



China Traditional Chinese Medicine Holdings Co. Limited
(Incorporated in Hong Kong with Limited Liability)
(Stock code: 00570)

2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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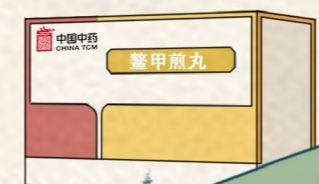
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About the Report

Report Introduction

The 2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT of China Traditional Chinese Medicine Holdings Co. Limited is the 8th environmental, social and governance (ESG) report independently released by the China Traditional Chinese Medicine Holdings Co. Limited. In the spirit of openness and transparency, this report discloses the management approach and relevant performance of the Company and its subsidiaries in aspects of environmental, social and governance.

Description

For easier expression and reading, in the report, "China National Pharmaceutical Group Co., Ltd." is abbreviated as "CNPGC", "China Traditional Chinese Medicine Holdings Co. Limited" is abbreviated as "China TCM" "the Company" or "we", and "China Traditional Chinese Medicine Holdings Co. Limited and its subsidiaries" is abbreviated as "the Group". In addition, the subsidiaries mentioned in the report are described as the following:

- "Anhui Tianxiang Pharmaceutical Co., Ltd." as "Anhui Tianxiang"
- "Guangdong Yifang Pharmaceutical Co., Ltd." as "Guangdong Yifang"
- "Guangxi Yifang Tianjiang Pharmaceutical Co., Ltd." as "Guangxi Yifang"
- "Guizhou Tongjitang Herbal Co., Ltd." as "Tongjitang Herbal"
- "Hunan Yifang Tianjiang Pharmaceutical Co., Ltd." as "Hunan Yifang"
- "Jiangxi Yifang Tianjiang Pharmaceutical Co., Ltd." as "Jiangxi Yifang"
- "Jiangyin Tianjiang Pharmaceutical Co., Ltd." as "Jiangyin Tianjiang"
- "Lixian Dahuang Technology Co., Ltd." as "Lixian Dahuang"
- "Longxi Yifang Pharmaceutical Co., Ltd." as "Longxi Yifang"
- "Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd." as "Beijing Huamiao"
- "Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd." as "Dezhong Pharmaceutical"
- "Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd." as "Feng Liao Xing Material & Slices"
- "Sinopharm Group Feng Liao Xing (Foshan) TCM Health Industry Co., Ltd." as "Health Industry Company"
- "Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd." as "Guangdong Medi-World"
- "Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd." as "Jingfang Pharmaceutical"
- "Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd." as "Tongjitang Pharmaceutical"
- "Sinopharm Group Zhonglian Pharmaceutical Co., Ltd." as "Zhonglian Pharmaceutical"
- "Sinopharm Tianxiong Pharmaceutical Co., Ltd." as "Sichuan Tianxiong"
- "Sinopharm Wuzhai Tianjiang Pharmaceutical Co., Ltd." as "Sinopharm Wuzhai Tianjiang"
- "Shandong Yifang Pharmaceutical Co., Ltd." as "Shandong Yifang"
- "Shaanxi Yifang Pingkang Pharmaceutical Co., Ltd." as "Shaanxi Yifang"
- "Shanghai Tongjitang Pharmaceutical Co., Ltd." as "Shanghai Tongjitang"
- "Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd." as "Sichuan Sinopharm Tianjiang"
- "Sichuan Jiangyou Zhongba Fuzi Technology Development Co., Ltd." as "Sichuan Jiangyou Zhongba"
- "Sichuan Tianhao Pharmaceutical Co., Ltd." as "Sichuan Tianhao"

Release Cycle

This report is an annual report that is published regularly every year. The previous report was released in April 2023.

Reporting Period

This report discloses the China TCM's ESG management approach and performance during the year from 1 January 2023 to 31 December 2023 (the "Reporting Period"). Some contents may surpass the above scope.

Organizational Scope

The entity of this report is China TCM and its subsidiaries, with the operations of various business formats of production and operation of Chinese medicinal herbs, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health products, TCM institutions, and so on.

Data Description

The information and data in this report are from the official documents and statistical reports of the Group. The Company's environmental performance cover data of companies: controlled by China TCM (i.e. holding 50% of equity or above); that are manufacturing enterprises; and that have been in operation for two or more consecutive calendar years.

Unless otherwise stated, the environmental performance data of this report covers all the 34 subsidiaries that meet the criteria mentioned above, while the social data and all narrative information cover the entire Group.

All currency amounts in this report are in RMB, unless otherwise stated.

Reporting Standards

- Sustainable Development Goals ("SDGs") of the United Nations ("UN")
- ISO 26000 – Guidance on Social Responsibility of the International Organization for Standardization ("ISO")
- Sustainability Reporting Standards of the Global Reporting Initiative ("GRI") (GRI Standards)
- Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules")
- Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0) of the Chinese Academy of Social Sciences ("CASS")

Quality Assurance

This report is reviewed by relevant departments of the Company and released after being deliberated and approved by the Board of Directors. The Company guarantees that there is no false record, misleading statement or material omission in this report, and shall be responsible for the authenticity, accuracy and completeness of the contents in this report.

Report Release

This report is published in both traditional Chinese and English. In case of any discrepancy between the two versions, the traditional Chinese version shall prevail.

This report is available to stakeholders and the public in the form of PDF format on the website of the Stock Exchange (<https://www.hkex.com.hk>), or the official website of the Company (<https://www.china-tcm.com.cn>).

If you have any comments or suggestions regarding this report, please feel free to contact us:

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Message from the Chairman

Dear shareholders and friends who are concerned about China TCM:

“

2023 marked the beginning of the implementation of the spirit of the 20th National Congress of the Communist Party of China, and a crucial year for the implementation of the "14th Five-Year Plan" and construction upon the past and future achievements. China TCM has always adhered to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, firmly implemented the overall deployment of the Party Central Committee on TCM and the reform and development of state-owned enterprises. It closely focuses on the vision of "comprehensively building a sustainable, mutually synergistic and jointly developed whole industry chain of comprehensive TCM healthcare services and creating an industry-leading comprehensive TCM healthcare services group". The Company is committed to practical work, taking on responsibilities, forging ahead, and daring to innovate. It has achieved substantial results in various business management work, and has written a new chapter in promoting the high-quality development of TCM.

”

In 2023, we combined party building and business development and deepened the "strong leadership" of party building to promote development. Adhering to the theme education of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, with the "Party Building + Traditional Chinese Medicine" project as the support, the standardized construction of grassroots party organizations as the focus, and the strengthening of the construction of party conduct and clean governance as the guarantee, we earnestly implemented the "Seven Focuses" project to enhance the quality and efficiency of grassroots party building. We also promoted the "4+X" learning mechanism to achieve synchronized progress, and strove to normalize and institutionalize theoretical learning, injecting strong impetus into the development of the Chinese medicine and health industry group to become a leader in the industry.

In 2023, we focused on our core business and made efforts to enhance the "hard power" of the whole industry chain. Based on the construction of a healthy China and aiming for high-quality development, the construction quality and scale of the Chinese medicinal herb base were leading in the industry. The development of the TCM decoction pieces business showed a clear growth trend. The stock and expansion of concentrated TCM granules continued to lead. The layout of the TCM finished drug market was expanding and upgrading. The characteristics of the operation system of the comprehensive TCM healthcare services were beginning to emerge. By enhancing the core advantages of the whole industry chain, we aimed to improve the ability to serve major national strategies, and promote the industrialization and modernization of TCM.

In 2023, we embraced changes and innovation, built a "strong fortress" that featured breakthroughs and collaboration. We actively adapted to the changes in the traditional Chinese medicine industry, with a focus on enhancing our core competitiveness and strengthening core functions. We were deeply implementing actions to deepen and enhance the reform of state-owned enterprises. Internally, we have focused on vertical integration, deepened the coordinated development of production, supply, and sales among different business formats, promoted resource sharing and complementarity, and enhanced the modernization of the TCM industry system. Externally, we have strengthened cooperation and communication, demonstrate our mission of being a leader and a national pioneer in the industry, and jointly organized the Concentrated TCM Granules Professional Committee of the China Association of Traditional Chinese Medicine with 10 other organizations. We have completed the compilation and publication of the *Clinical Use Guidelines for National and Provincial Standard Products of Concentrated TCM Granules (First Edition)*, and shared the achievements of our reform and innovation with all sectors of society, so as to accelerate the revitalization and development of TCM in the new era.

In 2023, we innovated technologies to enable the "power source" for high-quality development. We have focused on key areas of the traditional Chinese medicine industry, strengthened the development of core technologies, expanded our scientific and technological platforms, cultivated a team of research talents, deepened collaboration between research institutions, enterprises, and universities, and significantly enhanced our comprehensive research and development capabilities. As a result, we have continuously achieved breakthroughs in key technological research and transformation in various fields. Our core advantages as a leader in the traditional Chinese medicine industry have been fully demonstrated, and we have been leveraging modern technology to empower the inheritance, innovation, and development of traditional Chinese medicine.

In 2023, we deepened our management and strengthened our "foundation" for safe and environment-friendly development. We actively responded to the national "carbon peaking and carbon neutrality" strategy, continuously improved the environmental protection and safety production management system, strengthened the safety and environmental protection defense line, achieved significant results in biodiversity conservation, continued to promote the construction of green factories, and several enterprises have obtained environmental credit recognition. The corporate brand image and social influence have achieved dual enhancement, and the foundation for sustainable development of the enterprise has been solidified through compliant and efficient safety and environmental management practices.

Struggle among hundreds of peers to embark on a new journey. The new era calls for new responsibilities and new achievements in the new journey. In 2024, China TCM will continue to follow the socialism with Chinese characteristics, firmly implement the important instructions of the Party Central Committee on TCM, as well as the various decisions and arrangements on the reform and development of state-owned enterprises. With the mission of "implementing the national development strategy of TCM and leading the high-quality development of the TCM industry", we will anchor our strategic direction, take on responsibilities, and strive for excellence. We will continue to contribute to the inheritance, innovation, and development of TCM, as well as the promotion of China's modernization construction with our power.

