

2020 Corporate Social Responsibility Report



Shandong Xinhua Pharmaceutical Company Limited

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CHAPTER I OPENING

I. Declaration

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.

II. About This Report

This report is the fifth social responsibility report issued by Shandong Xinhua Pharmaceutical Company Limited (“the Company”). It describes in detail the Company’s performance of social responsibilities from 1 January to 31 December 2020 (certain facts stated herein go beyond such occurred during the reporting period), which summarizes the achievements for the entire year of 2020 and looks forward the development targets of social responsibilities in the future.

This report was prepared in accordance with “Shenzhen Stock Exchange Guidelines on Normative Operation of Listed Companies on the Main Board”(《深圳證券交易所主板上市公司運作規範指引》), the “Environmental, Social and Governance Reporting Guide”(《環境、社會及管治報告指引》) issued by Hong Kong Stock Exchange, with reference to the “Guidelines to Chinese State-owned Enterprises on Fulfilling Corporate Social Responsibilities”(《關於中央企業履行社會責任的指導意見》) issued by State-owned Assets Supervision and Administration Commission (the “SASAC”) and so on. All of the related data and cases quoted in this report are extracted from relevant statistics of the Company and each of its subsidiaries. All of the related financial information is extracted from the 2020 Annual Results Announcement published. Monetary units mentioned in this report are all denominated in Renminbi.

This report was prepared in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail. This report seeks to be objective and complete. However, the disclosure of social responsibilities may not be entirely satisfactory due to various objective constraints. You are welcome to express your opinions and suggestions through the contacts provided in the last section of this report so that we can continuously improve and enhance the disclosure of our social responsibilities.

This report is published electronically, which can be downloaded from the websites of cninfo (www.cninfo.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk) or the official website of the Company (www.xhzy.com).

III. Corporate Profile

Shandong Xinhua Pharmaceutical Company Limited (hereinafter referred to as the “Company”), formerly known as Shandong Xinhua Pharmaceutical Factory that was established in 1943 at Jiaodong Anti-Japanese Base, is a selected large-scale backbone pharmaceutical company in the PRC, the major producer and exporter of analgesics in Asia and an important manufacturer in China for the drugs for cardio cerebrovascular system, anti-infection and central nervous system, with a relatively leading position and great influence in the chemical and pharmaceutical industry in the PRC. As a dual-listed (A+H shares) company, the Company was awarded top 10 technological innovation enterprises of the pharmaceutical industry in the PRC and top 50 best enterprises of the pharmaceutical industry in the PRC, with 13 controlled subsidiaries currently. Major subsidiaries include Zibo Xinhua-Perrigo Pharmaceutical Company Limited (Perrigo Company), Xinhua Pharmaceutical (Shouguang) Company Limited (Shouguang Company), Shandong Zibo Xincat Pharmaceutical Co., Ltd. (Xincat Company).

At present, the Company’s annual production capacity of chemical APIs is 40,000 tons. The annual production capacity of the medical intermediates is 500,000 tons. The annual production capacity of the preparation is 28 billion tablets, 1 billion volume injection. The market share of six leading APIs, such as analgin, ibuprofen, aspirin, aminopyrine, levodopa and antipyrine, ranks first in the world, while eight APIs, such as pipemidic acid, isopropyl antipyrine, barbital, isopentobarbital, triphenyldiamine, irisquinone, ethoxybenzamide and stimhike, weigh heavily, which have strong influence in China.

Since the establishment of the Company, the Company put technology and quality in first priority by adhering to the concept of “product quality connects to the future of the Company and drug quality matters to the lives of people”, strictly controlling quality in the production process and constantly striving for excellence. The Company was the first pharmaceutical and chemical enterprise to obtain the certificates of ISO9001, ISO14001 and ISO10012 in the PRC. All bulk pharmaceuticals and types of preparations in production have passed GMP accreditation. As of the date of this report 18 products such as Theophylline and Ibuprofen have passed US FDA accreditation; 11 products such as Theophylline and Aspirin have been granted the COS Certificate from EDQM; Caffeine products passed the social responsibility certificate and environment certificate from USA FDA and HACCP accreditation. In addition, several products have registered in countries such as Russia, Canada and India.

The Company, maintaining a relatively complete research and development system, is a national high and new technology enterprise, and a key high and new technology enterprise under the National Torch Program. The Company has the first national-level enterprise technology centers and post-doctoral research station. As the creator of the “Industry-University-Research” model in favor of the same industry in the PRC, the Company carried out extensive cooperation with more than 50 scientific and research institutions and obtained certain scientific achievements. Currently, the Company obtained 8 approvals for national first class new drugs. Two projects, "Green Synthesis of 1- Chloroethyl -4-Isobutylketone" and "New Process for Preparing 4-Formylaminoantipyrine", won the Patent Gold Award of Shandong Province. "Regeneration and recovery process and device of activated carbon in caffeine production process" won the second prize of Zibo patent; "Preparation Method of Ibuprofen Crystals" has applied for the 22nd China Patent Award and passed the preliminary evaluation. "Xinhua Brand" is a well-known trademark in China and an export brand cultivated and developed by the Ministry of Commerce.

With nearly 80 years of development history, the Company formed three major industrial plates, namely chemical APIs, pharmaceutical preparations and pharmaceutical intermediates, with five major industrial parks: headquarters, No. 1 Branch, No. 2 Branch, Shouguang (Xinhua) and Gaomi (Xinhua), which are conducive and complementary to each other. The Company has established a complete industrial chain from pharmaceutical intermediates to high-quality drugs, with strong product supporting capacity. The Company follows the path of scientific, harmonious and internationalized development unswervingly, pursues self-improvement, expands markets, optimizes structure and increases efficiency to achieve sound and rapid development.

IV. Social Responsibility System

1. Social Responsibility Plan

The Company has been adopting “protecting health and benefiting community” as its corporate missions, duly attaching social responsibility to the Company’s value system and concept system, and conducting social responsibility plan in respect of, among others, corporate operation, value achievement, social impact and environmental performance. It also carried out activities to implement social responsibility management within the company with an aim to achieve all-covered, duly performed and increasingly completed targets of social responsibility, in order to promote the sustainable development of the Company.

2. Incentive Mechanism

The Company successively launched a series of reward management systems, which had formed the incentive system for social responsibility management. With continuous and effective implementation, The Company held the 2020 annual commendation and reward conference, and invested 35.86 million yuan and showed its appreciation to teams and individuals that made outstanding contributions in business operations, scientific research and development, safety production, energy saving and environmental protection, humanity development and other relevant aspects, and granted full recognition to all behaviors and achievements of the Company with regard to fulfilling social responsibilities. The phase 1 Employee Stock Ownership Scheme launched by the Company in 2017 was released from lock-up on 13 October 2020. The Share Option Incentive Scheme launched by the Company in 2018 expired on 28 December 2020, and the exercise conditions were fulfilled. In the first exercise period, a total of 184 incentive participants exercised a total of 5.508 million share options. The implementation of the incentive scheme is conducive to attracting and retaining outstanding talents and fully mobilizing the enthusiasm of employees, which are beneficial to the long-term development of the Company.

3. Interested Parties

Throughout the years, the Company has been maintaining harmonious, cooperative and win-win relationship with interested parties under mutual trust and has established standardized, positive and smooth communication with various parties, achieved continuous improvement in values of internal and external interested parties, and strived to adopt a business model to pursue coordinated, sharing, win-win, prosperous and harmonious development with such interested parties.

4. Internal and External Communication Mechanism

Through establishing a mature and smooth network for internal and external communication, the Company has built up an all-round and dimensional platform for internal communication in order to facilitate information transmission and effective communication between all functional departments that are responsible for the implementation of social responsibility, successfully establishing an internal communication system that allows the timely receipt of information and frequent feedback to questions. In terms of external communication, the Company discloses its performance on social responsibilities to the public by, among others, having information circulated through public websites, mainstream media and corporate website. The management of the Company also discloses the Company's performance of social responsibilities to the public by actively attending major activities and meetings and involving interactions among news media.

V. Enterprise Honors Obtained in the Year 2020

1、Advanced institution fight against Covid-19 pandemic “Advanced Collective of Combating COVID-19 in Shandong Province(山東省抗擊新冠肺炎疫情先進集體)

2、Top 100 patent innovation enterprises in Shandong in 2019(2019 山東專利創新企業百強)

3、Strong enterprises in biomedical industry(生物醫藥產業強企業)

4、High-end brand cultivation enterprises in Shandong Province in 2020 (2020 年度山東省製造業高端品牌培育企業)

5、Top 100 comprehensive strength of industrial enterprises in China's chemical and pharmaceutical industry in 2020 (2020 年度中國化學製藥行業工業企業綜合實力百強)

6、2020 China Chemical Pharmaceutical Industry Preparation Export Excellent Enterprise Brand (2020 年度中國化學製藥行業製劑出口型優秀企業品牌)

7、2020 China Chemical Pharmaceutical Industry Environmental Protection and Green Pharmaceutical Ad Hoc Award (2020 年度中國化學製藥行業環保、綠色製藥特設獎)

8、2020 China Chemical Pharmaceutical Industry API Export Excellent Enterprise Brand (2020 年度中國化學製藥行業原料藥出口型優秀企業品牌)

9、2020 Brand Influence Award (2020 年度品牌影響力獎)

10、2020 Shandong Province "Quality Shandong Medicine" Construction Demonstration Enterprise (2020 年度山東省“品質魯藥”建設示範企業)

11、2020 province's petrochemical pharmaceutical system "Top Ten Workers Trusted Workers Home" (2020 年度全省石化醫藥系統“十佳職工信賴的職工之家”)

12、Shu Tai De (舒泰得) and Baochang (保暢) two products on the list "Shandong Famous Brand(山東知名品牌)"



CHAPTER II CORPORATE OPERATION AND GOVERNANCE

I. Corporate Governance Structure

With strict compliance with the requirements of the current effective Company Law, the Securities Law, the Corporate Governance for Listed Companies, and Rules for Shareholders' General Meetings of Listed Companies, Shenzhen Stock Exchange, Stock Listing Rules of SEHK and other laws and regulations as well as related documents, the Company has established a comprehensive corporate governance structure including the general meeting, the Board of Directors, the supervisory committee and the management.

