor contracts in accordance with the law. In personnel demand planning, recruitment forms, recruitment channels, and personnel selection and recruitment, the Company extensively hires necessary employees, and ensures fairness and impartiality in the recruitment process, without any discriminatory behavior following the Labor and Ethics Management Code.

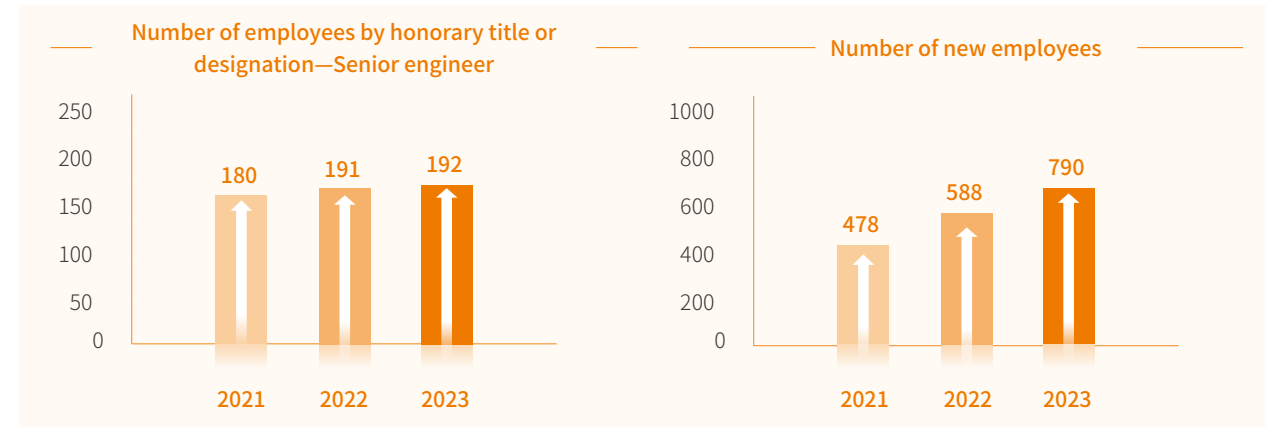


The Company's labor contract signing rate reached

100% in 2023.



Employee employment		Unit	2021	2022	2023
Number of employees by level	Total number of primary-level employees	Persons	6,376	6,627	6,936
	Total number of middle management employees	Persons	147	146	160
	Number of female middle management employees	Persons	20	20	22
	Total number of senior management employees	Persons	10	8	8
	Number of female senior management employees	Persons	0	0	0



Employee turnover		Unit	2021	2022	2023	
Total number of resigned employees		Persons	146	151	259	
Total employee turnover rate		%	2.23	2.20	3.65	
Employee turnover rate by gender	Male	%	1.82	1.53	1.60	
	Female	%	0.41	0.67	2.04	
Employee turnover rate by age	51 and above	%	0	0	0.11	
	41-50	%	0.24	0.10	0.66	
	31-40	%	0.40	1.10	1.10	
Employee turnover rate by work area	30 and under	%	1.59	1.00	1.77	
	Employees in China's mainland	%	2.23	2.20	3.65	
	Employees in Hong Kong, Macao, and Taiwan, China	%	0	0	0	
		Employees in other countries	%	0	0	0

Note: The total number of resigned employees includes those who have voluntarily resigned and those who have terminated their employment relationship with the Company due to layoffs, retirement, death, and other reasons.

Compensation and benefits

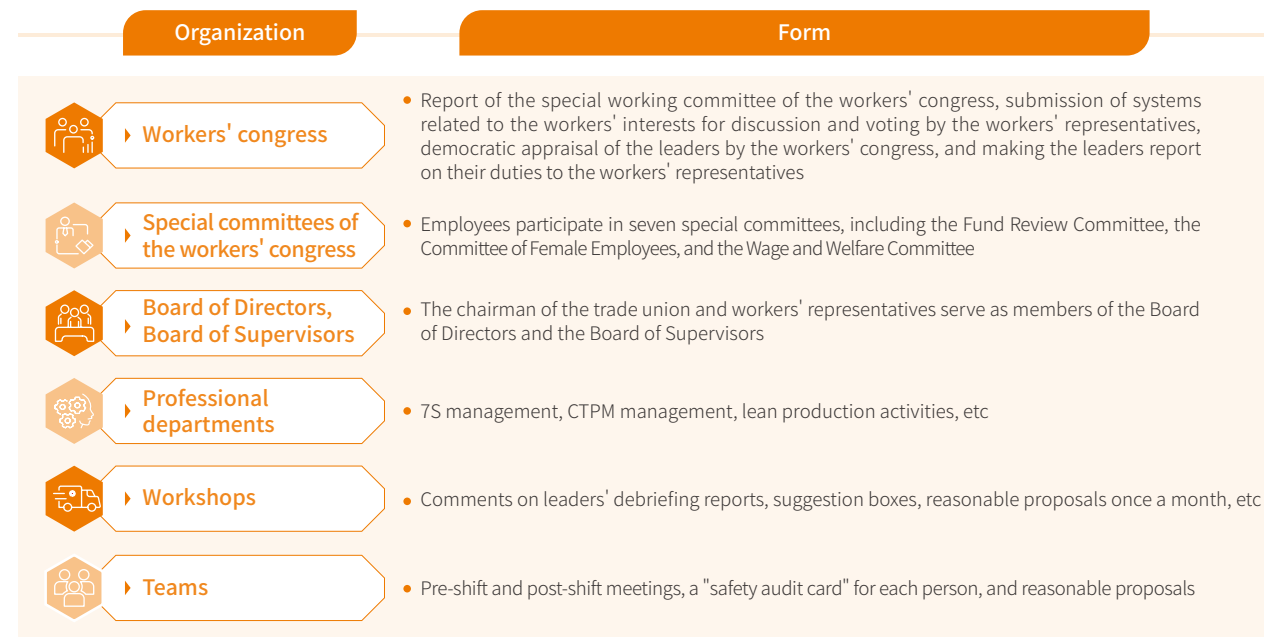
The Company adheres to the principles of "fairness, value, and compliance", and follows a distribution mechanism of "salary adjustment with position, distribution based on work, and fair and reasonable distribution". The Company has formulated and improved the compensation, incentive, and welfare mechanisms, implemented medium and long-term equity incentives for key talents, and improved the compensation system to pay based on "position, ability, and performance". The Company has a three-level salary evaluation system for top management, middle management, and employees. Each level has a unique salary composition and assessment organization that reflects the principle of differentiation. To recognize employees who demonstrate exceptional performance, the Company has developed various systems, such as the Salary Management System, Equity Incentive Scheme, Measures for the Administration of Career Development Channels, and Measures for the Administration of Evaluation and Employment of Skilled Personnel and utilized multiple incentive mechanisms, including material and spiritual incentives. This helps employees feel valued for their work, which maximizes their potential and motivates them to work enthusiastically.