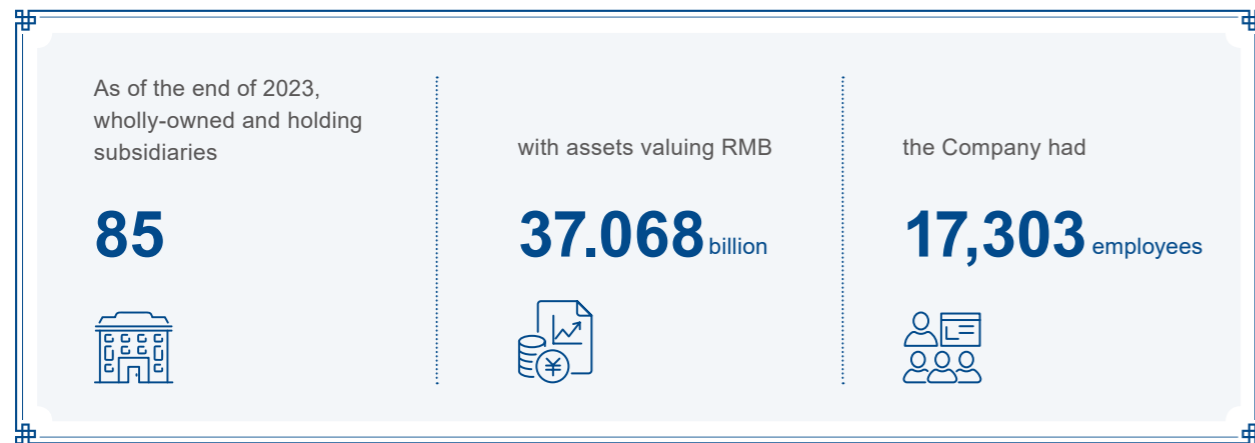


About China TCM

Company Profile

China TCM, formerly known as China Medicinal Materials Company founded in 1955, is the core platform for the modern TCM segment of CNPGC. With the headquarter in Foshan, Guangdong Province, China TCM (stock code: 00570.HK) is a red-chip company listed on the main board of the Stock Exchange.

Insisting on the preservation and innovative development of TCM, China TCM has intensified its efforts to accelerate the building of the whole industry chain of comprehensive TCM healthcare services in a deep-going way. With the integration of scientific research, manufacturing and sales, the Company has been committed to building the largest TCM industry cluster in China, with **six business formats of production and operation of Chinese medicinal herb, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health products and TCM institutions.** As of the end of 2023, the Company had 17,303 employees and 85 wholly-owned and holding subsidiaries, with assets valuing RMB37.068 billion.



Cultural Concept

Corporate mission

Practicing national TCM development strategy, leading the high-quality development of TCM industry



Corporate vision

Comprehensively building a sustainable, mutually synergistic and jointly developed whole industry chain of comprehensive TCM healthcare services and creating an industry-leading comprehensive TCM healthcare services group

Corporate Brand

China TCM, with "Sino-TCM" at the core, promotes the brand culture to be fully integrated into the production and operation of subsidiaries at all levels in an all-around way, covering product packaging, business development, marketing, academic promotion, publicity materials, and so on. China TCM has combined all its efforts to build the brand of "Sino-TCM", and shape the brand image of "Sino-TCM".

During 2023, "China TCM" and "Zhonglian" were awarded the title of "China Time-honored Brand", while the "Sino-TCM" was awarded the title of "Beijing Time-honored Brand".

Brand Corridor

- Beijing Time-honored Brand:** 中国药材 SINO-TCM
- China Time-honored Brand:** 中国中药 CHINA TCM, 中联, 安宇, 冯了性, 同仁堂
- Four Intangible Cultural Heritages:** (Images of traditional medicine products)
- Several Well-known Brands:** 一方制药, 天江药业 TIAN JIANG, 国药中联 SINOPHARM ZHONGLIAN, 一方四季, 中瑞牌, 德友

Honorary Awards Received by China TCM in 2023

Award	Recipient	Awarding Organization
Internationally Renowned Brand Developed as Key Priorities in Jiangsu Province	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	Department of Commerce of Jiangsu Province
14th in the Evaluation for the Pharmaceutical and Health Sector regarding the Value of Chinese Brands in 2023	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	China Council for Brand Development
High-quality Brand in Shandong Province	Shandong Yifang Pharmaceutical Co., Ltd.	Shandong Quality Evaluation Association
2022-2023 Outstanding Brand Enterprise of Chinese National Medicine	Guangdong Yifang Pharmaceutical Co., Ltd.	All-China Federation of Industry & Commerce Medical & Pharmaceutical Industry Chamber
2022-2023 Outstanding Brand Enterprise of Chinese National Medicine	Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.	All-China Federation of Industry & Commerce Medical & Pharmaceutical Industry Chamber



Jiangyin Tianjiang as "Internationally Renowned Brand Developed as Key Priorities in Jiangsu Province" by Department of Commerce of Jiangsu Province



Zhonglian Pharmaceutical as Outstanding Brand Enterprise All-China Federation of Industry & Commerce Medical & Pharmaceutical Industry Chamber



Shandong Yifang as High-quality Brand in Shandong Province by Shandong Quality Evaluation Association

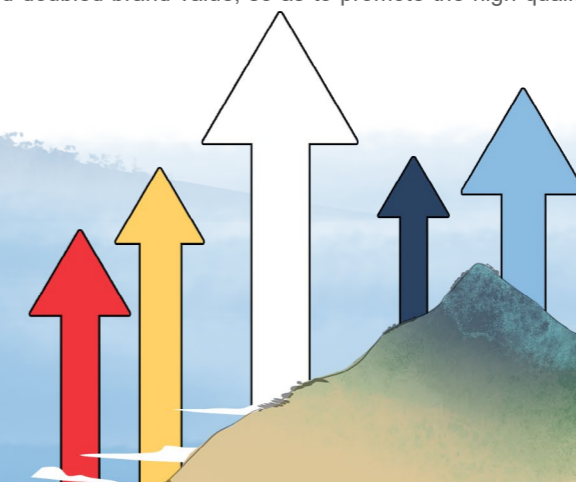


Jiangyin Tianjiang as the 14th in the Evaluation for the Pharmaceutical and Health Sector regarding the Value of Chinese Brands in 2023

序号	企业名称	品牌强度	品牌价值(亿元)
13	如新(中国)日用保健品有限公司	813	60.43
14	江阴天江药业有限公司	903	55.93
15	辽宁成大生物股份有限公司	814	53.50

Development Strategy

China TCM follows the development direction of "comprehensively building a sustainable, mutually synergistic and jointly developed the whole industry chain of comprehensive TCM healthcare services and creating an industry-leading comprehensive TCM healthcare services group". Based on the need to adapt to important changes in development environment, enhance core competitiveness, and clarify the goals and tasks of each business format, we have further refined our strategic objectives and adjusted and optimized our business segments and key tasks. We focus on six major business segments: Chinese medicinal herb production and operation, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health products and TCM institutions and aim to achieve six strategic objectives: leading economic benefits, prominent market position, leading technological innovation, gathering of professional talents, deepened and enhanced reform, and doubled brand value, so as to promote the high-quality and standard development of China's TCM industry.



01 Strengthening Management and Grasping the Overall Development of Strategy

China TCM adheres to corporate governance as the cornerstone, creating a clean and honest business atmosphere, continuously strengthening quality management, and continuously enhancing the overall competitiveness of the Company.

- Optimizing Corporate Governance
- Continuous Combating Corruption and Clean Company Building
- Enhancement of Quality Management



Optimizing Corporate Governance

The Company strictly adheres to relevant laws, regulations, and regulatory requirements, continuously improves its ESG governance framework, enhances its corporate transparency and reduces operation risks so as to improve its overall operation efficiency.

ESG Governance

Statements of the Board of Directors

The board of directors (the "Director(s)") of the Company (the "Board") attaches great importance to ESG governance and serves as the supreme authority over ESG issues and reporting. It authorizes its strategic committee (the "Strategic Committee") to act as the ESG Governance Committee. The Board, with the support of the Strategic Committee, comprehensively coordinates the ESG efforts of the Group, regularly reviews the Group's ESG practice, discusses and approves the annual ESG report, and obtains the latest information on ESG risks.

The Directors will receive non-scheduled training on ESG-related issues, in the form of online and offline training conducted by ESG professionals. The Board Office regularly provides the Directors with the latest updates on ESG issues, including the latest ESG news released by the Stock Exchange and other professional institutions. Such initiatives are beneficial for the Directors to understand the ESG efforts of the Group, support the continuous development of ESG capabilities of the Board members, and enhance their understanding of how ESG can drive the development of the Group. The Strategic Committee is responsible for overseeing ESG issues and monitoring the policies and implementation of corporate governance. The Audit Committee is responsible for overseeing internal audit and enterprise risk management, and provides supplementary support for ESG risk management. All centers and departments of the Company, as members of the ESG implementation team, are responsible for formulating initiatives related to ESG issues. All employees of the Group are responsible individuals and are expected to take ESG measures.

ESG Governance Structure

The Company is committed to creating sustainable value for all stakeholders and establishing an ESG governance system that covers the Company's management, employees and subsidiaries. The Board, as the supreme decision-making body for ESG governance, bears the ultimate responsibility for the ESG efforts of the Group. The Strategic Committee is responsible for reviewing the Company's ESG report, reviews status of various indicators listed in the report to in accordance with regulatory disclosure requirements and provides professional opinions.

The senior management of the Company serves as the guiding body for ESG governance and is responsible for the daily management of ESG-related matters. All centers and departments of the Company, as members of the ESG implementation team, are responsible for formulating initiatives related to ESG issues. All employees of the Group are responsible individuals and are expected to take ESG measures. The Board Office, as the collaborative department for ESG, collaborates with all centers (departments), including Party-Mass Work Department, Organization Department of Party Committee (Human Resources Center), Working Department of Discipline Inspection, Inspection Office, Office of the President, Strategy and Operation Management Department, Audit Department, Public Affair Department, Legal & Compliance Department, Production Center, Safety & Environmental Protection Department, R&D Center, Chinese Medicinal Materials Resources Center, Information Center, Quality Management Department, Finished Drug Marketing Center, and subsidiaries of the Company to comprehensively carry out ESG work. It regularly reviews the progress and effectiveness of ESG-related efforts within the Group, leads the annual collection of ESG information and reports, and reports to the Strategic Committee and the Board.

ESG Governance Policy and Strategy

The Board continues to monitor global ESG development trends and the domestic and international macroeconomic situation. Every year, we conduct materiality and importance assessments with internal and external stakeholders to identify ESG-related risks and opportunities, as well as their impact on the business and stakeholders. The assessment results provide guidance for ESG governance within the Group and enable timely optimization and adjustment of ESG management policies and strategies to ensure compliance with regulatory requirements and investor expectations.