The general meeting is the highest authority of the Company, and the Articles of Association and the Rules of Procedures for General Meetings clearly define the duties and responsibilities of the general meeting and the rules of procedure are clear, which ensures the efficient and standardized operation and scientific decision-making of the general meeting and ensures that all shareholders, in particular, minority shareholders shall enjoy equal status and exercise their rights.

The board of directors is responsible for guiding and leading the affairs of the Company, formulating strategic directions and setting goals and business development plans. The Board of Directors shall, in strict compliance with the Articles of Association and the Rules of Procedures of the Board of Directors, exercise decision-making power within the prescribed scope of duties, and shall be responsible for the establishment and effective implementation of the internal control system and safeguard the overall interests of the Company.

Supervisors of the supervisory committee shall strictly perform their duties in accordance with the provisions of the Articles of Association and the Rules of Procedures of the Supervisory Committee, examine the Company's financial situation, supervise the legal compliance of the performance of duties of directors, managers and other senior management and independently publish opinion.

The management of the Company is responsible for implementing the strategies, objectives and plans adopted by the Board of Directors. The management of the Company shall be responsible for the production and operation of the Company in accordance with the Articles of Association and the Rules of Procedures of the General Manager, organize the implementation of the resolutions of the Board of Directors, report to the Board of Directors and accept the supervision of the supervisory committee.

By adhering to the concept of "performance-oriented and scientific" management, the Company has established a more mature mechanism for internal control, improved the operational efficiency of the Company, practically enhanced the Company's level of decision-making with regard to various perspectives such as establishment of unit, procedure organization, formulation of laws and regulations, strictly complied with the requirements of the Articles of Association, Rules of Procedure for Shareholders' Meeting, Rules of Procedure for Board of Directors, Rules of Procedure for Board of Supervisors, Rules of Procedure for Professional Committees and relevant policies on internal control of the Company, designed a

rational internal management system, effectively ensured prudent decision-making and standardized operation of the shareholders' general meeting, board of directors, board of supervisors and managerial level, practically safeguarded the legal rights of the shareholders and creditors of the Company, continuously optimized and standardized the organizational behavior of the Company and promoted the smooth commencement and stable operation of the business of the Company.

II. Concept System

Management concept	performance-oriented and scientific management
Operation concept	eyes on the future to pursue win-win cooperation
Development concept	quality as the foundation of development, innovation as the motivation of development
Innovation concept	to keep moving on, to excel oneself and to explore a better self
Quality concept	product quality connects to the future of the Company and drug quality matters to the lives of people
Safety concept	Safety is the insurance of the happiness of employees; safety is the prerequisite for successful business performance of a company
Environment concept	environmental protection is the essence of the life and development of Xinhua
Talent concept	to choose talents with both morals and talents; everyone has different talents, with the potential to develop their best
Study concept	I learn, I improve

III. Operating Results

In 2020, the Company and its subsidiaries (the "Group") actively responded to the impact of the COVID-19 pandemic, intensified market competition and many other factors, seized opportunities, vigorously promoted the strategies of greater preparations, internationalization and large-scale research and development, focused on project implementation, internal reform and basic management to consolidate the foundation. The operating quality of the Group continued to improve, major operating indicators made new breakthroughs, and the annual operating objectives and tasks were successfully completed.

In 2020, the operating income of the Group amounted to RMB6,055.59 million, representing a year-on-year increase of 7.13%; the total profit amounted to RMB411.64 million, representing a year-on-year increase of 7.93%; the actual tax paid by the Company for the year amounted to RMB376.30 million. Throughout the years, the Company has been maintaining excellent credit rating, and has a good relationship with many financial institutions, such as ICBC, CCB, ABC, China Eximbank, CMBC, CITIC, CIB.

Unit: 100 million



IV. Internal Control and Supervision

The Company comprehensively implemented the “Basic Norms of Internal Control of Enterprises” (《企业内部控制基本规范》), “Guidance on the Application of Enterprise Internal Control” (《企业内部控制应用指引》) and “Guidelines for the Evaluation of Enterprise Internal Control” (《企业内部控制评价指引》) published by five departments including the Ministry of Finance by establishing an internal control working group, with reference to the internal control management system and evaluation measures of the Company, to take full responsibility for the implementation of the evaluation of internal control.

1. Continuously optimizing the internal control system of the Company

Under the framework of comprehensive risk management, the Company has been continuously promoting and optimizing the establishment of internal control system, the control coverage of which includes all key business procedures and items of the Company, and has paid extra attention to important business units, important business items and high-risk areas, with a relatively higher controllability and the ability to satisfy the requirements of external regulatory authorities at the same time. The Company strictly implemented the “Comprehensive Risk Management Measures” and carried out dynamic management on risks to regularly predict and assess all existing and potential risks and formulated corresponding solutions to internal control to achieve the control procedure of ex-ante prediction, in-process control and ex-post rectification. During the year, the Company continuously improved the internal control system through system establishment and other measures, such as promoting the standardization of internal audit work of the Company, and formulating the Implementation Measures for Responsibility Investigation of Illegal Business Investment, etc, and strictly implemented various measures on internal control to ensure the sound and safe operation of the Company.

2. Carrying out internal special checks

Carrying out internal special checks is an important session of internal control management. The Company initiated inspection on the establishment and implementation of the internal control system of its parent and subsidiaries, so as to timely identify the weaknesses of the

enterprises in terms of internal control, reveal potential risks, continuously optimize the internal control system and promote the establishment of risk systems.

In 2020, the Company, led by audit department, with a working group organized by relevant personnel of the production and operation and financial department from various subsidiaries, has organized multiple internal special inspections, including 3 comprehensive audits of the production and operation of subsidiaries, 2 economic responsibility audits and some engineering audits, etc.. In addition, the Company also carried out internal control audits on marketing credit risk and “three gold” occupation management, and special audit on hospitality management to each unit and each subsidiary. The inspection team made a reasonable and effective evaluation on the internal control risks of the above businesses and matters, and urged the relevant departments for improvement and optimization.

In 2020, in order to further strengthen project management and control the construction cost, the Audit Department carried out project internal control audit, settlement audit and major project tracking audit, and supervised the bidding price comparison of project construction and equipment procurement in daily work, and examined and signed the project contract, thus achieving full coverage of project audit.

The audit department actively participates in the construction of internal control and organizes the evaluation of internal control in accordance with “Internal Audit Standards” and audit plans of the Company. According to the requirements of comprehensive risk management, the audit department organizes the comprehensive risk identification and evaluation of the Company in 2020. Through effective identification, comprehensive analysis and quantitative evaluation, the Company has understood the risk distribution and extent of influence, and organizes relevant units to formulate corresponding management strategies and response plans in accordance with the evaluation, and early warning indicators are set so as to continuously intensify the overall risk management work.

3. Actively consolidating internal control evaluation

ShineWing has been engaged by the Company to conduct a comprehensive and independent audit on the internal control system of the Company and issue the unqualified opinion “Audit Report of Internal Control for the Year of 2020”. During the reporting period, the Company has improved and optimized the businesses and items which were included in the scope of evaluation in accordance with the suggestions of internal control evaluation. On basis of the day-to-day monitoring and special checking of the Company’s internal control, the Company has assessed the effectiveness of the design and operation of its internal control as at 31 December 2020, completed various tasks with regard to the establishment of internal control during the year, and timely reported to the Independent Audit Committee on the evaluation progress. Having been considered and approved by board of directors, the internal control evaluation report was disclosed publicly on 31 March 2021.

CHAPTER III SOCIAL PERFORMANCE

I. Safety Production

The Company thoroughly implemented the safety concept of “Safety is the insurance of the happiness of employees; safety is the prerequisite for successful business performance of a company”, strengthened the establishment of safety responsibility system within the Company at all levels, and continuously intensified the concept of safety production through rules and regulations, organization protection, condition protection, education training, supervision and inspection, and the promotion of a safety culture. The Company has successfully completed the replacement of production safety permits for hazardous chemical enterprises and was recognised by the National Emergency Management Department as a pilot unit for the construction of a dual prevention system in 2020. The Company has also successfully passed the law enforcement inspection of governments at all levels.

1. Safety Management System

The Company attached great importance to the occupational safety and health of employees, strictly complied with the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), Regulations on Emergency Response to Production Safety Accidents (《生產安全事故應急條例》), Regulation for Work Safety in Shandong Province (《山東省安全生產條例》), Regulation for Work Safety in Zibo City (《淄博市安全生產條例》) and other laws and regulations, and promulgated and implemented the Management System for Production Safety of Shandong Xinhua Pharmaceutical Company Limited (《山東新華制藥股份有限公司安全生產管理制度》).

The Company layer compaction safety production responsibility and has established a safety production management system with the chairman of the Company as the chief-in-charge. At the beginning of the year, the Company carried out the defense work of safety policy objectives at the Company level and workshop level, respectively. By signing the Occupational Health and Safety Target Contract Responsibility with the top leaders of each unit. Employees of the Company signed the responsibility letter of occupational health and safety target contracting with their work unit to realize the responsibility system of all employees' safety contracting. At the end of the year, they were assessed and publicized, promoted at different levels, and the responsibility was assigned to people. The individual quantitative evaluation of safety performance of production system managers was implemented, and further deepen the development of “one post, two responsibilities” to promote the implementation of safety responsibilities of personnel at all levels.