Regarding employee welfare, the Company follows the principle of "improving enterprise competitiveness, ensuring employee fairness, providing diverse benefits, and making timely adjustments", so as to provide employees with a range of services and benefits. On the basis of strict adherence to national laws and regulations, the Company has established and implemented such institutional measures as the Regulations on Salary Management, Provisions on Medical Treatment Period for Employees Suffering from Illness or Non-work-related Injury, Regulations on Management of Paid Annual Leave for Employees, and Special Provisions on Labor Protection for Female Employees. The Company has also signed both the Collective Contract and the Special Collective Contract for Protecting the Rights and Interests of Female Employees with the trade union. Additionally, during ethnic festivals, the Company will issue holiday notices specifically for ethnic minority employees, such as the Eid-Al-Fitr Holiday Notice.

Democratic management

The Company values democratic management and continuously improves the democratic management work system through the workers' congress and the meeting of heads of staff representatives. The Company prioritizes safeguarding employees' rights and interests while maintaining open communication channels. Meanwhile, the Company has developed several systems to encourage employees' participation in the Company's management and to provide incentives to motivate employees to take the initiative to participate. These systems include the Notice on Encouraging Reasonable Proposals from the Mass and the Activity of "Identifying Hidden Hazards, Keeping Employees Safe, and Helping Businesses Thrive", the Measures for the Administration of the Competition of Operator Experts, and the Management and Evaluation Measures for the 7S/CTPM Lean Management Competition.

Main organizations for employees to participate in the management:



Xinhua Pharmaceutical has established a company-level labor dispute mediation committee consisting of seven members, including trade union representatives, administrative representatives, and employee representatives, to handle labor rights and interests complaints. The committee is mainly responsible for mediating major labor disputes within the Company or unsuccessful cases mediated by labor dispute mediation organizations in primary-level units. Additionally, the committee inspects and urges the implementation of mediation agreements. The Company has established a secondary labor dispute mediation and prevention organization, relying on the primary-level trade union organizations of various departments. The organization is mainly responsible for mediating labor dispute cases that have little impact within its own department and assists the Company's labor dispute mediation organization in carrying out its work. Additionally, the organization has the right to suggest solutions to the higher mediation organization for any issues that may arise during the daily management of the unit, which could potentially lead to disputes. This is conducive to the formation of a comprehensive, multi-level, and collaborative labor dispute prevention and mediation network system, so as to resolve labor disputes at an early stage or nip them in the bud and fulfill the role of a labor dispute mediation organization in preventing disputes.



Regarding the employee satisfaction survey, the Company extensively solicited opinions from employees through interviews and surveys. The Company identified several factors that affect employee satisfaction, including working hours, working environment, work experience, salary and benefits, promotion opportunities, learning opportunities, leadership style, and living security. Additionally, the Company conducted a survey of departing employees to understand the factors that contribute to their departure. The Company has established a "1+1" model for evaluating employee satisfaction, which includes two measurements: a comprehensive measurement and a special measurement. The Company has also developed the Employee Satisfaction Management Measures and an employee satisfaction evaluation process, which can be used to create a questionnaire based on identified factors. Then, the Company conducts satisfaction surveys and statistical analysis with employees at various levels and positions. This helps to identify factors with low employee satisfaction and formulate improvement measures to enhance employee satisfaction. In 2023, the Company was awarded the title of "Top Ten Workers' Trusted Home in Zibo City".

Talent growth and development

The Company adheres to the principle of "selecting talents based on their moralities and abilities" and vigorously advocates an atmosphere of "respecting knowledge, talent, and creativity". The Company values the potential and contributions of all employees and prioritizes human resource development as a key factor in enterprise growth. The Company aims to create a humanistic environment of "comprehending talents, identifying their strengths and rationally arranging talents", and introduces mechanisms for talent competition and mobility, creating an "open, just and fair" competitive environment. In terms of the selection and appointment of talents, the Company follows the principle of "providing equal opportunities and selecting and appointing talents based on their abilities, rather than sticking to one pattern". Meanwhile, upholding the philosophy of "learning makes me progress", the Company stays committed to talent cultivation and actively conducts various training activities to foster employees in multiple directions. The Company creates opportunities for the development of innovative talents and provides more paths and platforms for the development of employees.

Talent incentives

The Company attaches great importance to talent development. By implementing a robust talent strategy, the Company continuously improves the talent management and incentive mechanisms to fully unleash the innovative potential of employees and build a strong force for transformation and growth. In terms of talent management, the Company has formulated various systems, including the Measures for the Administration of the Introduction of High-level Talents, the Measures for the Administration of Employees' On-the-job Postgraduate Studies and Applications for Master's Degrees, and the Measures for the Administration of College Students' Probation. In recent years, the Company has successively revised and formulated the Measures for the Administration of Supervisors, the Measures for the Administration of Awards for Scientific and Technological Progress, the Measures for the Administration of Awards for Achievements in the Scientific Research Stage, the Measures for the Administration of Awards for New Product Launch, and the Measures for the Administration of Scientific Research Allowance. These systems cover the entire process from scientific research and development to putting new products into production, launching products, and making technological improvements, which embodies the Company's scientific and technological innovation through a multi-faceted and multi-level approach. Additionally, these systems promote an atmosphere of scientific and technological innovation, enhance the vitality of the Company's scientific and technological innovation from a systemic perspective, and maintain the enthusiasm of employees, thus promoting the healthy development of the enterprise.

To establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, and motivate the Company's directors, top management, middle management, and key personnel, the Company launches various incentive plans that align the interests of shareholders, the Company, and employees, to ensure that all parties prioritize the Company's long-term development while fully protecting the interests of shareholders. Since 2015, the Company has launched several incentive plans to improve the long-term incentive mechanism for employees, including the Phase I ESOP of Shandong Xinhua Pharmaceutical Company Limited, the 2018 A-share Stock Options Incentive Plan, and the 2021 A-share Stock Options Incentive Plan. Among them, the Phase I ESOP of Shandong Xinhua Pharmaceutical Company Limited and the 2018 A-share Stock Options Incentive Plan were both implemented in 2022 and 2023, respectively.