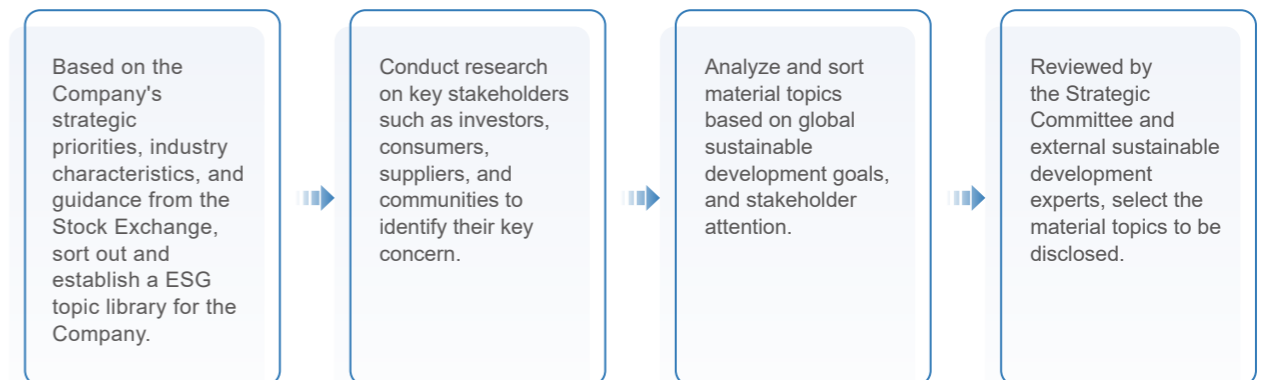
Setting of ESG Goals and Progress Review

The Company has established measurable ESG goals and corresponding implementation measures, involving aspects such as product quality, safety production, pollutant emissions, resource consumption, and greenhouse gas emissions. Currently, the remuneration of the management team is linked to the management effectiveness of ESG matters. All product quality and environmental management goals for 2023 have been achieved.

Identification of Material ESG Topics

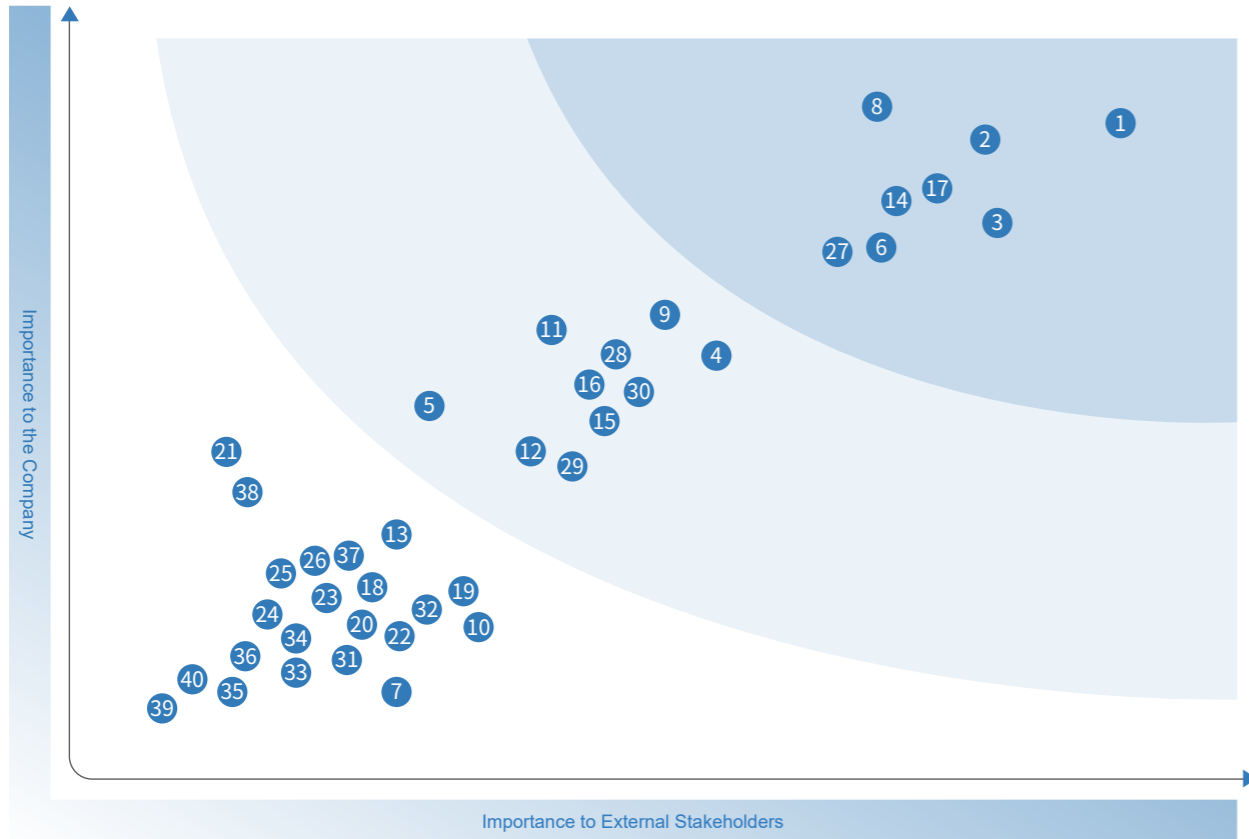
In order to comprehensively respond to the focus and important demands of the stakeholders inside and outside of the Company and ensure the effective implementation of ESG work, China TCM has constantly promoted the identification and assessment of key ESG topics. During the preparation of the ESG report, China TCM screens out the ESG topics that are highly related to the stakeholders inside and outside of the Group and closely related to China TCM through conducting investigation and research on the development background of pharmaceuticals industry both at home and abroad, analyzing the work priorities of China TCM throughout the year, benchmarking outstanding reports of the industry, carrying out material topic investigation, and other approaches. Those identified ESG topics are the key contents to be disclosed in the ESG report.

Identification Process of Material Topics



ESG

Material Issue Matrix of China TCM



Material Issue of China TCM							
1	Compliant operations	11	Employee development	21	Supplier management	31	Response to climate change
2	Risk management	12	Occupational safety and health	22	Green supply chain	32	Sewage management and emission reduction
3	Business ethics	13	Work-life balance	23	Public welfare and charity	33	Waste gas management and emission reduction
4	Anti-corruption	14	Pharmaceutical innovation and R&D	24	Community development	34	Hazardous waste management and discharge reduction
5	ESG governance	15	IPRs protection	25	Responsible marketing	35	Non-hazardous waste management and discharge reduction
6	Diversification and equal opportunities	16	Promotion of industry development	26	Drug recall	36	Ecological conservation
7	Child labor and forced labor management	17	Quality and safety of drugs	27	Environmental compliance management	37	Green operations
8	Employee remuneration and benefits	18	Product sales and labeling	28	Energy management and conservation	38	Environmental protection and public welfare
9	Employee care	19	Protection of rights and interests of customers	29	Water resource management and conservation	39	Hazardous chemicals management
10	Democratic management	20	Medicine accessibility/affordability	30	R&D and application of environmentally-friendly technologies	40	Biodiversity protection

Material Topics of China TCM							
1	Compliant operations	3	Business ethics	8	Employee remuneration and benefits	17	Quality and safety of drugs
2	Risk management	6	Diversification and equal opportunities	14	Pharmaceutical innovation and R&D	27	Environmental compliance management

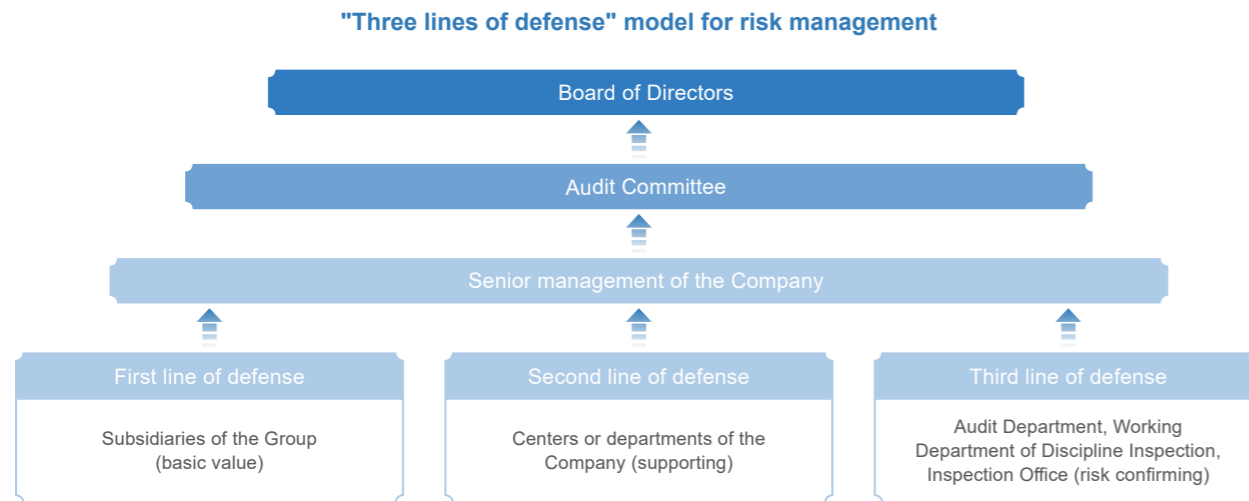
Communication with Stakeholders

China TCM has always attached great importance to the communication with stakeholders, learned the expectations and demands of stakeholders through diversified communication channels, and made active response accordingly, aiming at enhancing and improving the ESG management and realizing cooperation and win-win results with stakeholders.

Stakeholders	Expectations and demands	Communication channels	Response of China TCM
 Government and regulators	<ul style="list-style-type: none"> Legal compliance and risk management Deepen reform and promote innovation Serve national strategy 	<ul style="list-style-type: none"> Regular work reporting Routine communication Information reporting 	<ul style="list-style-type: none"> Consolidate foundation of operations Stimulate reform vitality Serve national overall interests Fulfillment of corporate responsibility
 Investors	<ul style="list-style-type: none"> Prudent operation Innovation in operation model Return on investment 	<ul style="list-style-type: none"> Publish interim and annual reports Convene general meeting Information disclosure 	<ul style="list-style-type: none"> Promote industrial integration and upgrading Accelerate the optimization of business layout Inspire vitality for innovation and creation
 Customers	<ul style="list-style-type: none"> Improve service system Promote innovation in service and product Ensure product safety Protect legal rights and interests 	<ul style="list-style-type: none"> Information transparency Customer investigation and research Product traceability Social media 	<ul style="list-style-type: none"> Enhance quality control of products and services Improve customer experience Protect rights and interests of customers
 Suppliers and partners	<ul style="list-style-type: none"> Open competition Good faith cooperation Industrial progress Business ethics 	<ul style="list-style-type: none"> Routine communication Exchanges and cooperation 	<ul style="list-style-type: none"> Build responsible supply chain Conduct strategic cooperation Transparent procurement Execution of agreements and contracts in good faith
 Employees	<ul style="list-style-type: none"> Protection of rights and interests Employee development Sense of happiness of employees Guarantee work safety and occupational health 	<ul style="list-style-type: none"> Exchange meeting Questionnaire survey Opinion collection Visits and tours 	<ul style="list-style-type: none"> Enhance management of remuneration and benefits Conduct employee care activities Improve training system Optimize talent pool development Guarantee working environment Conduct mental health services
 The community and the public	<ul style="list-style-type: none"> Community development Public welfare activities Create job opportunities 	<ul style="list-style-type: none"> Public welfare activities Volunteer service Local employment 	<ul style="list-style-type: none"> Visits and tours to the community Community service Contribute to rural revitalization
 Environment	<ul style="list-style-type: none"> Response to climate change Energy-saving and emission reduction Biodiversity protection 	<ul style="list-style-type: none"> Environmental impact assessment Enhance environmental management Conduct green operation Conduct green production 	<ul style="list-style-type: none"> Disposal of hazardous waste Emission compliance Reduction of resource consumption Environmental training for employees

Risk Management

China TCM recognizes that risk management is the responsibility of every individual within the Group. By establishing an accountability system based on the assumption of individual responsibilities in their respective business functions, effective risk management can be achieved. Currently, the Company has established the risk management structure with the guidance of the "three lines of defense" model. China TCM has conducted risk management work with the focus on various business processes, and analyzed and assessed the major risks the Group faced through the integrated application of risk assessment and analysis forms and risk assessment coordinates. The Company has established risk management and internal monitoring systems, reported risk management and internal monitoring situation regularly, and ensured the effective operation of its risk management and internal monitoring systems.