In 2020, the Company adhered to the safety management concept of "four comprehensive management", firmly established the ideology of "safety first", took the implementation of

duties as the starting point, took risk management and control as the core, and focused on strengthening the foundation, and continuously improved the Company's intrinsic safety management and control level, and steadily advanced the Company's safety standardized construction and double prevention system construction. In 2020, our Company was evaluated as excellent by the integration of Shandong Province's dual prevention system and safety standardization management system, and was identified as a national pilot unit for the construction of dual prevention system by the National Emergency Department.

2. Safety Management Measures

(1) Regular Safety Meeting

The Company held one regular work safety meeting every quarter, and the general manager was responsible for organizing such meeting. At the meeting, issues identified in work safety inspection of the quarter would be reported, and solutions would be proposed, so that reward and punishment were clear and well-founded.



(2) Investment and construction of equipment and facilities for work safety

The Company has been focusing on safety production investment. In 2020, RMB 20 million was invested for production safety, of which approximately RMB16.29 million has invested by the parent company. The Company organized and implemented the related work to reduce the risk level of production devices, improved the working environment of employees, rectified various hidden dangers, and enhanced the management and control of the "two key and one major" devices. The Company completed the reaction safety assessment of five dangerous processes, such as analgin hydrogenation and levodopa hydrogenation, and formed a response evaluation report, and carried out LOPA analysis of dangerous processes according to the assessment report. The Company shall continue to improve the construction of the major hazard source platform, realize the three-level safety supervision of the operation of the "two key and one major" facilities, report the operation every month, realize accurate point source

control, continuously improve the safety control level of the device, and further improve the level of intrinsically safe equipment.

(3) Carrying out standardized construction for safety production

By actively exploring new methods of management for safety production, the Company established standardized safety system to ensure that documents including rules and regulations on safety production, safety operational procedures, corporate management information, technological information and on-site records will be managed to be gradually in line with the requirements on safety standardization and the actual condition of the Company. The Company is the safety of production standardization of secondary enterprises of Shandong Province. The Company strictly implemented the safety production laws and regulations, consolidated the construction of risk classification management and control system, and strengthened the four-level hidden danger investigation, the process safety risk analysis and safety risk change management. As the benchmark unit of dual prevention system of Shandong pharmaceutical and chemical industry, the Company improved the construction of dual prevention system, All the 482 risk points that were assessed and published were under graded control, so that risks were under control.

The Company adhered to the "four major plans", namely, Safety Inspection Plan, Safety Training Plan, Safety Technical Measures Plan and Emergency Drill Plan. It also orderly promoted the "Notice on the Implementation Plan of the Three-year Action for Special Remediation of Safety Production", and thoroughly implemented an important work of the safety work arrangement of HHC and the provincial and municipal governments. The Company solidly carried out self-examination and self-correction, thoroughly rectified and eliminated all kinds of potential safety hazards and outstanding problems. It has effectively prevented production safety accidents and ensured the establishment of a long-term mechanism for production safety of the Company. The Company has completed the five hazardous processes involved in the Company's production, which is, the "chemical reaction risk assessment", and the risks were under control.

3. Safety Culture Cultivation

The Company commenced safety promotion and training by different means, strengthened the awareness education of “redline” of employees, set up an occupational health system to protect the health of employees, further strengthened the scope of evaluation, effectively implemented laws and regulations, and did well in the work of "ranking top", and further improved the level of safety culture construction.

In 2020, the Company organised the skill contest for young employees, organized 708 young workers to carry out five practical examinations and on-the-board theoretical examinations, and publicized outstanding individuals and outstanding organisational units. The Company organized and carried out safety production month activities, during which the Company

carried out activities such as safety commitment, safety promotion consultation, safety special training, safety warning education, hidden danger investigation, safety knowledge survey for all staff. Various mass activities related to fire fighting and fire-fighting technical competition and composition contest on safety issues were organised and improved effectively employees' awareness of safety production, and made use of platforms such as bulletin boards, WeChat platform, Xinhua Pharmaceutical News and safety briefings to properly promote the safety culture.



This year, CTPM work was carried out in all API production units, and the production site was steadily improved. The Company continued to conduct 7S dynamic inspection and comprehensive inspection throughout the Company, and provided 7S training to on-site leaders and professionals in charge of all units in the API production area and office area, respectively. A briefing training meeting was held every quarter on the 7S inspection in the previous quarter, and external experts were hired to conduct safety audit training for employees, and 7S inspectors were assembled to conduct visit and exchange, and 7S/CTPM management was promoted in an orderly manner.

4、Safety training

On top of practical training and guidance, the safety training is based on grass-roots, continuously improves the innovative, targeted, effective and all-round training for all employees. In 2020, the Company organized 25 sessions on various corporate-level safety trainings, with a total of approximately 6,753 personnel. In 2020, the Company strengthened the step-by-step training for middle-level cadres and safety management personnel, engineers and equipment management personnel, focusing on the newly appointed middle-level cadres and safety management personnel to participate in the qualification examination for the administration of the City Administration of Work Safety Bureau, and to carry on management trainings on inspection, maintenance and safety to the professional functional management personnel and project leaders of the construction site; In 2020, the Company placed special emphasis on the training of team leaders in outreach training, staff 's emergency response capability and practical ability training, and adhered to the skill contest for young employees

organised every year since 2013 to improve the safety quality of young workers, strengthened the safety education training of external construction teams, increased the theoretical and practical training for the external personnel to carry out special operations at the site, and conducted on-the-board theoretical examinations and practical examinations. The Company organized more than 100 middle-level cadres and functional management personnel to conduct on-line simulation study and quizzes, and produced safety education videos of external personnel (visiting, inspection and audit personnel). The Company carried out a combination of LOPA analysis training and network safety training courses for production system engineering technicians and achieved good results.

During the year, the Company completed the theoretical and practical assessment for 714 employees, trained 30 excellent young managers for HAZOP team leader, organized the establishment of safe production question bank, and developed self-learning system of mobile app to facilitate the independent learning and random check of employees.

The Company improved safety management construction of the teams, modified and improved the safety management standards of the team, continuously promoted the construction of autonomous safety management team, and rewarded the employees of the autonomous safety management team on a monthly basis. In order to strengthen the team ' s self-management results, the Company enhanced the safety culture of the team and strengthened the grass-roots safety work, and organized in-service trainings for nearly 200 team leaders and backup team leaders of the Company at Qilu Petrochemical training center of the Company in October, and the on-the-board and closed book safety examination was conducted. The 207 workshop carboxylation team was also accredited as the “Model Award for Safety Production of China Youth” of 2019.



The Company strengthened the safety management of inspection and maintenance operations. In 2020, the Company conducted special safety training and closed book examinations for all management personnel involved in inspection and maintenance. Safety training was carried out on the project leaders of 52 external construction units. A second batch of qualification trainings and examinations were conducted on 83 external construction units involving personnel with special operations (high and restricted).

The Company strengthened emergency drills, conducting quantitative assessment of drills and further enhancing the Company ' s contingency level. In 2020, the Company conducted 11 emergency drills in company-level, 55 emergency drills in workshop level and 679 emergency

drills in team level, including 1,151 night drills and unseasonal work-time drills, with more than 3,070 participants.



5. Safety Inspection Activities

The Company adheres to effective implementation of the four-level hidden danger investigation, and carried out 51 company level safety inspections with a total of 2,036 hidden dangers found and issued 51 hidden trouble rectification notices, the rectification rate of hidden dangers of 100%. More than 260 people attended the inspection.

All subsidiaries launched inspections on both regular and irregular basis, identified potential safety risks in a timely manner and recorded a rectification rate of 100%.

The Company insisted on carrying out 7S comprehensive inspection and dynamic inspection. In 2020, the Company carried out comprehensive inspection once a quarter and dynamic sampling inspection right times a quarter to effectively ensure the site management level of each unit.

In the past three years, there was no safety incident of general or above level and no work-related death accidents.

II. Social Contribution

1. Product Quality Assurance

(1) Quality Management and Control

The Company strictly controlled quality and has been bearing in mind the core objectives of corporate development is to “protect health and contribute to the society”, adhering to the quality concept of “product quality connects to the future of the Company and drug quality matters to the lives of people”, regarding drug quality and safety as the essence of the Company’s business, continuously improved the level of quality management of products, strengthened the quality management of production, strived to ensure the safety of raw materials, the high quality of production and tailor-made sales services, so as to safeguard the development of the Company as well as the healthy life and promising future of the people.

The Company paid great attention to the product quality and established the well-designed quality management system for drugs in compliance with the “Good Manufacturing Practice for Drugs” (《藥品生產質量管理規範》) (2010 Revision), which runs throughout the life cycle of products and covers all elements affecting the quality of drugs.

The Company strictly abides by the “Drug Administration Law of the People's Republic of China” (《中華人民共和國藥品管理法》), “Good Supply Practice for Pharmaceutical Products” (《藥品經營質量管理規範 (GSP) 》) as well as other laws and regulations and relevant systems of the Company. In 2020, there was no product quality incident of general or above level or material quality complaint.

(2) Establishment of well-designed drug recall procedures

Drug recall drills are conducted by the Company every two years. When the product is found to be exposed to hidden quality and safety hazards after hitting the market, the Company shall strictly implement the “Management Standards for Handling Customer Complaints and the Returned Products” (《顧客投訴及退回產品處理管理標準》), “Management Standards for Drug Recall” (《藥品召回管理標準》) and other rules. When the product is found to be unqualified by customers after delivery, the Company shall handle the case in accordance with the “Management Standard for Handling Customer Complaints and Returned Products” (《顧客投訴及退回產品處理管理標準》); when the product is found to be unqualified by the Company after delivery and shall be recalled, the Company shall recall the product in accordance with the requirements of the “Management Standards for Drug Recall” (《藥品召回管理標準》).

(3) Effectiveness of quality management and control

In 2020, 6 products and 10 specifications of oral solid preparations were evaluated by generic drug quality and efficacy consistency.