During the reporting period, the Company completed the centralized exercise of the third exercise period of the 2018 A-share Stock Options Incentive Plan in January and May of 2023. A total of

173 incentive targets met the conditions for this exercise



resulting in the exercise of

505.56 stock options



with a total value of RMB

27,603.6 thousand

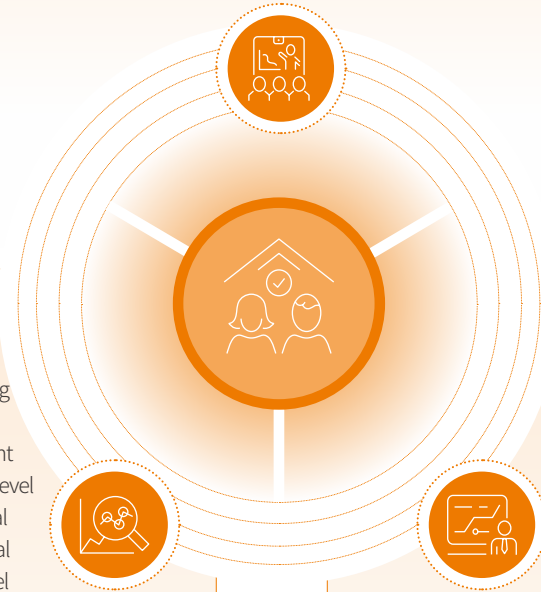
Employee training

The Company pays attention to the combination of training content and actual needs to make talent cultivation customized, delicate, and practical. The Company has formulated the Management Regulations on Employee Education and Training to strengthen customized cultivation. Through the talent review, the Company identifies excellent young cadres and versatile talents who are urgently needed and worthy of cultivation. According to their majors, experience, characteristics of personality, personal willingness, and organizational needs, the Company develops the "Five-Sphere" customized cultivation plan for them. By assigning growth mentors, drawing dedicated learning maps, following up on key programs, rotating positions within the Company, and honing skills outside the Company, the experience of cadres is expanded.

The Company builds a "Four Eagles" growth system for talents in different echelons. The four eagles refer to the Fledgling Eagle, Ordinary Eagle, Strong Eagle, and Elite Eagle. The Company takes multiple measures such as targeted cultivation based on one person one archive, regular assessment, dynamic management, and adjustment to ensure their rapid and comprehensive growth.

In 2023, the Company made a breakthrough in innovative development by promoting the construction of a learning organization, integrating internal and external training resources, building a team of internal trainers, and improving basic training.

- The Company provides systematic training to foster talent development at all levels. The Company establishes a talent training pool through talent review and develops a "five-sphere" systematic training plan for them based on their job qualifications, knowledge and skill level, personal characteristics, work experience, organization, and personal needs. This helps bring talents from different echelons into the "Four Eagles" growth system in a planned way. The Company takes multiple measures such as targeted cultivation based on one person one archive, regular assessment, dynamic management and adjustment to ensure their rapid and comprehensive growth. In 2023, the number of talents trained by the "Four Eagles" Program reached 150.



- The Company offers precise training to cultivate professional elites. The Company implements various talent training plans for middle and high-level personnel, supervisors, professional technology, management, technical research, and high-skilled personnel based on the characteristics of different majors and levels. These plans aim to broaden and enhance the vision and professional level of core backbone personnel, and accelerate the cultivation of core talents and cadre employees. The Company communicates actively with professional institutions, universities, and training partners, so as to assign more core team members to participate in high-level training, exchange meetings, and other relevant activities.

- The Company provides practical training to cultivate versatile talents. The Company actively explores the establishment of a tutorial system and a cross-disciplinary and cross-departmental regular exchange mode for key and difficult tasks and projects, to enhance the relevance of education and training. The Company establishes a compound talent pool and formulates a training plan for such talents. By 2025, the number of employees participating in cross-disciplinary study and exchange will reach 100.

Employee training		Unit	2021	2022	2023
Total number of employees trained		Persons	6,533	6,781	7,104
Categories by gender	Male	Persons	3,770	3,973	4,123
	Female	Persons	2,763	2,808	2,981
Categories by types of employees	Number of primary-level employees trained	Persons	6,376	6,627	6,936
	Number of middle management employees trained	Persons	147	146	160
	Number of senior management employees trained	Persons	10	8	8
Total hours of training received by employees		Hours	161,295	155,963	181,862
Average hours of training for employees		Hours	24.7	23	25.6
Categories by gender	Total hours of training for male employees	Hours	93,110	91,379	105,779
	Total hours of training for female employees	Hours	68,185	64,584	76,083
Categories by types of employees	Total hours of training for primary-level employees	Hours	156,670	152,421	177,562
	Total hours of training for middle management employees	Hours	4,201	3,358	4,096
	Total hours of training for senior management employees	Hours	424	184	204



Guarantee of health and safety

The Company adheres to the safety management concept of "safety is the basis of employee happiness and the guarantee of enterprise performance" and implements the occupational health prevention and treatment policy of "prevention first and integrating prevention with treatment". The Company focuses on the standardization construction of safety, and aims to improve the environment through training and inspection. By doing so, the Company ensures the continuous improvement of occupational health and safety management.

Occupational health and safety		Unit	2021	2022	2023
Employee health and safety	Workdays lost due to work-related injuries	Days	780	363	780
	Number of work-related deaths	Persons	0	0	0
	Proportion of work-related deaths	%	0	0	0
	Number of employees exposed to occupational health hazards	Persons	2,865	2,888	2,983
	Number of employees that have received occupational disease examination	Persons	2,893	2,914	2,983
	Number of employees suffering from occupational diseases	Persons	0	0	0
	Investment in safety production	RMB'0,000	1,920	2,105	1,981
Safety drills	Number of safety drills	Time(s)	962	798	832
	Percentage of employees covered by safety drills	%	96.16	94.37	95.65

Safety management system

Regarding work safety, Xinhua Pharmaceutical has established and improved its safety production management system in accordance with the requirements of the Work Safety Law of the People's Republic of China and other relevant laws and regulations. A special safety management organization has been set up, which includes 23 full-time safety managers and 13 registered safety engineers. The Company has set up a safety committee led by the general manager to oversee the Company's work safety. Additionally, a safety production network has been established that spans horizontally and vertically. In 2023, Xinhua Pharmaceutical, in response to the new safety management situation, continued to adhere to the spiral improvement and effective implementation of the "Four Major Plans" of safety production (safety training, safety measures, hidden risk identification, and emergency drills). Additionally, the Company placed emphasis on the management in "Four Aspects" (risk, system, training, and audit). The Company prioritized safety management by focusing on responsibilities implementation, risk control, system optimization, foundation consolidation, information construction, and safety culture. During various law enforcement inspections, no major hidden hazards were found, and no penalties were imposed. The Company successfully achieved the new goal of passing inspections of law enforcement. The Company has successfully renewed the safety production license for hazardous chemicals, filed for the production of non-pharmaceutical precursor chemicals, registered hazardous chemicals, and filed for major hazard sources. Additionally, the Company ranked second in the classification and evaluation of hazardous chemical enterprises in Zibo City.