Compliant Operations

The Company attaches great importance to compliant operations, Party Secretary, Chairman, and President serve as the main persons in charge responsible for promoting the construction of the rule of law. The rule of law construction leadership group is responsible for promoting the rule of law construction and organizing and leading legal affairs management. In 2023, the Company focused on key areas to develop compliance guideline, accelerated the digital transformation of compliance management, innovated legal education and compliance promotion methods, and gradually strengthened the implementation and refinement of compliant operation.



Formulation of Compliance Guideline

China TCM has formulated compliance guidelines such as *Compliance Guideline for the Procurement of Wild Protected Animal and Plant Species*, *Guidelines for Marketing Compliance*, and *Guidelines for Legal Compliance in Brand Authorization Cooperation*.



Information-based Compliance Management

China TCM has promoted the digital transformation of compliance management to enable a series of compliance data support services, including enterprise monitoring, dynamic risk assessment, due diligence, public opinion monitoring, relationship investigation, and qualification screening. The Company has carried out compliance risk monitoring to timely master the litigation situation, operation risks, and public opinion situations of each subsidiary, and strengthened real-time dynamic monitoring.



Public Legal Education and Promotion

China TCM has created a special column called "Going with the Law" at WeCom to disseminate legal compliance knowledge to all employees by means of new regulation interpretation, compliance promotion, typical case analysis, research on legal practical issues, and experience sharing.

Information Disclosure

China TCM has actively fulfilled the responsibility of information disclosure, and formulated the *Administrative Measures for Information Disclosure* to establish guidelines and procedures for internal information disclosure and ensure that all market users have equal, accurate, timely and clear access to corporate information. During the Reporting Period, the Company released 34 announcements including the annual, interim reports and relevant documents, the notices of the general meeting and the Board meeting, and other voluntary announcements on the designated information disclosure platforms. There was no violation of fair disclosure of information.

China TCM has focused on enhancing the communication with investors, and built a public relations management system. Through general meeting, investor and analyst meetings, phone calls, emails, online platform (<https://www.china-tcm.com.cn>) and other channels and approaches, China TCM has maintained effective communication with shareholders and investors, and established a good image. During the Reporting Period, the Company held and participated in nearly 180 investor meetings in total.

Continuous Combating Corruption and Clean Company Building

China TCM adheres to the principles of clean and honest operation and strictly implements policies and regulations regarding anti-corruption and clean company building to ensure stable and healthy development of corporate governance.

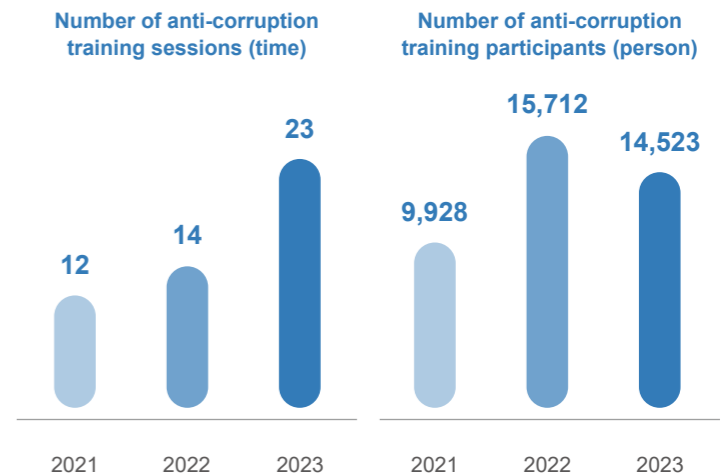
Business Ethics

Sticking to business ethics and standards of business conduct, China TCM has strictly abided by the requirements of laws and regulations including *Criminal Law of the People's Republic of China* and *Anti-Unfair Competition Law of the People's Republic of China*, constantly enhanced the internal management of business ethics, opposed all forms of commercial bribery, money laundering, monopoly and unfair competition, and participated in market competition in accordance with laws and regulations. The Company has required its partners to follow the policies and regulations relating to business ethics, and been committed to building a good business partnership featuring win-win cooperation.

During the Reporting Period, there were no illegal or unlawful business practices that have a significant impact on the Company such as money laundering, fraud and unfair competition.

Integrity Governance

In 2023, China TCM continued to deepen the full and strict governance over the Party, promote the construction of clean and honest government, and combat corruption. Over 60 copies of *Responsibility Letter for the Construction of Clean and Honest Government and Responsibility Letter for Integrity in Employment* were signed. The Company also revised and improved the *Travel Reimbursement System for Headquarters Employees* and *Official Reception Management Measures*, strengthened the promotion and reminder of relevant system requirements, conducted integrity education, established reporting channels, and created a clean and positive working atmosphere.



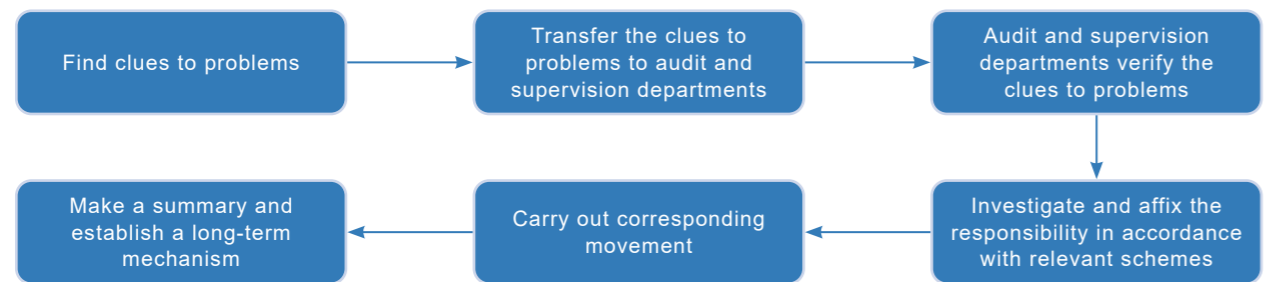
Protection of Whistle-blowers

China TCM is committed to protecting the legitimate rights and interests of whistle-blowers. The relevant departments are required to strictly keep confidential the whistle-blowers' identity and the content of the report. The received phone calls, letters, and visits shall be followed up by designated personnel. After necessary procedures including the handling of *Letter of Petition* and the *Handover Receipt of Materials from the China TCM Party Committee Inspection Team*, the cases reported are transferred to the relevant organizations for handling according to the management authority.

Reporting Channels

- Reporting through letters**
 Please specify the situation in the letter and mail it to China TCM Working Department of Discipline Inspection, 5th Floor, Winteam Plaza, Kuiqi 2nd Road, Chancheng District, Foshan City.
- On-site reporting**
 Please report to the China TCM Working Department of Discipline Inspection, 5th Floor, Winteam Plaza, Kuiqi 2nd Road, Chancheng District, Foshan City.
- Reporting through phone calls**
 During working days, please report by calling the Working Department of Discipline Inspection at 0757-8833 8890. The staff will record the content of the report.
- Reporting through email**
 Please specify the situation in the email and send it to the email address of China TCM Working Department of Discipline Inspection.

Anti-corruption reporting process



On 23 February 2023, China TCM held the 2023 Conference on Party Working Style Improvement, Clean Governance and Combating Corruption and Warning Education Assembly.

In 2023, China TCM continued to post contents regarding clean and compliant practice to its employees on a weekly basis its official public account. A total of over 46 articles related to integrity in the workplace and compliant operations have been posted.

China TCM has organized its employees to join the themed micro-video campaign "Build Clean Company and Combat Corruption for China TCM"

Enhancement of Quality Management

China TCM upholds strict quality management to ensure the production of high-quality products and the provision of high-standard services. We aim to enhance employees' awareness and sense of responsibility towards quality and create a rigorous and high-quality production environment.

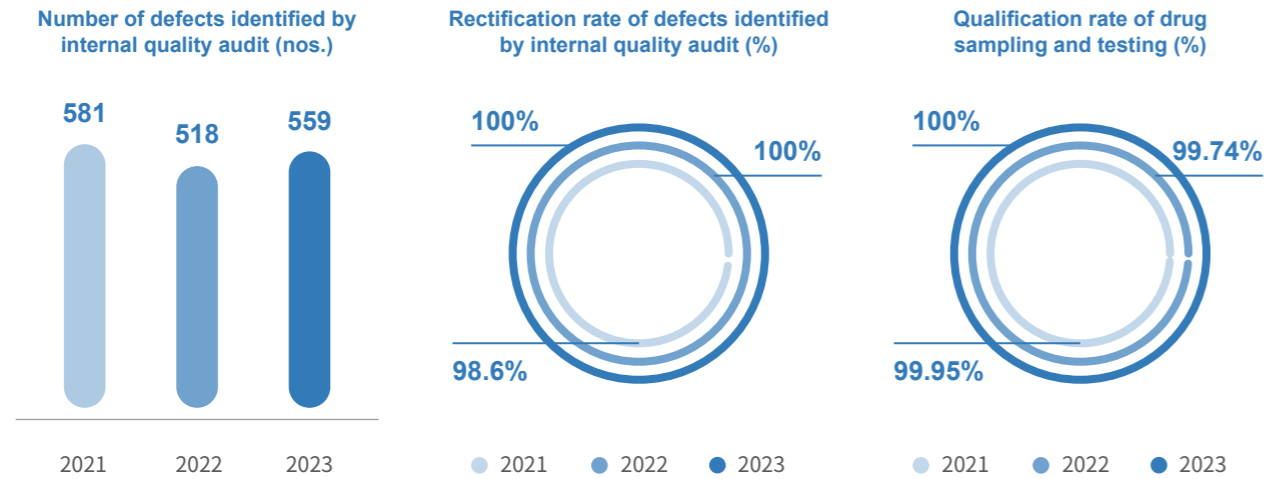
Quality Management System

The Company strictly adheres to *Good Manufacturing Practice for Pharmaceutical Products* and *Good Supply Practice for Pharmaceutical Products*, and has established a comprehensive quality management system. We have also formulated the *Administrative Measures for Quality Supervision* to ensure that all aspects of drug production, processing, testing, and operation comply with relevant standards, so as to promise the safety and effectiveness of pharmaceutical products.