2. Streamlined Terminal Sales Channels

Based on the current situation of prevention and treatment of cardiovascular and cerebrovascular diseases in China, the Company has increased the promotion of Jiening, a key drug for prevention and treatment of cardiovascular and cerebrovascular diseases. The products have entered more than 1,000 secondary hospitals and more than 3,000 community-level hospitals, and the distribution rate of retail pharmacies has reached 50%, improving the accessibility of products. The Company carried out brand generic drug promotion activities, and its high-quality and low-price drugs widely entered the national retail pharmacies and community-level medical institutions, benefiting the public.

By actively responding to the centralized procurement of national drugs and winning the bid, high-quality products that passed the consistency evaluation, such as cefradine capsules, glimepiride tablets, captopril tablets, clarithromycin tablets, cetirizine tablets, etc., have been widely used in national public medical institutions, saving a large amount of medical insurance funds for the country and reducing the medical burden of patients.

3. Relationships with Investors, Customers and Suppliers

(1) Management of relationship with investors

As an enterprise listed both domestically and overseas, the Company firmly believes that the key to maintain excellent corporate governance is to connect effectively and closely with its investors. Relationship with investors is an indispensable session for listed companies to maintain outstanding corporate governance. In this regard, the Company formulated the Management System for Investor Relations of Shandong Xinhua Pharmaceutical Company Limited (《山東新華制藥股份有限公司投資者關係管理制度》) and the Administration Measures for Information Disclosure of Shandong Xinhua Pharmaceutical Company Limited (《山東新華制藥股份有限公司信息披露管理辦法》). With adequate information disclosure, the Company strives to strengthen communication with investors and facilitate the understanding and recognition of investors towards the Company, and aims to cultivate the corporate culture that respects investors and to realize the ultimate goal of maximizing the corporate value and shareholders' interests.

The Company has always been committed to protecting the interests of medium and small investors, by introducing the market situation, the Company's operating results, business development and prospects to investors by receiving visits and consultations from investors from various parties, interacting with public investors online and consulting by telephone, etc., further enhancing the public's awareness of the Company and enhancing the Company's profile.

During the reporting period, the Company strictly complied with the listing rules and other relevant requirements of Shenzhen Stock Exchange and Hong Kong Stock Exchange. When announcing interim and annual results, the Company prepared all types of materials, such as

results announcement and report summaries, and provided real-time information for investors through the website of stock exchanges and the website of the Company.

The Company took an active participation in varieties of activities related to investor relations. During the year, the Company organized and carried out the "Here comes the Shareholders " investor rights knowledge contest and activities such as "caring for investors, acting together", "being honest and trustworthy, and being a respected listed company", etc., popularize the knowledge of rights and interests for the majority of small and medium-sized investors, guided investors to "fully know rights, actively exercise rights and defend rights in compliance", and advocated investors to invest rationally, thus building a benign capital market ecology.



(2) Management of relationships with customers

A sound customer management system forms an integral part of the business development of the Company. The Company has been adhering to the concept of "customer-oriented" services. Targeting on customers from different sectors of the Company, the major business sectors organized, analyzed and classified different levels to manage information such as basic information and credit records of customers by way of in-depth investigation in light of business nature, attaining favorable control over sales management, marketing management and customer service management of the Company based on its ordinary and usual business.

The Company attaches great importance to customer management system. Currently, the Company maintains a large customer information system and has built multi-dimensional customer information control systems to carry out better confidential work for customer information, and has performed regular upgrade to improve its stability and security. In order to satisfy different requirements of customers, the Company has set up contact with each type of customers and understands different needs of customers by communicating and revisiting them and carrying out tailored-made services on such basis.

The Company takes the initiative to deal with complaints and feedback from customers by listening carefully and making records. Based on the issues complained by customers, the Company determines the specific acceptance departments and the person in charge, immediately formulates proposals so as to track the complaints, understand and handle the situation, communicate and revisit the matter with customers in a timely manner. The Company

concludes and evaluates the process of dealing with complaints, learns from experience and puts forward suggestions for improvement in order to optimize the operation management and business operation procedure of the Company, hence improving the quality and level of customer services while enhancing the popularity, reputation and customer loyalty of the Company.

Based on the principle of being responsible for customers, the Company regularly carried out customer satisfaction evaluation, and constantly understood and masters customers' expectations and requirements, so as to find out the breakthrough and direction of improving management level, product quality and customer service, and take customer demand as the source of new product development, continuous innovation, continuous reform. Meeting customers' satisfaction is our goal.

The Company maintains good partnerships with a number of domestic and overseas famous enterprises such as Coca-Cola, Pfizer, Bayer, Perrigo, Roche. While providing high quality products and services to the customers, the Company is actively seeking for a variety of channels to cooperate with customers. The entrustment of processed products for foreign merchants serve as a great opportunity for the Company to actively innovate, continuously improve its manufacturing skills, and replace original outdated materials and manufacturing skills with new and environment-friendly products and materials, which not only expanded the export volume of preparations but also improved the overall manufacturing skills and management level of the Company.

The Company actively promoted the innovation and development in the field of "Internet + Healthcare", with Xinhua Pharmaceutical E-commerce Innovation Park as the main body, layout regional and nationwide integration of Internet medical resources, Xinhua "Internet + Healthcare" innovative service system is continuously constructed by creating an out-patient electronic prescription circulation mechanism, establishing an online follow-up service platform, building an Internet hospital platform and a cloud diagnosis and treatment platform, and providing high-quality one-stop Internet medical and health service solutions for users.

(3) Supplier Relationship Management

The Company promulgated and strictly complied with the "Standard for Materials Classification and Suppliers Management" (《物料分類及供應商管理標準》), "Management Standard for Audit on Quality of Suppliers" (《供應商質量審計管理標準》), "Management Standard for Procurement and Supply of Chemical Raw Materials and API Packaging Materials" (《化工原料及原料藥包裝材料採購供應管理標準》), "Management Standard for Procurement of Auxiliary Materials" (《輔助材料採購管理標準》), "Management Regulations for Material Procurement of Procurement Department" (《採購部物資採購管理規定》), "Management Regulations for Procurement of Equipment, Spare Parts, Electricity and Instruments" (《設備、備品備件、電氣、儀器儀錶採購管理規定》) and other management systems for supply chain. Pursuant to the administration requirements of the documents, the

Company classifies the material suppliers for management purposes and conducts annual review on suppliers regularly. QA organization conducts emergency review by way of risk evaluation on quality-related matters, including material defects, HSE, issues or commercial reasons relating to social ethnics. According to the audit plan for suppliers formulated and issued by QA on an annual basis, the Company conducts regular audit on suppliers(including on-site audit, paper audit). Further, the Company strengthens the management of suppliers via questionnaires, executing quality agreements and other means in accordance with requirements. Unqualified suppliers are required to rectify or will be disqualified from supplying.

The Company actively seeks for establishment of long-term strategic cooperative partnership with suppliers passing credit rating authentication in domestic and foreign industries and enterprises which have leading position and good reputation in the industry, and stringently conducts environmental assessment and investigation on cooperative parties. To promote suppliers to fulfill their social responsibility of energy conservation and emission reduction, when all else are equal, suppliers with Environmental Management System certificates are preferred in the course of selection.

The changes of materials and suppliers is subject to approval of QA. The Company shall select and add according to the requirements of Material Classification and Supplier Management Standard.

The possible external and internal risks in the procurement process are mainly reduced by the following methods: (1) strengthening the inspection on material demand plan and material procurement plan; perform a good job in the audit of contract verification; check the contract account, contract summary, information and feedback; strengthen the management in the implementation of material procurement contracts; intensify the management of material procurement performance appraisal.



4. Science and Technology Innovation

The Company has always been committed to science and technology first, vigorously implemented the development strategy of “innovation + internationalization”, established a perfect R&D innovation system, and took the lead in innovation ability. At present, the Company has six talent platforms: National Enterprise Technology Center, academician workstation, postdoctoral workstation, pharmaceutical master joint training point, Taishan scholar post and senior technician workstation. Throughout the year, the Company introduced 60 new masters, 1 new doctor, 2 academician, 1 young and middle-aged expert with outstanding contribution in Shandong province, 1 chief technicians in Qilu, and 1 outstanding tribute technician in Zibo City. The Company was rated as one of the top 100 enterprises in China’s advanced enterprise education.

In the relentless pursuit of truth and pragmatism, the Company made great achievements in product development, technology upgrade and research, which enhancing the back-end support to its overall development and strengthening its core competitiveness, and promoting the innovation-driven development of the whole pharmaceutical industry. In 2020, Xinhua Pharmaceutical "Shandong Advanced Manufacturing Engineering Research Center for Antipyretic and Analgesic Drugs" was recognized as Shandong Engineering Research Center. "Aspirin API Process Improvement and Industrialization Application" was awarded the third prize of Shandong Science and Technology Progress Award in 2020.

In 2020, R&D expenses reached RMB291 million, representing a year-on-year increase of 29.18%. Positive progress has been made in the conformity assessment of generic drugs. As of the end of 2020, the Company had 11 products of 16 specifications passing the conformity assessment, including glimepiride tablets (1mg and 2mg), captopril tablets (25mg), cefradine capsules (0.25g), cetirizine hydrochloride tablets (10mg), Cefalexin capsules (0.125g, 0.25g), ibuprofen tablets (0.1g, 0.2g), clarithromycin tablets (0.25g), diphenhydramine hydrochloride tablets (25mg), diltiazem hydrochloride tablets (30mg), sodium bicarbonate tablets (0.3g, 0.5g), cefalexin tablets (0.125, 0.25g). Moreover, 6 products were declared to CDE, 3 products were completed the pharmaceutical and clinical verification, and 3 products was passed the formal BE. 5 products were successfully applied for exemption from BE. 1 product were entered the pre-BE or BE stage; 14 products were in mid-trial or trial production. At present, there are three innovative drugs, OAB-14, Trion-0323 and LXH-1211 under research with smooth progress. OAB-14, a major innovative drug against Alzheimer's disease which in collaboration with Shenyang Pharmaceutical University, has made significant progress in the synthesis process and pilot test scale-up. At present, prescription screening, preparation process and quality standards are being established, and samples are being prepared for preclinical pharmacological and toxicological tests; LXH-1211, an innovative anti-pulmonary hypertension drug developed in cooperation with central south university, has published an article in Journal of Medicinal Chemistry, and has completed the preliminary discovery of the drug, some pharmacodynamic tests and mechanism studies, and is currently studying the

synthetic process. The Company cooperated with Qingdao University of Science and Technology to carry out "Continuous Ethanol Recovery and Industrialization Technology Development of Carbapeline Calcium Mother Liquor", and the design and installation of which have been completed, and it is currently in the trial stage.