Regarding occupational health management of employees, the Company has established an occupational safety and health management organization to define the responsibilities of each department. The Company has established a sound occupational health management system, including the Management Procedures of Occupational Safety and Health Management Organization and Personnel Responsibility System, Management Procedures for Obtaining, Determining, and Evaluating Occupational Safety and Health Laws, Regulations, and Other Requirements, Management Standards for the Occupational Safety and Health Education, Management Standards for Protective Equipment, Management Standards for Occupational Health Monitoring, Management Standards for Work-Related Injuries and Occupational Disease, Management Standards for "Three Simultaneities" of Occupational Disease Protection Facilities in Construction Projects, Management Standards for the Maintenance of Occupational Disease Hazard Protection Facilities, Management Standards for Occupational Hazard Declaration, Management Standards for Detection and Evaluation of Occupational Hazard Factors, Management Standards for Occupational Health Warning and Notification, Standards for the Selection and Provision of Labor Protection Articles, etc. The Company issues annual occupational health prevention and control plans and implementation plans, formulates work targets and specific measures for occupational health, and ensures a clear division of responsibilities among relevant departments. Additionally, the Company performs well in testing for occupational hazard factors, evaluating status, reporting test results, making declarations, conducting assessments on control effect and detection of highly toxic substances, providing occupational health examinations, designing, constructing, and putting into use occupational health protection facilities simultaneously with the main project, managing employee health monitoring files, conducting special inspections of occupational health and protective equipment, providing training in occupational health knowledge, and increasing investment in improving the working environment for employees.

The safety management measures adopted by the Company in 2023 include the followings:



- The Company's Guidelines for Safety Management of Chemical Process (AQT 3034-2022) was implemented on April 1, 2023, and the Company has been recognized as a pilot unit for chemical process safety management in Shandong Province. Pursuant to the requirements of the Notice of Department of Emergency Management of Shandong Province on Launching the Pilot Work for the Evaluation and Improvement of Chemical Process Safety Management (LYJH [2023] No. 6), the Company focused on launching two process safety management pilot work as outlined in "4.6 Risk Management" and "4.15 Change Management" in 2023. In June 2023, the pilot work passed the evaluation of a third party entrusted by the Department of Emergency Management of Shandong Province.



- The Company initiated a special action to improve work safety in the chemical industry in response to the requirements of higher authorities. This action strengthened bottom-line thinking and red-line awareness. The Company follows a problem-oriented, goal-oriented, and result-oriented approach to fundamentally eliminate hidden dangers, solve problems, and prevent accidents. Sixteen measures have been implemented in five areas, including prevention and control of major safety risks, elimination of hidden hazards, transformation of intrinsic safety, intelligent empowerment of chemical safety, and implementation of network construction. These measures have comprehensively improved the intrinsic safety level of the Company throughout the life cycle and provided a strong safety guarantee for the Company's innovative breakthrough and high-quality development.



- The Company has strengthened the construction of dual prevention mechanisms and conducted various activities, including risk identification training and analysis. The Company has created a new risk classification control list by re-compiling the List of Risk Points, the List of Operation Activities, and the List of Equipment and Facilities. The Company organized the assessment and selection of the second batch of team leaders for HAZOP, expanded the scope of HAZOP for API products, and integrated the HAZOP report with the construction of the Company's dual prevention mechanisms. After being examined and approved by the Company, a total of 539 risk points were identified and analyzed (including 12 major risk points, 128 large risk points, 120 general risk points, and 279 low risk points). Based on this analysis, a new systematic document on risk classification management and control was prepared and released.

Technical safety measures

Technical safety measures are an important way and method for enterprises to realize intrinsic security. In order to promote the Company's intrinsic safety level and mitigate the work safety risks, as well as improve the working conditions and environment for employees, the Company prepares technical safety measure plans every year in accordance with national laws, regulations, and standards on work safety, and maintains the necessary investment in technical safety measures. In 2023, the Company invested RMB19.81 million in technical safety measures.

In 2023, the Company prioritized risk management and control, and implemented various projects for intrinsic safety measures by making full use of an information-based, intelligent and digital safety production management system:

- The automatic control of the whole process of chlorination process in Workshop 102 has realized the automatic feeding of pyrimidone, triethylamine hydrochloride, phosphorus oxychloride and DMF raw materials, as well as the change of manual operation switch of direct and indirect exhaust and manual on-site adjustment of recovery of phosphorus oxychloride into remote control.



- The enterprise version of the E-ticket System has completed the localized deployment of eight electronic processes of tickets, and follows the principle of "operational compliance, quick approval, pre-planning, complete records, and global control".

- A cooling system has been installed at the levodopa L-360 plant in Workshop 104 to regulate the temperature of the operation site during summer.



- The Company's information management platform for factors affecting work safety enables data interoperability and sharing among all factors, thereby enhancing the Company's information security management level.

Operation of the safety standardization system

Case

Xinhua Pharmaceutical is a second-class enterprise for the standardization of hazardous chemicals in Shandong Province and a benchmark unit for the dual prevention system of medicine and chemical industry in Shandong Province. The Company strictly adheres to laws and regulations on safety production. The Company strives to integrate safety standardization and dual prevention mechanism, and conducts thorough investigations of potential hazards at all levels, and intensifies process safety risk analysis and safety risk change management. The Company has implemented a standardized management system that consists of three levels: the Company, workshops, and teams. Additionally, the Company performs an annual internal audit on the operation of each production workshop system and implements a dynamic inspection rate of no less than 20% on the operation of the production team system to ensure the proper functioning of the three-level system.



Safety emergency response management

The Company has established an emergency rescue command and steering group with the general manager as the chief commander, the deputy general manager as the deputy chief commander, and the heads of relevant professional departments such as the Safety Management Department as members, improving the emergency response mechanism in the three levels of company, workshop, and team. The Company has organized a professional fire rescue team to stay on duty 24 hours a day; the Company also has organized other emergency rescue teams with different functions such as fire disaster relief, information liaison, early warning and evacuation, emergency repair, environmental monitoring, and first-aid support. The Company has built an emergency response management system to implement the emergency response responsibilities of organizations and personnel at all levels. According to the analysis and evaluation results of accident risks, the Company has prepared various emergency response plans and on-site response plans, and carried out emergency response knowledge and equipment use training according to the training plans, constantly improving the emergency response level of the Company and employees. In line with relevant laws, regulations, and requirements of superior departments, the Company has prepared emergency response drill plans with crucial work highlighted, promoted emergency response drills during non-regular working hours, and quantified the index assessments, and organized relevant departments to jointly conduct special inspections for emergency response.



Safety emergency response training and drills



In 2023, the Company carried out

15 company-level emergency response drills

832 workshop and team-level emergency response drills

covering

95.65% of employees

Safety training and education

The Company strictly implements the system of designing, constructing, and putting into use occupational health protection facilities simultaneously with new, extended, and rebuilt projects, and evaluates multiple projects in strict accordance with the requirements of laws and regulations. As per the annual training plan, the Company conducted occupational health training, organized the 9th Young Workers' Emergency Skills Competition, held the 22nd Workers' Fire Games, and invited occupational health experts to provide training on various topics, such as the use of air respirators and on-site first aid. These initiatives significantly enhanced the emergency skills of employees.