- Organization Management**: The Quality Management Committee has been established to clarify the composition of the committee, the responsibilities of each member, the frequency and requirements for quality information report. At the same time, regulations have been put in place for quality assessment and rewards and penalties.
- Internal Audit Management**: Internal control and routine inspections on product quality of subsidiaries have been conducted at irregular intervals, aiming at finding and rectifying the potential quality risks.
- Assessment Management**: The Company formulates and signs the *Written Pledge for Quality Management Objectives* with its directly managed subsidiaries every year. Assessment by objectives is conducted in the aspects of completion of key quality work programs, reporting of quality information, external sampling inspection of products, and quality announcements.
- Emergency Management**: The Company has formulated *Emergency Plan for Product Quality Incidents* and the *Administrative Measures for Drug Recalls*, clarifying the process for handling product quality incidents and recalling problematic products to ensure the safety of public medication.

Quality Monitoring and Management

The Company has formulated documents such as *Administrative Measures for Internal Quality Audit* and *Operational Process for Internal Quality Audit*. Those documents strictly regulate internal quality management work. It also regularly forms a team of quality internal auditors to conduct audits on the quality management system and special quality inspections in production and operation processes. Audit reports are issued to optimize the management system and effectively enhance quality management effectiveness, reducing production and operation risks.



Quality Culture Building

The Company attaches great importance to the building of corporate quality culture, makes annual quality training plan every year, and organizes various types of theme quality management training, so as to cultivate unified quality vision, quality mission, quality values, and quality objectives among all employees. It aims to enhance employees' sense of identification with the organization quality requirements and create a good quality consciousness and atmosphere within the Group.

Quality Activities in 2023 (partial)

- Quality management knowledge quiz through the Longyin Classroom
- 4 online salons themed by "Experience Sharing of Quality Management Work"
- Organization of employees to participate in the 2023 TCM Lab Skills Contest of CNPGC
- "QC Standard Operation" video courseware production, with excellent videos included in the training courseware library for sharing and learning among subsidiaries
- Achievement Presentation Competition of China TCM Quality Management Team

Quality Awards Received in 2023

Feng Liao Xing Pharmaceutical

Second prize at the 6th SOE QC Team Achievement Presentation Competition in Dalian from 19 to 22 September 2023.

Guangdong Yifang

Two First-class Achievements and one Outstanding Achievement at the 44th National Pharmaceutical Industry Quality Management (QC) Group Achievement Presentation Competition in Lanzhou from 8 to 11 September 2023; **two Professional-level Achievements and Two Improvement-level Achievements** in the QC Group Achievement Exchange Meeting of Guangdong Association for Quality in June 2023; **First Prize of Quality Technology Award** at 2023 (3rd) Quality Technology Award Review of Guangdong Association for Quality.

Longxi Yifang

Two third prizes at Gansu Provincial QC Group Achievement Presentation.

Jiangyin Tianjiang

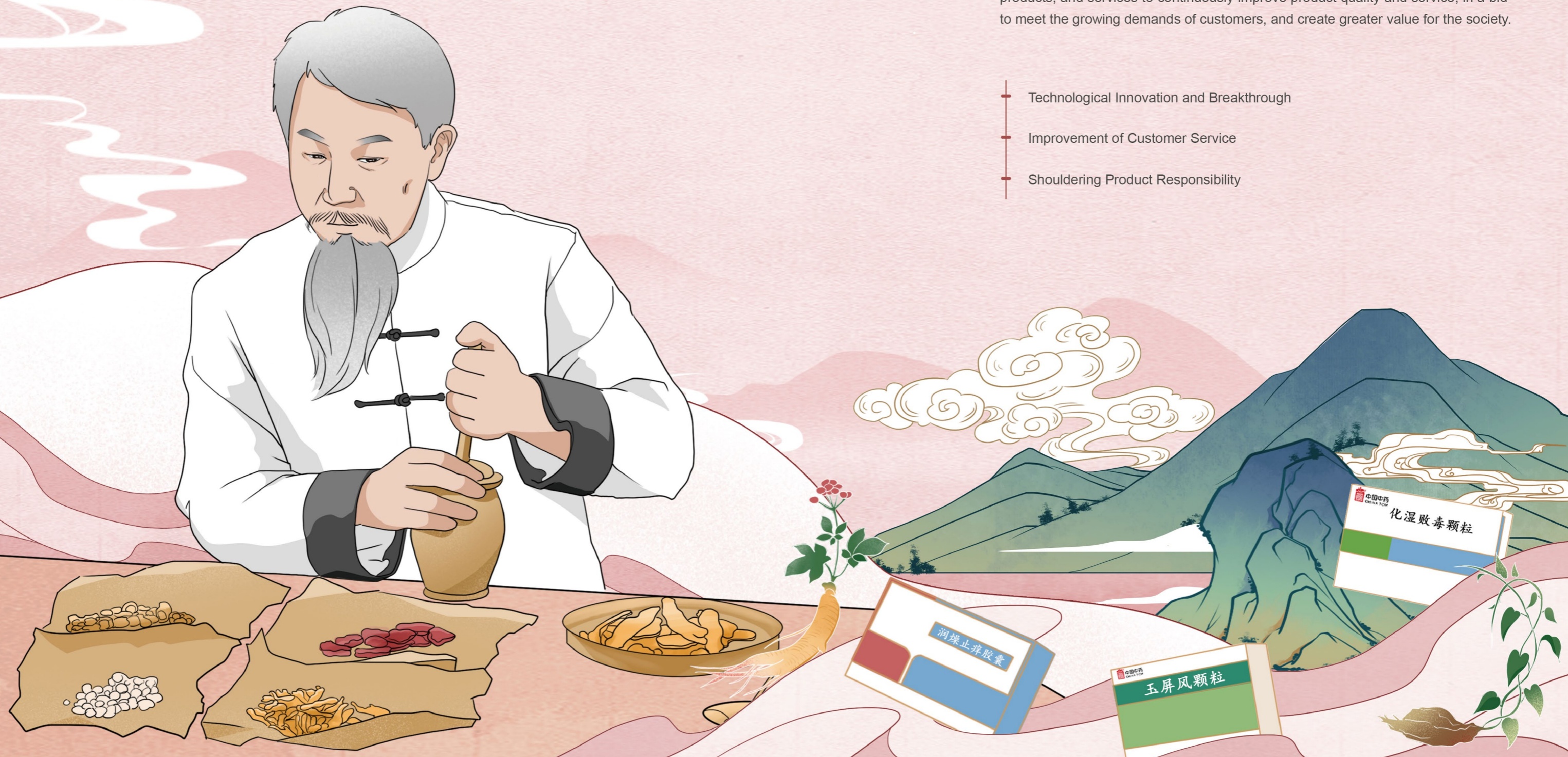
Excellent achievement at the Wuxi Quality Month Quality Management Group Achievement Presentation Competition.



02 Technology Improvement to Provide Professional Drug Guarantee

China TCM features innovation-driven development and develops new technologies, products, and services to continuously improve product quality and service, in a bid to meet the growing demands of customers, and create greater value for the society.

- Technological Innovation and Breakthrough
- Improvement of Customer Service
- Shouldering Product Responsibility



Technological Innovation and Breakthrough

The Company continues to increase investment in scientific research and development, promote technological innovation and digital transformation and accelerate the pace of digital transformation in the industry, so as to enhance its innovation capability and competitive advantages, and achieve sustainable development.

R&D Innovation System

China TCM continues to deepen the scientific innovation system with a "Three Horizontal and Eight Vertical" matrix and improves the development of institutions and scientific research talents. Based on the Group's 14th five-year plan, the Company has clarified the functional positioning, key work tasks, and goals of the 8 research and development centers of its Chinese Medicine Research Institute. During the Reporting Period, four national-level research and development platforms of the Group were newly recognized.

Institution Development

- *Coding Rules for Research Projects of China Traditional Chinese Medicine Holdings Co. Limited*
- *Administrative Measures of China Traditional Chinese Medicine Holdings Co. Limited for Scientific Research Archives*
- *Administrative Measures of China Traditional Chinese Medicine Holdings Co. Limited for Chinese Medicine Research Institute (trial)*
- *Administrative Measures of China Traditional Chinese Medicine Holdings Co. Limited for Patents (Revised in 2023)*