By the end of 2020, a total of 435 patents have been applied, including 301 inventions, 82 utility models and 52 exterior designs. It has obtained 236 authorized patents, including 117 inventions, 69 utility models and 50 exterior designs.

5. Anti-Corruption

In 2020, the Company paid attention to strengthening the construction of discipline inspection work system, giving full play to the role of the "high-voltage line" of the system, educated and guided party members and leaders to enhance their awareness of red lines and rules, kept the bottom line and not touching the red line, and promoted the "three NOs" mechanism in one piece. On the basis of the original system, 8 systems were revised and improved, and the internal control mechanism of the Company was established and improved, which blocked the loopholes in management and improved the awareness of honest employment of party members and leaders.

The Company highlighted the integrity warning education of key personnel, and built up the ideological defense line of honesty and self-discipline. The Company also carried out Party Day activities with the theme of warning education on party conduct and clean government, and enhanced the awareness of party members' integrity risks. A conference was held to warn education for cadres, where they watched warning education films collectively, and received good warning education results. At the training class for development objects held by the Party Committee of the Company, the Commission for Discipline Inspection of the Company deployed designated personnel to teach special party classes and special guidance on party discipline. The Company strictly control the threshold of the Party and enhanced the awareness of the red line and bottom line of discipline.

By strengthening the public transportation management during Tomb-Sweeping Day, Labor's Day, Mid-Autumn Festival and National Day, the Company put an end to the private use of public vehicles. The Company also paid special attention to the reminder of incorruptible entrance in the entrance season, optimize the integrity archives of party members and leaders in key positions, performing good in replying the opinion on incorruptible government, and performing well in daily supervision and management such as responding to the opinion of party style and incorruptible government, so as to create an atmosphere of incorruptible employment.

The Company continued to improve the "Four-in-One" reporting network of telephone reporting, visiting reporting, complaint reporting and online reporting, unblock reporting

channels, handled complaint reporting cases in a timely manner, and carried out case-by-case anonymous reporting of specific tips, to answer for everything.

III. Protection of Employees' Interests

The Company firmly fosters a people-oriented development philosophy. Based on development of harmonious labor relations and protection of employees' legal interests, the Company strives to promote building of a service, innovation, learning-oriented team to condense talented people and realize their value, providing talent assurance for the Company's long-term development.

1. Employment Opportunities

The improvement of employment problem is an important way to realize, maintain and develop fundamental interests of the majority, which is in favor of the overall situation of social stability. The Company provided over 260 direct jobs to different talents in the society in 2020. Meanwhile, as the youth occupational training bases of the local government, the Company established training bases with several universities including Shandong University, etc.

The Company has a professional skill talent team and a high-skilled talent team. The professional skill talent team contains 207 people with senior titles, 496 people with intermediate titles. The high-skilled talent team contains one National technical experts, 12 chief technicians in Shandong Province, 20 chief technicians in Zibo City, 752 senior technicians, 848 technicians, 621 senior workers. Meanwhile, the Company formulates plans annually on the introduction of scientific research and technical management personnel according to the reserves and use of talents. The Company recruits 124 personnel with undergraduate level or above and around 140 technical talents from junior colleges or technical secondary schools as talents reserves of the Company in 2020. The Company forms its talents team through cultivation of new hires and internal talents.



2. Employees statistics

As at 31 December 2020, the number of staff of the Group was 6,347(3,818 males and 2,679 females).

(1) By Job Category:

Job Category	Production Personnel	Sales Personnel	Engineering and Product Developers	Quality Supervision and Inspection Personnel	Other Personnel	Total
Number	3,743	1,017	853	505	379	6,497
Percentage	57.61%	15.65%	13.13%	7.77%	5.83%	100.00%

(2) By Age Range:

Age Range	Under 35	35-55 (inclusive)	Over 55	Total
Number	3,144	3,246	107	6,497
Percentage	48.39%	49.96%	1.65%	100.00%

(3) By Region:

Regional Distribution	Domestically	Overseas,	Total
Number	6,487	10	6,497
Percentage	99.85%	0.15%	100.00%

(4) Number and proportion of staff turnover by age:

Age Range	Under 35	35-55(inclusive)	Over 55	Total	Region
Number	136	79	1	216	1 overseas, 215 domestic
Percentage	2.09%	1.22%	0.02%	3.32%	

3. Laws and Regulations

The Company actively executes relevant laws and regulations including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the PRC Law on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibited Use of Child Labor (《禁止使用童工規定》), and strictly regulates the labor employment, human resources management and remuneration system. The Company stringently complies with national laws and regulations, strictly eradicates illegal employment, prevents illegal acts such as use of child labor and forced labor, actively fulfills social responsibilities, guarantees paid leaves and overtime systems during festive season and holiday, establishes the mediation and protection committee of employees' rights and interests, etc.. Through a series of work such as the establishment and optimization of three-dimensional staff protection system, encouraging remuneration system and broad staff growth system, the Company provides a stable development platform for employees.

According to relevant requirements of the "Enterprises Democratic Management Regulations" (《企業民主管理規定》) and the "Working Procedures of Enterprises and Institutions Staff (Representatives) Meeting of Zibo City" (《淄博市企事業單位員工(代表)大會工作程序》), as well as the unified deployment of Federation of Trade Unions of Shandong Province, the trade union of the Company comprehensively strengthened organization and construction of basic level trade union to enhance the attraction and cohesion of trade union organizations, and further specifies the rights and obligations of staff representatives to safeguard the rights to know, to vote, to suggest and to appeal.

The Company established a social security system in compliance with the requirements of the government and provided social insurances such as social endowment insurance, medical

insurance, employment injury insurance, maternity insurance and unemployment insurance as well as housing provident fund. The rate of coverage of social insurance was 100%.

4. Health of Employees

The Company always insists on providing employees with a balanced work and living environment with a combination of work and leisure. According to the provisions of Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Regulations of Paid Annual Leave of Employees (《員工帶薪年休假條例》) and other relevant laws and regulations, employees consecutively working for more than one year are entitled to paid annual leave except for national legal holidays. Employees working for more than one year but less than ten years in accumulation are entitled to five days paid annual leave.

(1) Labor Protection

The Company has always purchased labor protection supplies in accordance with national and industry standards, and allocated corresponding labor protection supplies in accordance with the characteristics of different positions. The Company carried out planned training for employees on prevention of occupational hazards and safety protection knowledge. The Company supervised, inspected and guided the establishment of occupational health protection equipment, the usage of labor protection equipment for employees, emergency plans and drills for accidents of enterprises storing, using and disposing of hazardous chemicals. At the same time, the Company purchased special labor protection equipment such as specialized protection suits and masks for employees on the positions of disposal of fly ashes, waste acid burning and equipment maintenance according to corresponding occupational contraindication, and passed the annual re-authentication of occupational health and safety management system.

Since the outbreak of COVID-19, the Company has, on the one hand, made every effort to ensure the production of drugs, and on the other hand, strictly implemented the requirements of the prevention and control of epidemic situations at higher levels, actively protected its employees, and issued them with epidemic prevention manuals and epidemic prevention supplies, from the epidemic prevention and control registration, travel to and from work, dining management and other aspects of response measures, the introduction of abnormal situation emergency response plan to protect the health of employees.

(2) Occupational Disease Prevention

The Company is a Class B unit with occupational health risk rating, involving 96 occupational hazard factors, with a total of 1205 monitoring points. The Company has established and improved the occupational health responsibility system, and all 726 posts have occupational health and safety responsibilities. Every year, the Company formulates the Occupational Health Work Plan and Implementation Plan and the Occupational Hazard Factors Monitoring Plan,

regularly detects occupational hazard factors and publicizes the detection results. Health checkups were carried out according to relevant laws and regulations for employees entering, leaving and working. In 2020, health checkups were carried out for 2,594 on-the-job employees and 55 off-the-job employees, and no occupational illness cases were found. The Company attaches great importance to the occupational health and labor protection of employees, and distributes labor protection articles to employees in strict accordance with the requirements of laws and regulations.

(3) Protection for Female Workers

The Company has established the legal rights protection system with the “Collective Contracts” as the main part, supplemented by the “Collective Consultation Agreements on Wages”, “Special Agreement on Labor Safety and Health”, “Collective Contract for Special Protection of Female Employees”, “Regulations Concerning the Labour Protection of Female Staff and Workers” and “the Regulation of Paid Annual Leave Administration for Staff”, which effectively protect the rights and interests of female employees in terms of remuneration, working hours, rest and holiday, occupational safety and health, insurance and benefits, etc. As the spokesmen for female employees, the female employee committees at all levels earnestly performed their duties, paid attention to investigation and research, and actively provided feedback information on basic-level female employees. Formulating and reporting relevant proposals and insisting on carrying out special inspection on the labor protection of female employees, which includes: implementation of special treatment for female employees during menstruation, pregnancy, childbirth and lactation; heatstroke prevention and reduce temperature in summer; work safety and health.



The trade union of the Company organization specialized personnel each year to the basic unit for the Labour contract law and labor protection of female worker summer special inspection, the democratic management of grass-roots units, rights protection, labor protection, women work in accordance with the law and propaganda and education and so on eight aspects to conduct a comprehensive inspection, the inspection result as an important basis of PingXianShuYou.