Firefighting games in 2023



Emergency response training in 2023

The Company held a safety emergency skills competition to enhance the emergency skills of young workers

Case

Xinhua Pharmaceutical has been organizing the Young Workers' Safety Emergency Skills Competition annually since 2013. The competition aims to enhance the safety literacy of young workers and establish a safety skills training base. During the reporting period, the Company organized 1,000 young workers to carry out theory learning and integrate it with hands-on guidance, and improved the simulation learning platform via online tests with 1,700 questions. The Company provided hands-on guidance for fire extinction, the use of air breathing apparatus, and cardiopulmonary resuscitation. The Company actively promoted employees to conduct online learning and computer theory test, and organized hands-on assessments. These measures help employees develop more comprehensive operational skills, improving both their actual emergency skills and the operational and emergency response abilities of young employees.



Occupational safety detection

The Company conducted outsourcing testing on 1,346 detection points of occupational hazard factors across the entire organization in accordance with the requirements of the regulations. The test results are in compliance with the requirements. The Company's highly toxic substances were tested and a control effectiveness assessment report was issued; occupational health examinations were conducted for the Company's employees before, during, and after their employment. Of the total, 55 employees underwent a post-employment physical examination, 77 underwent a pre-employment physical examination, and 2,983 underwent a physical examination during their employment. Employees were promptly informed in writing of the results of the occupational health examination. Each unit has created occupational health monitoring files for every employee to achieve standardized management. In 2023, no case of occupational diseases was found in the Company.



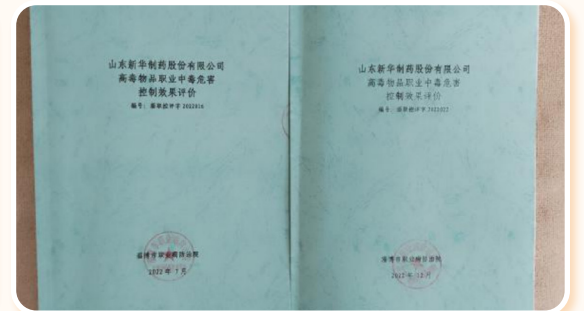
The Company distributed physical examination reports to its employees



Employees' health monitoring files



Employees are undergoing physical examinations at the hospital



Inspection and control effectiveness assessment report of highly toxic substances

Employee care

The Company prioritizes the well-being of its employees and conducts various activities annually. These include providing warmth during holidays, coolness in the summer, and entertainment services for primary-level employees. Additionally, the Company offers assistance to students and those in need. These efforts aim to enhance the service function and business level of trade unions, effectively address minor issues that impact employees' lives, and foster a harmonious atmosphere within the Company that promotes positive energy.



On October 31, 2023, Xinhua Pharmaceutical celebrated its 80th anniversary by organizing a variety show. The show was attended by over 370 employees and received unanimous praise from both inside and outside the Company. The show was broadcast live through the media, attracting more than 1.6 million online viewers.





In 2023, Xinhua Pharmaceutical provided assistance to 334 employees facing difficulties, with a total fund of RMB521.2 thousand. Among them, the Company provided assistance to 193 employees in need with a total amount of RMB427.2 thousand and provided assistance to 141 students with a total amount of RMB94.1 thousand.



Highlights of Xinhua Pharmaceutical in caring for female employees in 2023

- The Company extensively gathered feedback from grassroots female employees through various means such as telephone interviews, WeChat surveys, and grassroots reporting. On July 20, female employee representatives participated in a research forum regarding the special collective contract aimed at protecting the rights and interests of female employees.
- The Company organized lectures on health and psychological knowledge for female employees, which were attended by more than **100** female employees.
- The Company launched the "Striving with Xinhua" photo contest for creative group photos of female employees, received **73** photos from **30** units, and displayed **28** photos on Xinhua Pharmaceutical's official WeChat account, which better displayed and publicized the passionate work, love of life, vitality, confidence and perseverance of Xinhua Pharmaceutical's female employees.
- The Company promoted the development and success of female employees and awarded the honorary title of "Female Experts" at the company level to **10** outstanding female employees, including Zhao Liyuan. Furthermore, more than **400** female employees showcased their aerobics skills, and nearly **1,400** participated in brisk walking activities.
- The Company organized separate fellowship activities for young male and female employees, with over **70** participants, which expanded the communication platform and provided opportunities for everyone to make new friends.
- The Company conducted a special inspection of labor protection for female employees during the summer to provide better care for them.
- Female employees underwent breast and cervical cancer screening in Zhangdian District Hospital to safeguard their health.

The Company organized diverse publicity and learning activities to protect the rights and interests of female employees

Case

Xinhua Pharmaceutical has organized various activities, including "Blackboard Newspaper Publicity", "Knowledge Contest", "Various Learning Discussions", and "Health Knowledge Lectures for Caring for Female Employees". These activities have helped female employees understand that there are laws to abide by and that laws must be observed, increased awareness towards laws and regulations such as the Law on the Protection of Women's Rights and Interests, the Labor Law, and the Special Provisions, promoted gender equality, and enriched female employees' spiritual and cultural lives in the Company. These activities also inspired female employees to embody the values of self-esteem, self-confidence, self-reliance, and self-improvement. They were encouraged to keep pace with the times, innovate, and contribute to the construction of a harmonious socialist society.

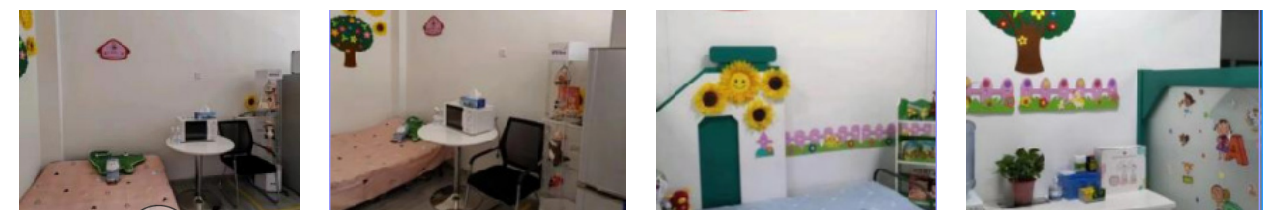


- 1 Blackboard newspaper publicity
- 2 Knowledge contests
- 3 Various learning discussions
- 4 Knowledge lectures for caring for the health of female employees

Two "Mummy's Rooms" were put into use

Case

In April 2023, Xinhua Pharmaceutical established and put into use two "Mummy's Rooms". These rooms provide private, safe, and warm rest places for women during menstruation, pregnancy, lactation, and menopause. The rooms cater to the personal needs of female employees and solve temporary difficulties for them.





Undertaking Corporate
Responsibility

Benefiting the
Society

Participation in public welfare undertakings

Over the years, Xinhua Pharmaceutical has been working hard to maintain stable operations while also contributing to social welfare undertakings through continuous public donations. The Company has also ensured a steady supply of drugs to the country and shared its development achievements with the industry, demonstrating a humanistic and caring image. Adhering to the mission of "Protecting health and benefiting society", the Company takes on the responsibility as a pharmaceutical company. While focusing on its main business, the Company also actively participates in public welfare undertakings to give back to society and achieve a win-win situation between social interests and enterprise benefits.