Team Building

Committee of Scientific and Technological Experts with

25 expert members

Scientific and technological personnel

1,329

People enjoying special allowances from the State Council

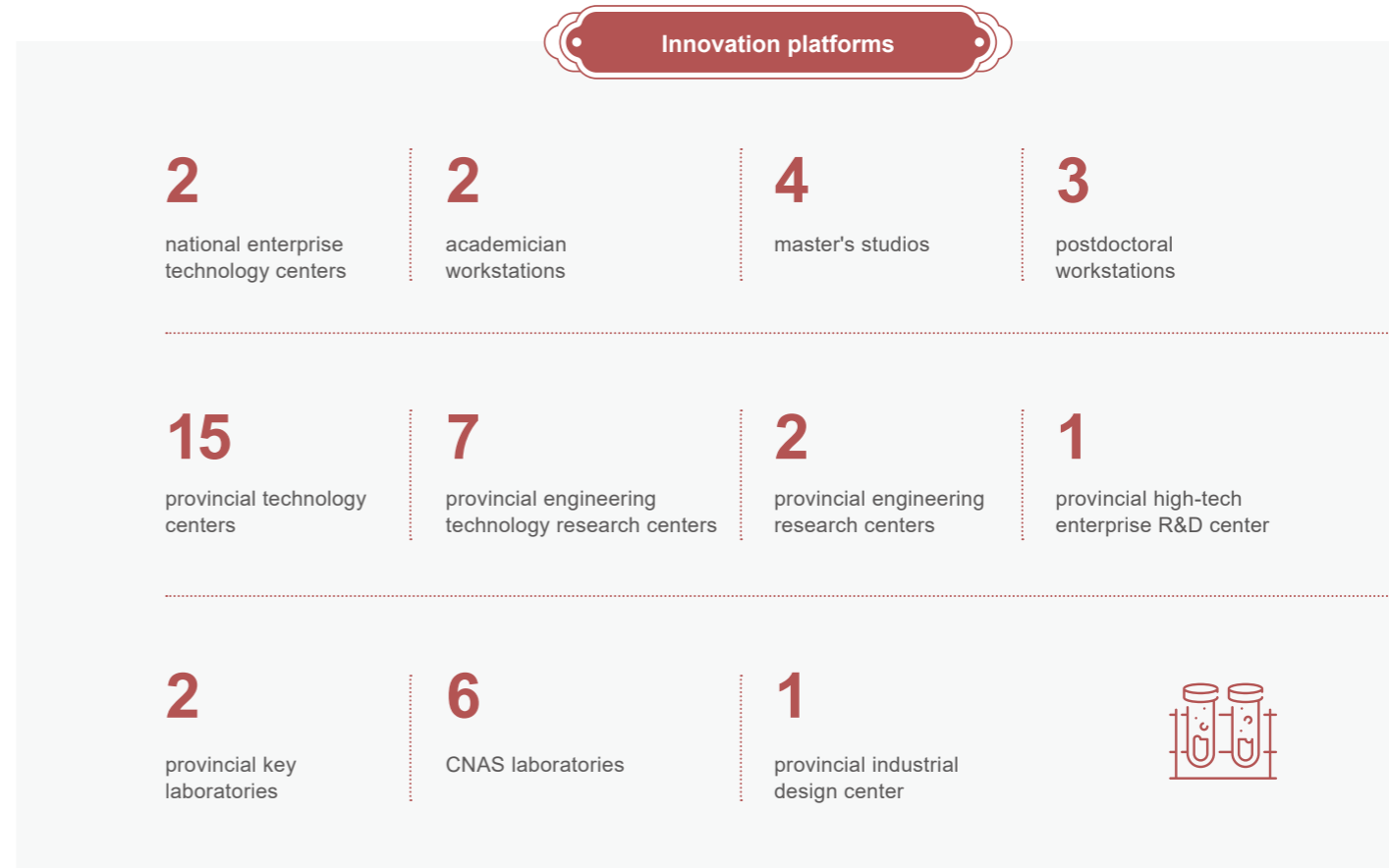
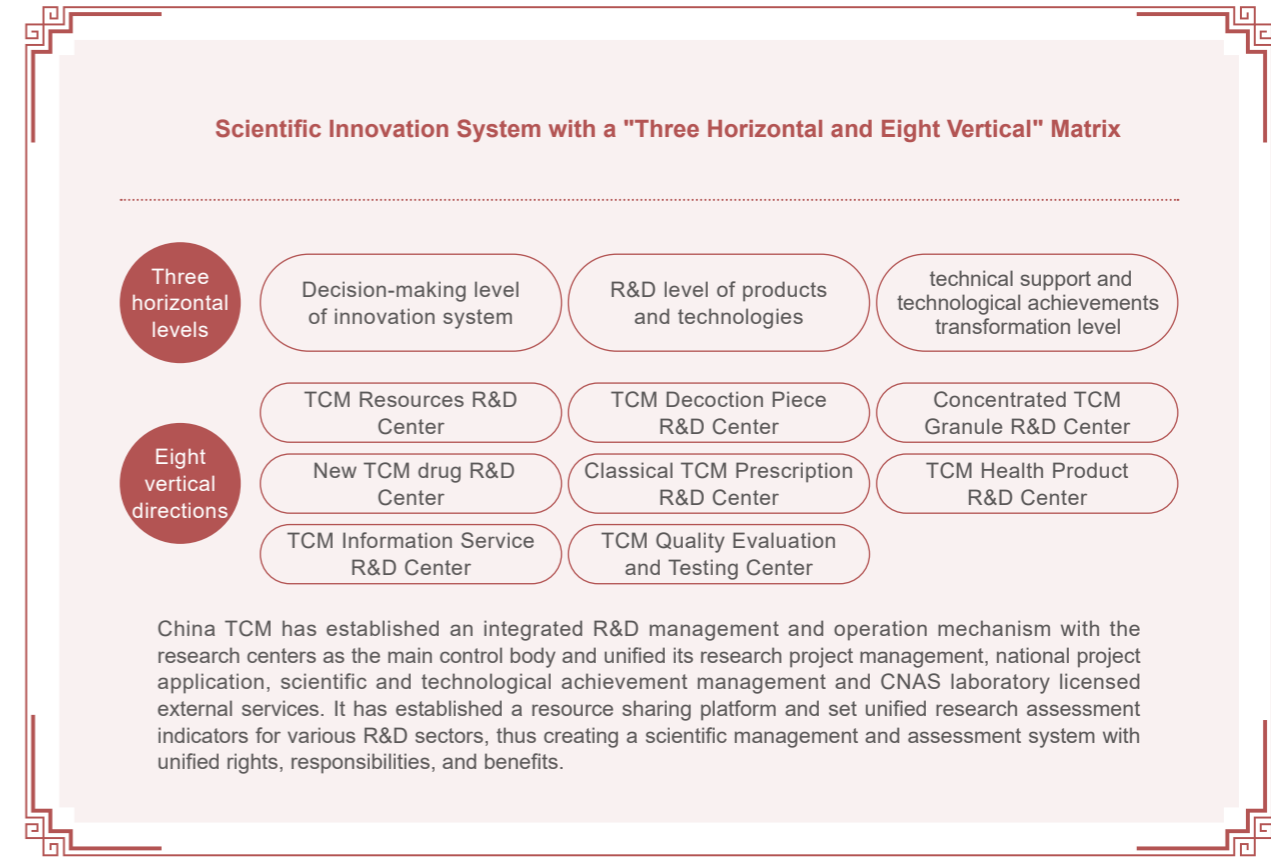
3

Leading professional of technology innovation in the National High-Level Personnel of Special Support Program

1

Personnel involved in "four types of technology talent" in CNPGC

91



Scientific Innovation Achievement

The Group maintains close connections with renowned research institutions such as Peking University, China Academy of Chinese Medical Sciences, Hong Kong University of Science and Technology, and Tongji University, as well as various provincial and municipal Chinese medicine hospitals. Through collaboration in research and innovation fields such as new TCM drugs, classical TCM prescriptions, concentrated TCM granules, and in-hospital preparations, it continuously stimulates research and accelerates the transformation of research achievements.

- Research on Chinese Medicinal Herb Resources**

In terms of new variety breeding, the Group has obtained the Plant Variety Rights Certificate issued by the Ministry of Agriculture and Rural Affairs, as well as the Certificate of Identification for New Chinese Medical Herb Varieties in Hubei Province.
- Research on TCM decoction pieces**

The Group participated in the revision of *Beijing Traditional Chinese Medicine Decoction Pieces Processing Standards* (2023 edition) that involves **101** products, accounting for **30%** of public products.
- Research on Concentrated TCM Granules**

The Group actively conducts research on the standard of concentrated TCM granules. As of December 2023, a total of **265** national standards have been issued, with **138** of which developed by the Group, representing **52%** of the total. In 2023, **65** new national standards were released, with **36** of which developed by the Group, representing **55%** of the total.
- Research on classical TCM prescriptions**

The Group completed research on benchmark samples of **2** classical TCM prescriptions, completed the research of pilot-scale production of **2** classical TCM prescription and applied for **4** varieties.
- Research on New TCM Drugs and In-hospital Preparations**

The Group actively promotes the clinical research of a new anti-depressant traditional Chinese medicine (Class 1.1) called "Yu Shu Da Tablets", with a total of **22** research centers initiated. **540** cases have been enrolled, with a completion rate of **100%**.



← TC ← ISO/TC 249

ISO 5228:2023

Traditional Chinese medicine
Rheum palmatum, Rheum tanguticum and Rheum officinale root and rhizome

Status: Published

Format	Language
<input checked="" type="checkbox"/> PDF + ePub	English
<input type="checkbox"/> Paper	English

CHF **129** [Add to cart](#)

Abstract

This document specifies the quality and safety requirements of *Rheum* root and rhizome (the dried root and rhizome of *Rheum palmatum* Linne, *Rheum tanguticum* Maxim. ex Balf. and *Rheum officinale* Bail.).

This document applies to *Rheum* root and rhizome that is sold and used as natural medicines in international trade, including Chinese materia medica (whole medicinal materials) and decoction pieces derived from these plants.

This document does not apply to the processing methods and processed products of *Rheum* root and rhizome.

← TC ← ISO/TC 249

ISO 7177:2023

Traditional Chinese medicine
Coptis chinensis and Coptis japonica rhizome

Status: Published

Format	Language
<input checked="" type="checkbox"/> PDF + ePub	English
<input type="checkbox"/> Paper	English

CHF **96** [Add to cart](#)

Abstract

This document specifies the minimum requirements and test methods for *Coptis* rhizome (the dried rhizome of *Coptis chinensis* Franch. and *Coptis japonica* Makino).

This document applies to *Coptis* rhizome sold and used as Chinese materia medica (whole medicinal materials) and decoction pieces derived from these plants.

This document does not apply to the processed *Coptis* rhizome, including products traditionally processed with different methods, or its processing methods.

In July 2023, the international standards ISO5228:2023 Traditional Chinese Medicine - Rheum palmatum, Rheum tanguticum and Rheum officinale root and rhizome and ISO7177:2023 Traditional Chinese Medicine - Coptis chinensis and Coptis japonica rhizome were officially released, with Yifang Pharmaceutical serving as the leader and one of the developers respectively. With such achievement, China TCM further seized strategic opportunities and vigorously promoted the globalization of TCM.



Main Awards in 2023

Award	Recipient	Awarding Organization
Second Prize of Science and Technology Progress Award by the Ministry of Education	Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.	The Ministry of Education of the People's Republic of China
National High-tech Company	Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd.	Science & Technology Department of Sichuan Province, Sichuan Provincial Finance Department and Sichuan Provincial Taxation Service, State Taxation Administration
Provincial enterprise technology center in Shandong	Shandong Yifang Pharmaceutical Co., Ltd.	Shandong Development and Reform Commission
Second Prize of Hubei Science and Technology Progress Award	Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.	Hubei Provincial People's Government
Second Prize of Guangxi Zhuang Autonomous Region Science and Technology Progress Award	Guangxi YifangTianjiang Pharmaceutical Co., Ltd.	People's Government of Guangxi Zhuang Autonomous Region
Guangxi Natural Medicine Processing and Efficacy Adjuvant Technology Achievement Transformation Pilot-scale Research Base.	Guangxi YifangTianjiang Pharmaceutical Co., Ltd.	Science & Technology Department of Guangxi Zhuang Autonomous Region
2022 Famous and High-tech Products in Guangdong	Guangdong Yifang Pharmaceutical Co., Ltd.	Guangdong High-tech Enterprise Association
10th Guangdong Patent Silver Award	Guangdong Yifang Pharmaceutical Co., Ltd.	Office of Guangdong Patent Award Review Committee
Small and Medium-sized Innovative Enterprise in Beijing	Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd.	Beijing Municipal Bureau of Economy and Information Technology
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Beijing	Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd.	Beijing Municipal Bureau of Economy and Information Technology
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Shandong	Shandong Yifang Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Shandong Province
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Shandong	Shandong Zhongping Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Shandong Province
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Anhui	Anhui Tianxiang Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Anhui Province
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Guangdong	Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Guangdong Province
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Guangdong	Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Guangdong Province
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Guangdong	Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Guangdong Province
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Sichuan	Sinopharm Tianxiang Pharmaceutical Co., Ltd.	Sichuan Provincial Economic and Information Department
Small and Medium-sized "Specialized, Fined, Peculiar and Innovative" Enterprises in Guizhou	Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.	Department of Industry and Information Technology of Guizhou Province




Tongjitang Pharmaceutical has been awarded the Second Prize of Science and Technology Progress Award by the Ministry of Education




Zhonglian Pharmaceutical has been awarded the Second Prize of Hubei Science and Technology Progress Award by Hubei Provincial People's Government



Guangxi Yifang has been awarded the Second Prize of Guangxi Science and Technology Progress Award by People's Government of Guangxi Zhuang Autonomous Region



Shandong Yifang obtained the certification from Shandong Provincial Enterprise Technology Center



Beijing Huamiao was certified as Small and Medium-sized Innovative Enterprise in Beijing



Tongjitang Pharmaceutical obtained the certification of "Specialized, Innovative, Unique, and New" Small and Medium-sized Enterprises in Guizhou Province




Shandong Zhongping obtained the certification of "Specialized, Innovative, Unique, and New" Small and Medium-sized Enterprises in Shandong Province

Intellectual Property Protection

China TCM attaches great respects and importance to intellectual properties and has revised the *Administrative Measures of Patents* to provide guidance for subsidiaries regarding the management of intellectual properties. Subsidiaries such as Guangdong Yifang, Jiangyin Tianjiang, Guangdong Medi-World, and Tongjitang Pharmaceutical have established intellectual property management systems in accordance with the *Enterprise Intellectual Property Management* (GB/T 29490- 2013), so as to enable the full lifecycle management of intellectual property.