5. Career Training and Development

The Company persistently implemented the principle of “establishing a learning-oriented team and cultivating learning-oriented employees” and consolidated the belief of “training is the long-term input of the Company, driving force of development and the largest welfare of employees”. The Company actively implemented education training plans, innovated education training forms, enhanced development of talents, and continuously promoted employees’ comprehensive quality. The Company formulated and printed the “Education Training Plan of 2020”, carefully deployed the education training throughout the year, confirmed the education training projects of the Company and each of its subsidiary, thereby further enhancing its cultivation of talents. The Company organizes orientation training and expansion training for new hires annually to enable them to quickly get adapted to the situation of the Company, to adjust their working condition, and to actively get used to the working pace of the Company. In order to meet the cognitive demands of employees for new professional capabilities, new technical knowledge and new management idea, education training of the Company involves various aspects such as professional knowledge, technology development, communication and cooperation. Besides, professional institutions were appointed and internal trainings were organized to promote the systematization and routinization of employees’ training.

In 2020, the Company has completed 61 corporate level education training projects, and has trained 3,900 staffers in aggregate. The Company sent 400 staffers in aggregate to attend training for staff. The Company successively organized training programs for mid-level and senior management in relation to business concepts, business strategies, enterprise Party building, compliance of laws and regulations, and education on anti-corruption alert for Party members and leading cadres, enterprise internal trainer training, professional training on safety quality and environmental protection equipment, young executive management ability improvement training, medicine basic theory training for youth backbone staff, safety skills upgrading training for youth staff and high-skilled talents training., etc. The subsidiaries also actively developed the employee training program, participated in the various competitions and competitions organized by the group company, and sent employees to study, effectively promoted the comprehensive quality and professional competence of the staff.



6. Cultural Life of Employees

The Company continues to promote corporate culture construction, create staff cultural brand, create cultural education base, advocate healthy and civilized lifestyle, enhance employees' cultural quality, forming staff culture with Xinhua features. The Company actively promotes its corporate culture through channels such as the Company's website and "Xinhua Pharmacy". The trade union of the Company actively prepares, carefully plans and organizes recreational and sports activities such as labor health lectures, learning of observation, and photo-taking competition to attract employees' participation in order to increase their sense of identity and sense of belonging, and enhance their cultural quality and spirit.

The Company continues to carry out series of sending-warm activities with the theme of "Caring for Employees, Sharing Warm Together, and Mutual Assistance for Harmony", and enhances care and support for employees. The Company has set up special support fund system for employees to achieve dynamic management through establishment of comprehensive files for employees in need, timely adjustment according to the minimal security standards of the government, ensuring the accuracy, completeness of files and timely updating the supporting information.



IV. Social Welfare

1. Social Donations

The Company always insists on fulfilling various social and public responsibilities and moving forward firmly to become a responsible and dignified large state-owned enterprise. The Company closely combines corporate development and social welfare to achieve a win-win relationship of realization of social interests and corporate efficiency.

In 2020, the Company assisted Linquan County and Dangshan County in poverty alleviation in the name of the company's labor union by procuring agricultural products such as flour, fungus and vermicelli, with a total amount of RMB301,900; actively responded to the activity of

“joint construction by pairs” of the general urban and rural trade union of the city, and worked in Pairs with the Agriculture of Boshan flower trail to help vegetable farmers sell 118,321.6 kg of vegetables, amounting to RMB433,070.59; actively responded to the municipal poverty alleviation support activities, and purchased 4,500 kg of millet and sweet gourd from Shangjiao Village, Shima Town, Zibo City, amounting to RMB28,500; donated RMB6,000 to Zibo Gaoqing Yellow River Disabled Persons Art Troupe in the name of the company's labor union to support careers of the disabled.

In accordance with the notification requirements of the superior Party organization, We organized Party members to make voluntary donations to support the COVID-19 prevention and control work, and 331 Party members donated RMB29,000, which was mainly used to express condolences to the medical staff, grass-roots cadres and the public, public security police and community workers fighting in the frontline of pandemic prevention and control, provide financial assistance to people suffering from living difficulties and the families of people who died due to COVID-19, and offer condolences to the families of cadres and people who died in the battle against the pandemic.

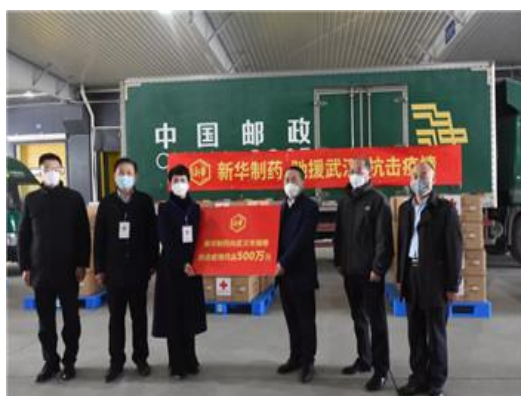
The Company continued to implement distribution of grant for employees in need with an amount of RMB729,720 in aggregate for 391 employees throughout the year, among which RMB28,100 was distributed to 2 model workers in need, and RMB269,200 was distributed to 5 employees with difficulty in filing. The Company subsidized 148 students and distributed student grants and gifts amounting to RMB121,920 through “Autumn Education Aid” event. The Company held a series of sending-warm activities before new year and the Chinese new year such as visit of leaders for employees in need and model workers to realize “Prioritized Assistance for Primary Level” and comprehensively cater for employees in need.



Since the outbreak of COVID-19, the Company, as the largest production base of antipyretic and analgesic drugs in China, has actively fulfilled the original mission and responsibility of the Red Medicine Enterprise. On 29 January 2020, the Company donated RMB5 million worth of anti-virus, anti-infection, antipyretic and analgesic drugs to the Wuhan Red Cross Society with nil consideration. On 14 February 2020, The Company overcame various difficulties in the supply of raw materials and auxiliary materials, human resources and transportation

capacity, and delivered 1,650 boxes of drugs such as anti-asthmatic and anti-infection drugs to Wuhan to help combat the pandemic with the frontline.

During the pandemic, the Company paid no attention to costs, actively purchased, raised funds from various parties and joined hands with the Special Fund for Cardiovascular and Cerebrovascular Health of Shandong Poverty Alleviation and Development Foundation, by green channels for transportation of rescue materials, to donate most-urgently-needed masks, protective clothing, isolation clothing and other anti-pandemic supplies to the medical institutions and medical staff in Shandong Province on the anti-pandemic frontline to help fight the pandemic.



2. Community Activities

The Company actively devoted to community activities to enrich community life. The Company organized employees to widely carry out mass activities:

(1) Evaluated the index of operating experts in 2020. By carrying out small index labor competition for operating experts aiming at “two increases and two reductions, cost reduction and efficiency enhancement”, during which 789 operating experts were selected with a reward of RMB244,590, thereby further stimulating employees’ initiative and motivating their enthusiasm of participation.

(2) Organized the Technical Contest of the Company in 2020. More than 3,000 employees passed the selection, and 450 employees participated in the technical competition activities at the company level, during which the top six of ten specialties received informed recognition, selecting ten technical experts.



(3)The Company held diversified recreational and sports activities in 2020, mainly including “Book 38” reading activities, solicitation of safety comics , the 3rd “Jingneng Cup” Micro Film and Micro Video Creation Competition organized by Shandong Petrochemical Trade Union, and the “Pandemic Prevention and Control, Everyone Shall Take Action” staff speech competition organized by Shandong Petrochemical Trade Union, “New Person of Time ” organized by Shandong General Organization, the 1st staff three-person basketball match, staff shuttlecock match, staff table tennis match, healthy long-distance running for employees in the 77th anniversary of the factory, a three-person staff basketball match held by Shandong Petrochemical Trade Union.



(4)Based on the needs of employees, we set up a caring service team to provide caring services to employees as much as we can. Two caring service teams with 43 members have served 48 times, scope of service: basic household maintenance, cleaning up family hygiene of employees in need, visits and condolences, and “Delivering warmth, coolness, health, culture and training” volunteer service activities, etc. The service function and business level of the labor union have been improved, and some minor problems in the daily life of employees have been resolved, creating a harmonious atmosphere for the Company and promoting positive energy.



The community activities of the Company gained active participation and extensive attention from social organizations, government and individuals. With the mission of “Protecting Health, Benefitting Society”, the Company will continue to provide high quality and efficient pharmaceuticals for contributing to the health of the public.

Each subsidiary is adhering to the group company benevolent good style of work, actively fulfill the social responsibility, actively helping hard worker, to participate in the activities of "kindness to donate a day", actively responded to an appeal by the group activities, participate in or held various style competition activities, actively participate in local public welfare activities of the government, get the consistent high praise from all walks of life.

Based on the needs of employees, we set up a caring service team to provide caring services to employees as much as we can. Two caring service teams with 43 members have served 48 times, scope of service: basic household maintenance, cleaning up family hygiene of employees in need, visits and condolences, and “Delivering warmth, coolness, health, culture and training” volunteer service activities, etc. The service function and business level of the labor union have been improved, and some minor problems in the daily life of employees have been resolved, creating a harmonious atmosphere for the Company and promoting positive energy.



During the pandemic, Shandong Xinhua Pharmaceutical Trade Co., Ltd. cooperated with Chunyu Yisheng to carry out online consultation to alleviate medical difficulties of the public, and conducted over 200 online product training sessions and academic conferences through the Internet, with extensive customer participation and good publicity effect. During the pandemic, our employees served as volunteers in Shandong, Xinjiang and other places to prevent and control the pandemic, actively undertook the transportation of vegetables, grains and oil, purchase of drugs, delivery for medical services and education publicity, and made contributions to the fight against the pandemic. In addition, healthy poverty alleviation is the foundation of poverty alleviation. The Company, together with the rural revitalization service team of Lingcheng District, Dezhou sent by Shandong Province, organized a free medical consultation for rural revitalization in provision of detailed explanations on early symptoms, daily prevention and treatment, healthy diet and other cardiovascular and cerebrovascular diseases of the elderly such as cerebral stroke, hypertension and coronary heart disease, which provided free expert medical services to villagers at their doorstep and was very popular among the elderly.