Public donation

As a responsible pharmaceutical company, the Company has always been committed to public welfare and has steadfastly supported charitable endeavors, with a cumulative donation of RMB635.1 thousand from 2021 to 2023.



Volunteer service

The Company has always upheld its responsibility as a state-owned enterprise and implemented the spirit of volunteerism. Employees are encouraged to actively participate in social volunteer service and contribute to social health with their professional knowledge.



Youth team of Xinhua Health

"One-day Donation" activity

Case

Xinhua Pharmaceutical actively responded to the call of the Municipal Party Committee and Municipal Government by launching the "One-day Donation" in 2023. The Company organized charity donation activities within the Company in accordance with the principles of "organization in accordance with the law, participation by all people, voluntary donation, openness and transparency, encouragement of dedication and acceptance of supervision". A total of 5,669 individuals from 44 units and branches participated in this donation activity. Currently, the donation has been fully handed over to the Zibo Charity Federation.



Xinhua Pharmaceutical organized employees to participate in voluntary blood donation

Case

Xinhua Pharmaceutical actively organizes and encourages employees to participate in voluntary blood donation. In 2023, a total of 163 individuals participated in the voluntary blood donation, resulting in a donation of 62,200ml of blood. Xinhua Pharmaceutical and its three subsidiaries were recognized as outstanding collectives for their contributions to voluntary blood donation in Zibo City.



Public welfare activity in Ganzi Tibetan Autonomous Prefecture

Case

In July 2023, Xinhua Health, a subsidiary of the Company, was invited by the Health Commission of Chengdu Hi-Tech Industrial Development Zone to conduct a free clinic in Dege County, Ganzi Prefecture. The activity improved the knowledge of common skin diseases and skin protection among local residents of Ganzi Prefecture, strengthening their understanding and enhancing their awareness of skin health.



Public welfare activities in communities

Case



In 2023, Xinhua Health, a subsidiary of the Company, conducted public welfare activities in Panyuan and Chuanyang communities in Zibo City. The activities included free blood pressure measurements, distribution of ointment patches, and health lectures. These activities enhanced the health awareness of community residents, improved their quality of life, and promoted the Company's one-stop health service concept. The Company gave back to society by providing quality services.

Practicing the spirit of volunteerism and manifesting the elegance of Xinhua Pharmaceutical

Case

During the May Day holiday in 2023, the Company organized a team of employee volunteers to provide road guidance, introduce scenic spots, maintain order, and offer other convenient services to tourists at Badaju Market, a popular destination in Zibo City. The volunteers also provided mineral water, vitamin C effervescent tablets, and other materials to tourists in need, contributing to the prosperity of Zibo's tourism industry.



Boosting rural revitalization

Xinhua Pharmaceutical leverages its corporate strengths to actively participate in rural revitalization efforts. In accordance with the requirements of the provincial Party committee and government as well as the Hualu Holdings, the Company has dispatched 5 first secretaries to carry out village assistance work. Through the implementation of livelihood projects, industrial initiatives, cultural assistance, and other measures, the Company has played a part in driving rural revitalization.

Moreover, the Company is actively engaged in the Zibo-Shizhu east-west cooperation initiative. In response to the call from the Zibo Federation of Trade Unions, the Company has provided support for rural revitalization in Chongqing Shizhu Tujia Autonomous County for two consecutive years. Through tea procurement, the Company is fostering the growth of the local tea industry. In 2023, the Company purchased 225kg of tea from Shizhu Tujia Autonomous County, amounting to RMB47,250.

Promoting common prosperity of the industry

As one of the top 100 enterprises in the national pharmaceutical industry, Xinhua Pharmaceutical adheres to the core values of "focusing on health and taking the responsibility" and practices the spiritual guidance of "inheritance, innovation, harmony, and dedication". Xinhua Pharmaceutical is dedicated to leading the construction and development of the pharmaceutical industry, promoting innovation and win-win cooperation in the global pharmaceutical industry.

In recent years, the Company has passed the official inspections of the U.S. Food and Drug Administration (FDA), the U.K. Medicines and Healthcare Products Regulatory Agency (MHRA), and the European Medicines Agency (EMA) many times with excellent results, successfully opening up high-end markets in Europe and the United States, while being highly recognized by leading international pharmaceutical companies. Based on this, the Company has successfully implemented a number of cooperation projects with international pharmaceutical giants such as Roche (Switzerland), Merck (Germany), Bayer (Germany), Perrigo (UK), and STADA (Germany), and the products are exported to high-end markets such as the EU and the US.

During the reporting period, the Company entered into strategic cooperation agreements with a number of customers and reached cooperation on a number of product export projects. The Company initiated the establishment of a national community that integrates production and education of the pharmaceutical industry to support the sustainable development of the pharmaceutical industry.



The Company initiated the establishment of a national community that integrated the production and education in the pharmaceutical industry

The Company's strategic cooperation and product export in 2023

The Company signed a comprehensive strategic cooperation agreement with Bank of China Limited Zibo Branch.



The Company took part in the 2023 Hong Kong, Macao, and Shandong Week and signed strategic cooperation agreements with Nam Kwong Group, Grand Post International Group, and Tycoon Group.



The Company's CPC tablets entered the cross-border e-commerce sales channel for the first time.

February

July

Shandong Xinhua Health Technology Co., Ltd. and Zibo Radio and Television Station signed a strategic cooperation agreement.



May to June

September

The Company and Kexing Biopharm established a strategic partnership to expand their overseas market for Sevelamer Carbonate Tablets.



June

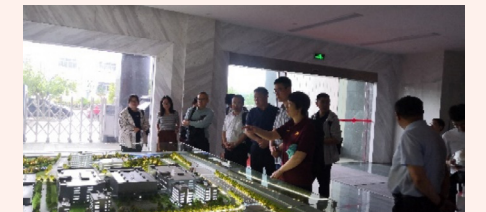
October

The Company's healthcare products containing fish oil were exported to the Hong Kong market for the first time.

November The Company renewed the pharmaceutical commissioning agreement with Roche Pharmaceuticals, the world's largest innovative pharmaceutical company, for the processing of oral solid dosage Madopar products. During the reporting period, the Company's commercialization remained stable, and the production efficiency continuously improved. **Over 850 million tablets** were supplied during the year.



December The Company renewed the pharmaceutical commissioning agreement with Zhejiang Huanling Pharmaceutical for the processing of calcium carbonate D3 chewable tablets.



The Company's 400mg ibuprofen tablets entered the German market for the first time.



Cooperation generates strength, while isolation leads to weakness. Great things can be achieved through collective effort. Assisting one another can go a long way. The Company places significant emphasis on sharing development achievements and engaging in industry exchanges and cooperation. The Company actively participates in industry associations and plays an important role in promoting the progress and sustainable development of the pharmaceutical industry, contributing to the growth of China's pharmaceutical industry.