During the Reporting Period, the Group applied for a total of 248 patents, including 153 invention patents (including 3 PCT patents). The proportion of invention patent applications increased from 59% in 2022 for the same period to 62%. The Group was granted a total of 185 patents, including 100 invention patents. The proportion of invention patent grants increased from 38% in 2022 for the same period to 54%.

During the Reporting Period, the Group applied for a total of

248 patents 

including

153 invention patents

The Group was granted a total of

185 patents 

Intelligence Platform

The Group adheres to innovation-driven development and actively focuses on integrating new technological applications in business transformation, in line with industrial development and digital trends. We are actively promoting the construction of intelligent modern TCM production bases and the establishment of modern TCM production platforms. We also continuously enhance our digital operation and actively promote innovative development.

Case | TCM Whole Industry Chain Quality and Technical Service Platform

The core experience of the Group in promoting the high-quality development of the industry is to build a synergistic development industrial system for the whole industry chain of comprehensive TCM healthcare services. We actively undertake the project of "TCM Whole Industry Chain Quality and Technical Service Platform" of the Ministry of Industry and Information Technology in 2022. The project consists of three parts: the "TCM Whole Industry Chain Quality Traceability Platform", the "TCM Whole-Process Quality Control Inspection and Testing Platform" and the "TCM Innovation Achievement Industrialization Public Service Platform." The aim is to build an integrated digital platform for quality technical services in the entire industry chain of Traditional Chinese Medicine.

After the establishment of the platform, it will provide services to the industry such as management of the traditional Chinese medicine industry, development of new traditional Chinese medicines, inspection and testing services, rapid testing services, secondary development of major traditional Chinese medicine varieties, and evaluation of traditional Chinese medicine products or enterprises.

During the Reporting Period, the Group has established the TCM Whole Industry Chain Quality Traceability Platform. The platform includes multiple subsystems such as the traceability of Chinese medicinal herbs production quality, drug production quality traceability, traceability data analysis, and quality data analysis. It has achieved full-chain traceability services for resource distribution, seedlings, planting and breeding, processing and production, warehousing and logistics, environment monitoring, and inspection and testing. By the end of 2023, the platform has been launched in 21 subsidiaries engaged in the production and operation of Chinese medicinal herbs in 30 provinces. A total of 322 batches of traceability codes have been given to 64 varieties.

Case | Digital TCM Clinics 1.0 by China TCM

China TCM has independently developed the "Digital TCM Clinics" 1.0 that covers the retail, physical therapy, and medical business modules. It connects external online hospitals, granule packaging, decoction delivery, and chain tea platforms, integrating financial and business operations, aggregated payments, and internal settlements. The platform addresses the challenges of fragmented information and constantly changing rules, achieving the breakthrough in the digital transformation of TCM clinics from scratch. It sets a benchmark for the digitization in the industry.

Case | Jiangyin Tianjiang's Integrated Platform for Intelligent Manufacturing

In 2023, Jiangyin Tianjiang's "Intelligent Warehousing" project was selected as an "Excellent Smart Manufacturing Scenario" by the Ministry of Industry and Information Technology. The project adopts the "intelligent three-dimensional warehouse + high-speed sorting system" to achieve the characteristics of "multiple varieties, small packaging, small batch, multiple batches and short cycle" of concentrated TCM granules. It effectively enables the automated management of inventory, flexible logistics operations, reduces labor intensity, and improves work efficiency.



Improvement of Customer Service

China TCM respects the legitimate rights and interests of customers, adheres to responsible marketing, protects customers' personal information and privacy, establishes effective communication channels with customers and continuously improves product and service quality to enhance customer satisfaction.

Responsible Marketing

The Group organizes various patient education and free clinic activities to ensure medication safety, adhering to the principle of providing high-quality drugs with clear value and sufficient evidence-based support, and promoting "rational drug use". In marketing activities, We strictly observe the drug advertising laws. The drug information is conveyed accurately based on the instructions and relevant expert consensus and guidelines. The content of drug advertisements is consistent with the instructions approved by the drug regulatory department under the State Council, and contraindications and adverse reactions are prominently indicated to demonstrate responsible marketing practices.



Provision of Excellent Customer Service

Improved Communication with Customers

China TCM has established the *Product Quality Information Management System* to strengthen the collection and monitoring of product and drug quality information, as well as adverse drug reactions. It ensures smooth communication in cases such as external product sampling, customer complaints or adverse reactions. Additionally, the Company conducts regular customer satisfaction surveys and investigations into drug adverse reactions each year and improves its services by collecting, summarizing, and analyzing the results of such surveys and investigations.

Customer Training

The Group attaches importance to the popularization of drug information and rational drug use. It actively participates in industrial exchanges, disseminates basic drug information through platforms and academic symposiums. At the same time, it establishes professional teams at medical terminals and retail pharmacies to provide training on rational drug use and promote knowledge of safe medication, ensuring timely and accurate transmission of drug information.



Protecting Customer Privacy

The Group continues to promote the protection of information security, enhance the security protection of systems such as the "Digital TCM Clinics" and the "Shared TCM Decoction and Distribution System" that involve external customer information. At the same time, measures such as strengthening data center monitoring and streamlining data backup windows are taken to protect data assets and maintain a stable and secure information environment for customers.

Shouldering Product Responsibility

China TCM is committed to ensuring equal access to healthcare services and medication for everyone. We continuously improve our product quality monitoring and recall mechanisms to promptly identify and address any quality issues. We strive to safeguard the health and well-being of the people.

Improving Product Accessibility

The Group actively expands the market coverage of its products, ensures the smooth circulation of drugs in medical institutions and reaches the end-users in the retail market. We strive to meet the basic medication needs in clinical settings and provide essential drug security for patients, continuously improving the accessibility of products.



Reducing Burden of Patients

The Group adheres to the principle of putting people's health at the center and actively participates in the national basic medical security. We strengthen the functional positioning of essential medicines by emphasizing their basic nature and their necessity in prevention and treatment, guaranteeing their supply, ensuring their priority and quality assurance, and reducing the burden of patients. This is done to ease the economic burden on patients and improve the accessibility of high-quality medical resources.

TCM decoction pieces

According to the result of the first national inter-provincial alliance procurement of TCM decoction pieces. A total of **100** companies have been selected for **21** varieties of TCM decoction pieces, with an average price reduction of **29.5%** and a maximum price reduction of **56.5%**. **12** varieties from **4** subsidiaries have won the bids, with a total agreed procurement quantity of over **130,000** kilograms.

Concentrated TCM granules

On 27 October 2023, the first inter-provincial centralized volume-based procurement of concentrated TCM granules was held in Dezhou, Shandong Province. The preliminary bidding results were generated. **10** subsidiaries of China TCM have been selected, among which **200** varieties of Guangdong Yifang have been selected, and **199** varieties of Jiangyin Tianjiang have been selected. The two major concentrated TCM granule production companies have both reduced their prices by nearly **57%**.

TCM finished drugs

Diversified varieties: Currently, **420** varieties are included in the national medical insurance, which ensures that more patients have access to medical insurance drugs with precise therapeutic effects, good quality, and reasonable prices.

Lower prices: The daily treatment cost for Xianling Guobao Capsules, Jingshu Granules, Fengshi Gutong Capsules, Yu Ping Feng Granules, Anti-Itching Capsules, Zaoren Anshen Granules, Bi Yan Kang Tablets, Trionycis Bolus, and Jinye Baidu Granules ranges from RMB **3—8**, indicating an affordable basic medication guarantee for patients.

Pharmacovigilance and Recall

Pharmacovigilance

The Group has promoted the generation of documents regarding the pharmacovigilance system, the establishment of drug safety committee, and the pharmacovigilance department in subsidiaries in accordance with the *Specification on Pharmacovigilance and Quality Management* and the *Guiding Principle for Pharmacovigilance Inspection* and other documents. Dedicated personnel have been appointed to be responsible for pharmacovigilance to carry out regular self-inspections, and product instruction manuals are revised as necessary to ensure the safe, rational, and effective use of drugs. In 2023, the revision for product instruction manuals of Viaminate and Vitamin E Gel, Shedan Chuanbei Tablets, Guanxin Suhe Pills, Xiao'er Kechuanling Oral Liquid, and Lysine Hydrochloride Injection has been completed.



Collection of information on adverse reaction

The pharmacovigilance department actively collects information on adverse reaction through telephone, clinical trials, literature searches, consultation and complaints, and other channels, and reports it to the national system.



Analysis of information on adverse reaction

The Company regularly collects adverse reaction data from the direct reporting system for national drug marketing authorization holders for analysis, and submit the regularly updated safety reports to the ADRS.



Revision of product instruction manual

Based on the analysis results, the Group timely carries out the revision of the product instruction manual to inform the public about the types and severity of adverse reactions, thus ensuring the safety of public medication.

Product Recall

The Company has developed and implemented various drug safety-related systems, such as the *Management Regulation for Product Quality Information (Revised in 2020)*, *Emergency Plan of for Product Quality Incidents (Revised in 2020)*, and *Regulations for the Collection and Management of Adverse Reaction Information of Marketed Drugs (Revised in 2020)*. Those systems ensure the quality and safety of drugs and standard and effective emergency response procedures for product quality incidents.