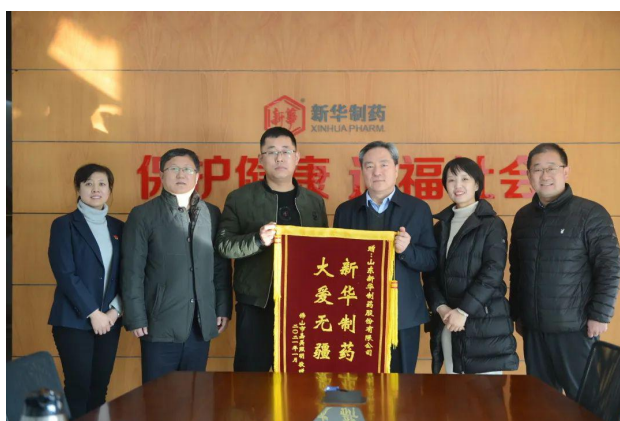


3. Reserving special drugs and taking on the great responsibility of love

On 5 July 2020, a patient in Nanchang, Jiangxi Province, developed poisoning symptoms and was in critical condition due to the intake of rat poison by mistake. After receiving the notice, through multi-party liaison and coordination, the Company finally made an emergency

deployment of 20 tubes of acetamide injection from Sinopharm Holding Hunan Co., Ltd*, which saved the patient's life in a timely manner.

On December 30, 2020, a 5-year-old patient in Anhui Province was admitted to Anhui Provincial Hospital for treatment due to misuse of rat poison and was in urgent need of acetamide injection produced by the Company. Through multi-party liaison, a friend of the patient's family in Zibo went to the enterprise premises to get the medicine, and delivered it to the hospital immediately. The child was finally out of danger after being vaccinated.



Xinhua Pharmaceutical Acetamide Injection, as an emergency drug for detoxification, has a low sales volume and a high cost, but the Company attaches great importance to social responsibility and reserves emergency drugs regardless of cost, which has saved lives for numerous times. Saving one life after another and silently assuming the humanistic care and great responsibility as a red enterprise.

CHAPTER IV ENVIRONMENTAL PROTECTION

With the environmental management concept of treating environmental protection as the lifeline of the existence and development for Xinhua, the Company strictly implemented the PRC Law on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on Prevention and Control of Environmental Noise (《中華人民共和國環境噪音污染防治法》), the PRC Law on Cleaner Production (《中華人民共和國清潔生產法》), the Integrated Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》), the National Catalog of Hazardous Wastes (《國家危險廢物名錄》) and other laws and regulations, conscientiously implemented a series of national and local guidelines and policies on energy conservation and environmental protection, took energy conservation and environmental protection as an important means for transforming development mode, increasing efficiency and fulfilling social responsibilities, in an endeavor to overcome the severe and complicated economic situation and the profound influence from the national industrial policy adjustment and control, and carry forward energy conservation and environmental protection work. The Company insisted on sustainable development, optimized the adjustment of product structure, strived to develop new medicines and preparation products with “Two Low and Three High”, namely, low pollution, low consumption, high quality, high curative effect and high efficiency, eliminated products with serious pollution, increased contribution to environmental protection, enhanced the research of environmental protection technology, improved equipment, intensified comprehensive utilization of pollutants, and reduced the emission volume of pollutants to fundamentally achieve environmental governance tasks. The company runs the Environmental Management System efficiently, both the implementation rate of the environmental impact assessment system and the environmental protection “three simultaneity” system of the new, extended, reconstructed projects and the synchronous operating ratio of environmental protection equipment and production equipment of the Company reached 100%.

I. Comprehensive Utilization of Resources

The Company strictly complied with Management requirements of higher administrative departments and the requirements of energy-related laws and regulations, such as the “Measures for the Assessment and Examination of Energy Conservation of Fixed Assets Investment Projects in Zibo” and the “Regulations of Zibo City on Energy Conservation”. The Company implemented national mandatory energy-saving standards and regulations, actively conducted various recommended requirements and promoted energy conservation and consumption reduction mainly through energy-saving target responsibility system. We actively implemented energy-saving transformation by adopting various technological measures on energy conservation and emission reduction and comprehensively promoted clean production and green production. At the same time, with the advanced concept of circular economy, the

Company declined and reduced the consumption of resources such as packaging materials, strived to improve the comprehensive utilization efficiency of resources, and promoted “green development, recycling development and low-carbon development” for the enterprise.

According to the Company’s “Energy Conservation Plan for the 13th Five-Year Plan Period” and the annual energy management requirements to carry out energy-saving management, the Company actively implemented energy-saving target responsibility management, planning and implementation of energy-saving technical transformation, improved energy efficiency, and reduced the product energy consumption costs. In 2020, the Company’s energy use target was to reduce the overall cost of energy use by RMB7 million. In order to ensure the completion of the target. The Company scientifically broke down and refined the objectives. The Company also signed energy saving target responsibility agreements with major production units, revised the energy professional assessment methods in a targeted manner, conducted regular energy saving special inspections, and strengthened daily inspection and management. The Company conducted monthly statistics, accounting and comprehensive analysis on the completion of the energy use targets and follow-up assessment on the completion progress of the energy saving targets. The Company firmly grasped the deficiencies in energy management and energy use, and enhanced energy management by improving management and implementation of technological improvement measures.

In 2020, the enterprise adhered to the application and improvement of energy-saving technologies and achieved remarkable results in energy conservation, mainly including:

1. The comprehensive reform of deep condensation recovery of dichloromethane with ibuprofen sodium. after the renovation, the dichloromethane component entrained in the tail gas is fully condensed and liquefied, with a recycling rate of over 90%, saving an annualized amount of 4960m³ of spray water compared with the original technology. Steam consumption of carbon adsorption units decreased by approximately 90%.
2. Comprehensive recovery of ethanol-containing exhaust gas from the drying process of finished analgin products, further optimized the transformation plan and completed the transformation on the basis of successful transformation of the first set of devices in 2019. The recovery rate of ethanol reached approximately 80%, the consumption of spray absorption water decreased by 5100m³ annually, and the steam consumption for subsequent concentration and rectification of dilute ethanol absorption solution was saved by over 1,400 tonnes.
3. Stable operation of the distributed rooftop photovoltaic power generation units. Making full use of solar clean energy to reduce electricity consumption cost, with approximately 2.05 million kWh of low-priced electricity, utilized by No.1 Branch, No.2 Branch and the Head Office.

4. Refrigeration unit online cleaning renovation project. The refrigeration unit is equipped with a rubber ball on-line cleaning device to realize automatic cleaning and scale removal of the evaporator in operation of equipment and improve refrigeration efficiency. The production department of branch 1 completed the renovation of 3 units, and the production department of branch 2 completed the renovation of 4 units. Upon completion of the renovation, the electricity consumption of refrigeration units under the same working condition will be reduced by more than 3.5%, and the guarantee level of continuous and stable cooling water supply will be improved.

Set out below is the data for resources consumption in 2020:

Resources	Unit	Consumption in 2020
Power consumption	100 million kWh	1.90
Tap water	10 thousand m ³	296.42
Steam	10 thousand tonnes	48.14
Packaging materials used for finished products	tonne	9,487
Power consumption (energy consumption per RMB10,000 output value)	kWh	484.78
Gasoline consumption (energy consumption per RMB10,000 output value)	tonne	1.23
Water consumption (energy consumption per RMB10,000 output value)	m ³	7.55

Results for comprehensive use of resources: The energy use of the main products saved 29,500 tons of steam, 1.8461 million kWh of electricity, and 130,100 m³ of water compared to the same period of last year, saving energy costs of approximately RMB 15.44 million.

II. Environmental Protection Upgrades

Facing the increasing severe environmental protection situation, the Company, focusing on the entire layout, kept enhancing the internal control of environmental protection and gradually achieved the upgrading and transformation of its environmental protection work. The Company fulfilled the standards of the pollutant emission controls and improved the emergency management ability of abrupt environmental pollution accidents through strict management and control, adopted responsive environmental protection measures according to industry features, increased the input of environmental protection measures, passed the supervision and reviewing of ISO, outperformed the environmental protection target of the local government during the year and promoted the overall level of the environmental protection work of the Company.

1. Treatment of Three Wastes

The Company sets up the hazardous waste management plan and puts it on record every year. The amount of hazardous waste generated and disposed of is less than the planned total amount, and the total amount of waste water and exhaust gas discharged is less than the total amount permitted by the discharge permit.

(1) Solid Waste Treatment

According to the “National Catalog of Hazardous Wastes”, the Company recognized fifteen hazardous wastes. The Company comprehensively managed the wastes and classified, stored, managed and disposed of them strictly in accordance with national and local requirements. The Company established of solid/liquid wastes treatment energy center at its No. 2 subsidiary to burn the waste colloids generated from the Company, entrusted qualified disposal units to dispose of other wastes by signing agreements, and entrusted professional third parties for harmless disposal of waste solvents and waste medicines.

Transfer and Disposal of Solid Waste

Name	Transfer and Disposal in 2020
Total hazardous waste (tonne)	8,315
Hazardous waste density (tonne/ RMB10,000 output value)	0.016
Amount of household waste discharge (tonne)	2,500
Density of household waste discharge (kg/ RMB10,000 output value)	4.82

In accordance with the enhanced national requirements on waste management, the Company conducts classified management of waste and strictly managed and disposed the Company's waste in accordance with the categories of domestic waste, food waste, construction waste, recyclable waste and hazardous waste. Entrusting Zibo Municipal Environment and Health Bureau to manage and clear the Company's domestic waste, so as to prevent the mixed release of all kinds of garbage.