Association name	Role
China Chemical Safety Association	Member unit
Chinese Society of Ideological and Political Work of Medical Staff	Vice president unit
Zibo Internal Auditor Association	Member unit
The Listed Company Association of Shandong	Member unit
Shandong Administration Association of Precursor Chemicals	Vice president unit
Council of China Environmental News	Member unit
Shandong Enterprise Directors Association	Director unit
Zibo Enterprise Directors Association	Executive vice president unit
Chinese Society of Medical Accounting	Vice president unit

Association name	Role
Shandong Price Association	Director unit
Shandong Skill Talent Development Association	Member unit
Shandong Employee Education Association	Member unit
Shandong Pharmaceutical Industry Association	Rotating president unit
China Pharmaceutical Industry Association	Vice president unit
Zibo Construction Project Tendering and Bidding and Standard Cost Association	Member unit
Zibo Credit Association	Member unit
Finance and Accounting Council	Member unit
Zibo Pharmaceutical Association	Vice chairman unit

Appendix

Appendix I: List of Key Performance Indicators (KPIs)

Anti-corruption	Unit	2021	2022	2023
Number of employees receiving anti-corruption training	Persons	1,131	1,143	1,124
Hours of training received by employees	Hours	5,152	5,196	10,034
Number of Directors receiving anti-corruption training	Persons	4	4	4
Hours of training received by Directors	Hours	8	8	60
Number of anti-corruption reporting incidents	-	0	0	0
Number of corruption proceedings concluded	-	0	0	0

Technological R&D	Unit	2021	2022	2023
R&D investment	RMB'0,000	32,803	35,160	40,587
Number of R&D staff	Persons	732	822	849

Patent application	Unit	2021	2022	2023
Number of patents held	-	138	150	170
Number of newly applied patents in the year	-	32	28	57

Complaints about products	Unit	2021	2022	2023
Number of complaints about products	-	27	23	25

Quality training	Unit	2021	2022	2023
Number of quality training sessions	Time(s)	34	59	60
Number of participants in quality training	Persons	820	900	955

Supplier management	Unit	2021	2022	2023	
Total number of suppliers	-	661	587	632	
Number of suppliers by region	Shandong	-	355	316	331
	Hebei	-	9	9	9
	Jiangsu	-	57	52	49
	Shanghai	-	55	29	29
	Zhejiang	-	28	15	16
	Hong Kong, Macao and Taiwan, China, as well as overseas regions	-	7	3	3
Other regions	-	150	163	195	
Total number of new suppliers of the year	-	24	32	59	
Percentage of suppliers that have signed the Supplier Code of Conduct	%	70	80	85	
Number of suppliers that have conducted ESG impact assessments	-	137	198	216	
Number of suppliers identified as having actual and potentially significant negative social impacts	-	0	0	0	
Number of supplier social responsibility (ESG) trainings	Time(s)	1	1	1	
Percentage of suppliers involved in supplier social responsibility (ESG) training	%	70	75	75	
Ratios of internal purchasers passing sustainable purchasing training	%	92	98	96	

Investment in environmental protection	Unit	2021	2022	2023
Total annual investment in environmental protection	RMB'0,000	14,000	14,600	11,900
Annual investment in technology transformation for environmental protection and energy conservation	RMB'0,000	5,110	6,021	4,428
Annual training times on environmental protection	Time(s)	29	41	38

Waste disposal	Unit	2021	2022	2023
Total domestic waste	Tons	2,500	2,850	2,790
Density of domestic waste	kg/RMB'0,000	7.11	6.50	6.34
Total general (non-hazardous) solid waste	Tons	/	54,956.49	55,802.17
Total hazardous solid waste	Tons	9,436.50	8,408.90	9,337.72
Density of hazardous solid waste	Tons/RMB'0,000	0.0268	0.0101	0.0145

Exhaust gas management	Unit	2021	2022	2023
Particulate Matter (PM)	Tons	1.38	1.26	0.19
Nitrogen oxides (NOX)	Tons	0.17	0.15	0.22
Sulfur dioxide (SOx)	Tons	0.13	0.12	0.069
VOC emissions	Tons	24.00	22.30	27.71
Total exhaust emission	Tons	25.68	23.83	29.27

Wastewater management	Unit	2021	2022	2023
Total wastewater discharged	Tons	2,738,190	1,841,902	1,970,132
Chemical oxygen demand (COD)	Tons	584.11	391.90	484.75
Ammonia nitrogen	Tons	21.01	14.79	25.31

Greenhouse gas emissions	Unit	2021	2022	2023
Direct greenhouse gas emissions (Scope I)	tCO ₂ e	23,065	14,098	18,956
Indirect greenhouse gas emissions (Scope II)	tCO ₂ e	227,895	244,370	241,687
Scope I and Scope II	tCO ₂ e	250,960	258,468	260,643

Use of resources	Unit	2021	2022	2023
Steam	10,000 tons	51.12	46.61	45.23
Power consumption	100 million kWh	1.85	2.01	2.19
Circulating water	10,000 m ³	8,859.64	9,656.08	9,153.14
Tap water	10,000 m ³	338.30	338.29	360.43
Power consumption (energy consumption per unit output value)	KWh/RMB'0,000	481.83	431.70	449.95
Steam consumption (energy consumption per unit output value)	Tons/RMB'0,000	1.33	1.01	0.93
Water consumption (energy consumption per unit output value)	m ³ /RMB'0,000	8.81	7.28	7.42
Packaging materials used for finished products	Tons	9,219	8,898	10,178

Employee employment	Unit	2021	2022	2023
Total number of employees				
	Persons	6,533	6,781	7,104
Number of employees by gender	Male	3,770	3,973	4,123
	Female	2,763	2,808	2,981
Number of employees by type of employment	Labor contract system	6,533	6,781	7,104
	Labor dispatch system	0	0	0
Number of employees by age	> 55 years old	129	147	137
	35-55 years old (inclusive)	3,197	3,186	3,255
Number of employees by educational background	35 and under	3,207	3,448	3,712
	Doctoral degree	20	19	22
	Master's degree	311	358	445
Number of employees by level	Bachelor's degree	1,068	1,258	1,398
	Below bachelor's degree	5,134	5,146	5,239
	Total number of primary-level employees	6,376	6,627	6,936
Number of employees by level	Total number of middle management employees	147	146	160
	Number of female middle management employees	20	20	22
	Total number of senior management employees	10	8	8
Number of employees by level	Number of female senior management employees	0	0	0

Employee employment		Unit	2021	2022	2023
Number of employees by job category	Production personnel	Persons	3,744	3,733	3,922
	Sales personnel	Persons	892	920	895
	Engineering and product developer	Persons	895	1,091	1,218
	Quality supervision and testing personnel	Persons	550	579	621
	Other personnel	Persons	452	458	448
Number of employees by honorary title or designation	Senior engineer	Persons	180	191	192
The proportion of employees hired under labor contracts		%	100	100	100
Number of new employees		Persons	478	588	790

Employee turnover		Unit	2021	2022	2023
Total number of resigned employees		Persons	146	151	259
Total employee turnover rate		%	2.23	2.20	3.65
Employee turnover rate by gender	Male	%	1.82	1.53	1.60
	Female	%	0.41	0.67	2.04
Employee turnover rate by age	51 and above	%	0	0	0.11
	41-50	%	0.24	0.10	0.66
	31-40	%	0.40	1.10	1.10
	30 and under	%	1.59	1.00	1.77
Employee turnover rate by work area	Employees in China's mainland	%	2.23	2.20	3.65
	Employees in Hong Kong, Macao, and Taiwan, China	%	0	0	0
	Employees in other countries	%	0	0	0

Note: The total number of resigned employees includes those who have voluntarily resigned and those who have terminated their employment relationship with the Company due to layoffs, retirement, death, and other reasons.

Employee training		Unit	2021	2022	2023
Total number of employees trained		Persons	6,533	6,781	7,104
Number of male employees trained		Persons	3,770	3,973	4,123
Number of female employees trained		Persons	2,763	2,808	2,981
Number of primary-level employees trained		Persons	6,376	6,627	6,936
Number of middle management employees trained		Persons	147	146	160
Number of senior management employees trained		Persons	10	8	8
Total hours of training received by employees		Hours	161,295	155,963	181,862
Average hours of training for employees		Hours	24.7	23	25.6
Total hours of training for male employees		Hours	93,110	91,379	105,779
Total hours of training for female employees		Hours	68,185	64,584	76,083
Total hours of training for primary-level employees		Hours	156,670	152,421	177,562
Total hours of training for middle management employees		Hours	4,201	3,358	4,096
Total hours of training for senior management employees		Hours	424	184	204

Occupational health and safety		Unit	2021	2022	2023
Employee health and safety	Workdays lost due to work-related injuries	Days	780	363	780
	Number of work-related deaths	Persons	0	0	0
	Proportion of work-related deaths	%	0	0	0
	Number of employees exposed to occupational health hazards	Persons	2,865	2,888	2,983
Safety drills	Number of employees that have received occupational disease examination	Persons	2,893	2,914	2,983
	Number of employees suffering from occupational diseases	Persons	0	0	0
	Investment in safety production	RMB'0,000	1,920	2,105	1,981
	Number of safety drills	Time(s)	962	798	832
Percentage of employees covered by safety drills		%	96.16	94.37	95.65

Note: The statistics are for Xinhua Pharmaceutical Headquarters.

Appendix II: Index to the Contents of the Environmental, Social and Governance Reporting Guide of HKEX

Instructions for use: This part is used in the guideline and index on the last page of this report

Subject areas, aspects and KPIs	Content and index	Corresponding section
A. Environment		
Aspect A1	Emissions	
General Disclosure	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Enhancing emission management, Addressing climate change
KPI A1.1	The types of emissions and respective emissions data.	Enhancing emission management, Addressing climate change, Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Addressing climate change, Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.3	Total hazardous waste produced, and where appropriate, intensity.	Enhancing emission management, Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.4	Total non-hazardous wastes produced, and where appropriate, intensity.	Enhancing emission management, Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Enhancing emission management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Enhancing emission management
Aspect A2	Resource utilization	
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Efficient use of resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Efficient use of resources, Appendix I: List of Key Performance Indicators (KPIs)
KPI A2.2	Water consumption in total and intensity.	Efficient use of resources, Appendix I: List of Key Performance Indicators (KPIs)

Subject areas, aspects and KPIs	Content and index	Corresponding section
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Efficient use of resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Efficient use of resources
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Efficient use of resources, Appendix I: List of Key Performance Indicators (KPIs)
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Environmental management system
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental management system
Aspect A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Addressing climate change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Addressing climate change
B. Social		
Aspect B1	Employment	
General Disclosure	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protection of employees' rights and interests
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Protection of employees' rights and interests, Appendix I: List of Key Performance Indicators (KPIs)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Protection of employees' rights and interests, Appendix I: List of Key Performance Indicators (KPIs)
Aspect B2	Health and Safety	
General Disclosure	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Guarantee of health and safety

Subject areas, aspects and KPIs	Content and index	Corresponding section
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: List of Key Performance Indicators (KPIs)
KPI B2.2	Days lost due to work injury.	Appendix I: List of Key Performance Indicators (KPIs)
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Guarantee of health and safety
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent growth and development
KPI B3.1	The percentage of employees trained by gender and employee category(e.g. senior management, middle management).	Talent growth and development, Appendix I: List of Key Performance Indicators (KPIs)
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent growth and development, Appendix I: List of Key Performance Indicators (KPIs)
Aspect B4	Labour Standards	
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Protection of employees' rights and interests
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Protection of employees' rights and interests
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Protection of employees' rights and interests
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible supply chain
KPI B5.1	Number of suppliers by geographical region.	Responsible supply chain, Appendix I: List of Key Performance Indicators (KPIs)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Responsible supply chain
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible supply chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible supply chain

Subject areas, aspects and KPIs	Content and index	Corresponding section
Aspect B6	Product Responsibility	
General Disclosure	a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product quality and safety
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product quality and safety
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer relationship management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Scientific research and technological innovation
KPI B6.4	Description of quality assurance process and recall procedures.	Product quality and safety
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Information security
Aspect B7	Anti-corruption	
General Disclosure	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and compliance
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity and compliance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Integrity and compliance
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and compliance, Appendix I: List of Key Performance Indicators (KPIs)
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Benefiting the Society and Undertaking Corporate Responsibility
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Participation in public welfare undertakings, Boosting rural revitalization
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Participation in public welfare undertakings, Boosting rural revitalization

Appendix III: Reader Feedback Form

Dear readers,

Hello!

Thank you for taking the time to read this report. In order to provide you and other stakeholders with more complete, more professional, and more valuable information on the development of ESG reports, and to enhance the quality of our ESG reports, 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 Xinhua Pharmaceutical on social responsibility?

Yes Fair No

3. Do you think the analysis of the stakeholders identified in this report and their relationship with Xinhua Pharmaceutical 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 Environmental, Social and Governance Report of Xinhua Pharmaceutical 2023 are welcome.

You can inform us of your valuable comments by:

Address: Shandong Xinhua Pharmaceutical Company Limited, No. 1 Lutai Ave.,
Hi-tech Industry Development Zone, Zibo City, Shandong Province

Tel: 86-533-2196024

Fax: 86-533-2287508

E-mail: xhzy@xhzy.com



Shandong Xinhua Pharmaceutical Company Limited
Address: Shandong Xinhua Pharmaceutical Company Limited, No. 1 Lutai Ave.,
Hi-tech Industry Development Zone, Zibo City, Shandong Province
Company official website: <http://www.xhzy.com>
Tel: 86-533-2196024
Fax: 86-533-2287508