(2) Exhaust Gas Control

The Company made use of RTO, photoelectric/photo-oxidative catalytic purification, low-temperature plasma, spray absorption, carbon fiber adsorption, breathing bag, condensation recovery and “double pipe” technology of liquid material loaders and so on to ensure the emission of waste gas is in compliance with the Emission Standard of Volatile Organic Compounds - Part 6: Organic Chemical Industry (DB37/2801.6-2018), Air Pollutant Emission Standard of Pharmaceutical Industry (GB37823-2019), Control Standard of Unorganized Emission of Volatile Organic Compounds (GB37822-2019), Integrated Emission Standard of Regional Air Pollutants (DB37/2376-2019), Emission Standard of Volatile Organic Compounds and Odor Pollutants for Sewage Treatment Plants (Stations) of Organic

Chemical Enterprises in Shandong Province (DB37-3161-2018) and other relevant standards.



Exhaust Emissions

Name	Emissions in 2020 (tonne)
Sulfur dioxide	6
Nitrogen oxides	11
Particulates	3.8
Greenhouse gas	264170tCO ₂

(3) Effluent Control

The Company adopted the way of combination of source control and end-of-pipe treatment, recycled and reused organics from organic waste water with high COD from each interval through methods like adsorption and filtration, extraction separation and evaporative fractionation, recycled ammonia water from wastewater with high ammonia nitrogen through stripping, and recycled inorganic salts from high salinity wastewater by means of MVR and CWO. After the wastewater of the Company is treated by the wastewater treatment plant, the external drainage has reached Class B of the Discharge Standard for Municipal Sewerage System (《污水排入城镇下水道水质标准》) (GB/T31962-2015), with the major pollutant discharge indicators being 500 mg/L for COD and 45 mg/L for ammonia nitrogen, which is eventually discharged into the municipal wastewater treatment plant. The high concentrated organic wastewater after pre-treatment was discharged into the sewage treatment system of the Company.

Waste Water Emissions

Name	Emissions in 2020 (tonne)
Waste water	2,627,818
COD	715.557
Ammonia nitrogen	51.363

2. Adoption of Measures and Achievement of Results

The Company entrusted the colleges and universities such as Qingdao University of Science and Technology as technical support, and entered into a technical service contract with such university, with an aim to providing technical support for the technological transformation of the Company's major products, such as caffeine, analgin, aspirin, ibuprofen, pipemedic acid and other bulk pharmaceuticals. Meanwhile, in cooperation with several domestic well-known environmental protection technology companies, the Company has introduced advanced facilities, such as TRS, carbon fiber adsorption, low-temperature plasma, photoelectrocatalysis, etc. to carry out in-depth treatment to organized exhaust emissions, so as to prevent the same from being emitted into the atmosphere as VOCs, hence contaminating the surrounding environment. The Company introduced advanced technologies and facilities such as MVR, CWO and membrane treatment to pretreat the high-concentration production wastewater, so as to ensure the stable operation of the Company's sewage treatment system and discharge to the standards.

In 2020, total investment in environmental protection was approximately RMB 220 million, among which the environmental protection investment of the parent company amounted to RMB141 million, mainly including the operation costs of wastewater treatment and supporting facilities amounting to RMB 41.80 million, the investment in environmental protection measures amounting to RMB60.00 million and the disposal of hazardous waste amounting to RMB 20 million. During the year, the Company completed The Company completed key environmental protection projects such as North RTO project of branch 1, RTO project of branch 2, anaerobic ammonia oxidation project of sewage treatment red bacteria and "one enterprise, one pipe" project. The operation of 11 sets of FID-type VOC online monitoring, 3 sets of CEMS online monitoring and 9 sets of VOC monitoring and early warning system was stable, achieving informatization of monitoring data and real-time query of emission data, which achieved visible compliance with standards.

The measures for burning organized waste gas at RTO facilities, the technology of absorption of organic solvent by carbon fiber, recycled inorganic salts from high salinity wastewater by means of MVR, technology of TRS removal of hydrogen sulfide and other various advanced technology widely adopted by the Company were included in the recommended environmental

protection technology and means of the environmental protection system of Zibo City.

Each of the subsidiaries actively performed responsibilities of environment protection, adopted various measures for energy conservation and emission reduction, and reduced negative impact of environmental protection.

3. Promotion for Environmental Protection

The Company vigorously promoted environmental protection to enhance environmental protection awareness of all employees. The Company organized a number of promotion and education activities on environmental protection to improve employees' understanding in low-carbon production and life, promoted a green office environment, cultivated the awareness of energy saving and environmental protection, standardized environmental protection through the regulations of the Company and process control, train employees with new environmental protection laws and heighten their environmental awareness.

The Company commenced the theme activity of "environment day" to gather different units in making slogans and banners for environmental protection and energy saving and pasting and hanging them in the plants, set up a column for environmental protection and energy saving in corporate magazine, and offer training classes on environmental protection and energy saving.

The Company set up classes for new environmental protection laws to promote low-carbon life and green consumption. By way of a variety of promotion and education, the Company and its employees further strengthen their concept on environmental protection and energy saving, develop a recycling economy, and actively propel the transformation towards low-carbon and recycling production and life.

Advocating green office. We optimized energy saving and environmental protection policies of the Company, managed the inspection system, advocated paperless office, encouraged the recycle of printing paper; optimized the system for cross-regional video and telephone meetings to reduce travel expenses, advocated employees to travel with green vehicles, made use of environment-friendly materials and rewarded energy saving behaviors. Environmental protection and energy saving measures should be carried out in daily production and lives. Special attention should be paid to electricity and water saving within the production and office areas. Switch off the lights in equipment rooms and corridors which are not in use and control the use of water. The use of water and electricity in the plants of the Company shall be included in the scope of evaluation on workshop fees so as to encourage energy saving.

III. Social Supervision and Social Demonstration

Enterprise is the entity who is responsible for the treatment of environmental pollution. Pursuant to the requirements of environmental regulations of the government, the Company strengthened internal control, increased capital investment, adopted advanced production skills and treatment techniques to ensure standardized emissions or “zero emission”, actively fulfilled its social responsibility for environmental protection and received social supervision. In order to practically push the waste emitting units to live up to their environmental responsibilities, fully exert social supervision on enterprise waste emission and effectively implement all laws and regulations related to environmental protection, the Company has formulated and established standards and an evaluation system for social responsibility which are in compliance with the provincial disclosed requirements for environmental protection information on major waste-emitting units and the disclosed requirements for the supervision and inspection results of provincial enterprises, carefully prepared the annual plan for environmental protection and the social responsibility report on environmental protection, timely filed with the environment department of the government, published the environmental protection information of the Company on the websites of the Company and the government, made its complaint channels available to the public, listened to all types of issues on environmental protection raised by the public and timely adopted corresponding measures to deal with different problems. The advanced management measures on energy-saving and environmental protection as well as techniques of the Company are highly recognized by all sectors of the society.

While receiving supervision from all sectors of the society, the Company actively exerted its technology and management advantages and properly developed its role in effective energy-saving, emission reduction and environment protection, hence building a good corporate image and successfully served as a demonstrative enterprise in the society.

CHAPTER V FUTURE PROSPECTS

2021 is the first year of the 14th Five-Year Plan. The Company will continue to focus on optimization of product structure and industrial chain upgrade, and on the basis of strengthening and improving the quality of raw materials and drugs, promote new breakthroughs in scientific and technological innovation, project construction, large preparation strategy, large research and development strategy, international operation, and new model cultivation, working hard to achieve the 14th Five-Year Plan to get off to a good start.

On the basis of well-organized production of several international processed drugs and timely delivery of orders with good quality and quantity, the Company further strengthened close contact with internationally renowned companies and strived to introduce more international cooperation projects, building a more competitive international structure. In 2021, the Company will continue to deepen the reform of safety management system, optimize the establishment of energy management system, actively promote energy conservation, emission reduction and green production, continue to improve the sense of satisfaction, acquisition and happiness of employees, and create a blessed and warm working environment. Meanwhile, the Company will perform social responsibility as its mission, actively contribute to the society, continue to be devoted in charity activities and philanthropy, and deliver positive energy of corporate development to jointly develop a harmonious society.

During the new development era, the Company will continue to adhere to its corporate mission of “protecting health and benefiting community”, insist on its core value of “placing quality as the first priority and developing its business in a scientific manner”, focus more on the improvement in product quality and efficiency, the enhancement of comprehensive ability of corporate governance, optimization of resource integration and environmental protection, the role of scientific research as a source power, and the encouragement of the motivation of all talents, actively fulfill corporate social responsibilities and contribute to the development of the society.

The Company will continue to strengthen its responsibility awareness, constantly improve its ability in creating comprehensive values in the society, economy, energy and environment, and continuously optimize the social responsibility system, committed to integrate the concept of social responsibility in every aspect, which includes corporate governance, production, operation and development.

The Company will continue to implement the “people-oriented” concept in talent seeking, further improve the happiness of employees, actively create a better working environment, enrich the spiritual and cultural lives of employees, and increase their sense of belonging. The Company will further create employment with development to maintain social stability.

The Company is willing to communicate with all sectors of the society more actively, and will constantly improve the transparent disclosure on the fulfillment of social responsibility of the Company, actively promote industry development and impel social advancement, improve the influence and social appeal of the Company, and will be committed to build a strong pharmaceutical supplier of preparations in the PRC and a global production base of bulk pharmaceuticals.

CHAPTER VI QUESTIONS AND FEEDBACK

In order to continuously optimize the disclosure and preparation works on social responsibility, we sincerely hope to listen to your opinions and advices. If you have any questions regarding the corporate social responsibility of the Company or any questions in relation to the corporate social responsibility report, please do not hesitate to contact us. We treasure your valuable opinion to further improve our social responsibility works.

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GUIDELINES AND INDEX OF THIS REPORT

Content of ESG Report Indicator Index released by Stock Exchange of Hong Kong Limited

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Environment		
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*Disclosure is planned gradually in the future.