Each subsidiary has developed management systems such as *Administrative Measures for Product Recalls*, *Emergency Plan for Product Quality Incidents*, *Control Procedures for Product Recall*, *Control Procedures for Non-conforming Products and Regulations for the Management of Product Return*. Regular simulated product recalls and emergency drills for product safety incidents are also conducted to effectively enhance the capacity of emergency response and reduce recall risks.

Indicator	Unit	2021	2022	2023
Number of product recalls	recalls	/	4	5
Percentage of recall due to quality of TCM decoction pieces (in kilograms)	%	0	0.04	0.017
Percentage of recall due to safety of TCM decoction pieces (in kilograms)	%	0	0	0
Percentage of recall due to quality of concentrated TCM granules (in packets)	%	0.00017	0.00006	0.00004
Percentage of recall due to safety of concentrated TCM granules (in packets)	%	0	0	0
Percentage of recall due to quality of TCM finished drugs (in boxes)	%	0.00008	0.00002	0.00042 [Note]
Percentage of recall due to safety of TCM finished drugs (in boxes)	%	0	0	0

[Note] During the Reporting Period, quality recalls expended to product effectiveness, product information, appearance and taste, resulting in an increase of recalls.

03 Building an Inclusive and Progressive Workplace with Integrity and Dedication

China TCM is committed to safeguarding the legitimate rights and interests of its employees. We have established a comprehensive system for employee development, provide employees with opportunities for growth. We care about the well-being of our employees, value their health, and focus on their safety. We are dedicated to creating a healthy and positive work environment and strive to collaborate, share, and develop together with our employees.

- Protecting Rights and Interests of Employees
- Smooth Employee Development
- Ensuring Employee Safety



Protecting Rights and Interests of Employees

China TCM strictly observes the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *Employment Ordinance* in Hong Kong, and continuously improves its democratic management system. We value the physical and mental health of our employees and strive to achieve a balance between work and life by organizing diverse employee activities during their leisure time.

Compliant Employment

China TCM treats employees of different ages, genders, races, religions, nationalities, and marital statuses fairly and impartially in accordance with the employment laws and procedures. The Company establishes labor relationship with employees in accordance with the principle of equal consultation, and in compliance with the law. During the Reporting Period, the Group's labor contract signing rate was 100%.

At the same time, we strictly observe the *Provisions on the Prohibition of the Using Child Labor*, the *Labor Law of the People's Republic of China* and other laws and regulations. During the Reporting Period, there were no cases of employing child labor or forced labor in any link of the Group's operation.

During the Reporting Period, the Group's labor contract signing rate was

100%




Diversification

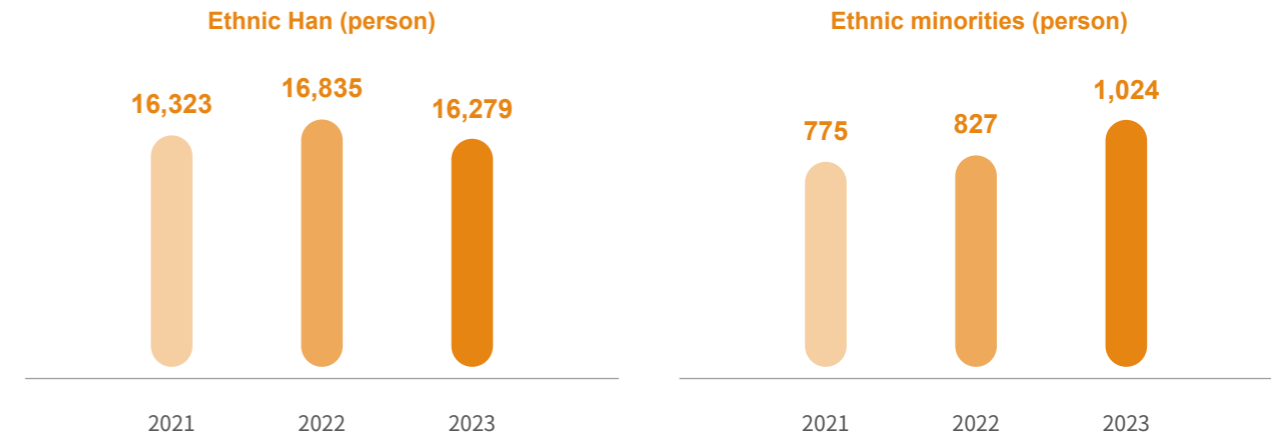
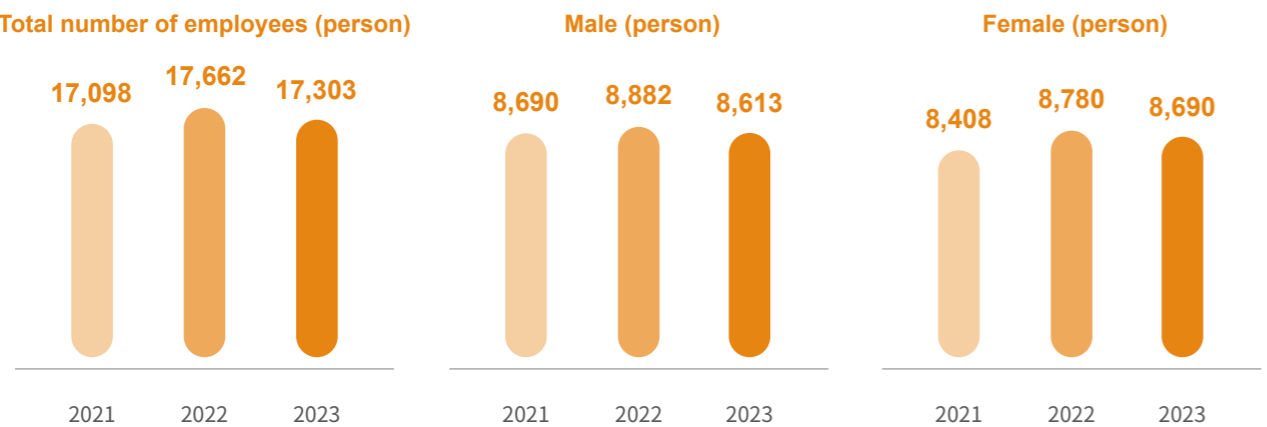
China TCM holds the principle of diversity, equality, and inclusiveness, respects the diversity and individuality of its employees, and rejects any form of discrimination and bias. We are committed to providing equal opportunities and a broad career development platform for every employee. During the Reporting Period, the number of minority employees was 1,024, and that of disabled individuals was 117. The proportion of female employees in management was 38.9%.

During the Reporting Period, the number of minority employees was **1,024**

That of disabled individuals was **117**

Proportion of female employees in management was **38.9%**



Remuneration and Benefits

China TCM has focused on building a fair and impartial remuneration system and a people-oriented benefits system. Efforts have been made to ensure that salaries are paid on time and in full and that men and women are paid equally for equal work. On such basis, we continuously improve the employee incentive mechanism to maximize the value of employees and give full play to the remuneration system to motivate the talents.

The Company also provides employees with a comprehensive range of benefits, including meal allowance or working meal, high-temperature subsidies, annual physical examination, transport subsidies, communication subsidies, supplementary commercial insurance and enterprise annuity, and subsidiaries provide local welfare benefits to employees based on actual conditions.

Indicator	Unit	2021	2022	2023
Coverage rate of five social insurances and housing provident fund	%	100	100	100
Average paid leave days per person	days	/	6.20	6.57
Coverage rate of employee physical examination	%	/	98.03	100

Democratic Management

China TCM insists on democratic management, encourages employees to actively participate in the decision-making process of corporate policies and systems. We are committed to promoting employee democratic management to ensure the exercise of their democratic management rights. By regularly convening congress of workers and staff, we ensure the employees' right to know, participate, supervise, and express, and continuously strengthen close communication with them.

The Company strictly follows the *Management Measures for the Appointment and Removal of Management Personnel of Headquarters and Subsidiaries (Revised in 2022)* to set the correct orientation for personnel selection and appointment, standardize the procedures for personnel selection and appointment. For the selection and appointment of leaders through internal recommendation, democratic recommendation is carried out, including recommendation interviews, surveys and meetings, in a bid to fully listen to the opinions of the surveyed individuals. The recommendation results will serve as an important reference for selection and appointment.

Employee Care

China TCM cares about the living needs of its employees and is committed to addressing practical issues, doing good deeds, and solving their problems. The Company values the balance between work and life for its employees and encourages them to participate in various activities.

Establishment of Employee Mutual Aid Fund

As of the Reporting Period, 63 subsidiaries have joined the employee mutual aid fund, with members of nearly 12,000 people. Since its establishment in 2012, the fund has provided assistance for 270 individuals, with a total amount of RMB2.492 million. In 2023 alone, the fund helped 36 individuals, with a total amount of RMB482,300.



Balance between Work and Life

The Group actively organizes various employee activities such as the "Colorful TCM·Moving Forward" healthy hiking, the "Colorful TCM·Sportsmanship Showcasing·Advancing towards the Future" fun sports meeting, and the "Luck in Mid-autumn" youth socialization. Those activities are diverse in form and rich in content, enriching the cultural life of the employees.

Employee Activities by the Group and Its Subsidiaries



◎ Caring for the Physical and Mental Health of Employees

China TCM actively safeguards the physical and mental health of its employees. Every year, it provides annual physical examinations for employees and assists in the management of the employee mutual aid fund in accordance with relevant regulations, ensuring the well-being of employees.

Case | Caring for the Physical and Mental Health of Female Employees by Free Medical Service

In 2023, China TCM, in collaboration with Feng Liao Xing TCM Clinics in Foshan, organized the "Colorful TCM-Care for Women's Health". The activity featured health lectures, patient education and free medical services, medication consultations, and TCM therapies.



"Colorful TCM-Care for Women's Health" TCM Free Medical Services

Smooth Employee Development

China TCM continuously improves its talent introduction mechanism and talent development mechanism, establishes smooth career development paths to help employees explore their unlimited potential. We are committed to creating a fair and reasonable promotion mechanism and suitable development channels for our employees.

Introduction of Talents

The Company actively builds highland for talents, holds the talent concept of "virtue, integrity and ability", and develops talent recruitment strategies every year according to the Company's talent needs to ensure recruitment efficiency. During the Reporting Period, subsidiaries applied for over 50 talent introduction and development policies and received a total of subsidy of approximately RMB 2.4 million. This effectively improved the quality of talent introduction and the stability of employees and further helped enhance internal talent capabilities.

◎ Recruitment Management

During the Reporting Period, we revised and released the *Administrative Measures for Recruitment Management* and improved the *Administrative Measures for Labor Contract Management* and the *Administrative Measures for Labor Employment at Headquarters* to further standardize employee recruitment management.

◎ Recruitment Measures

University-Enterprise Cooperation

- We conducted visits and exchanges with more than 10 universities, including Fudan University, Jilin University, Central University of Finance and Economics, and Guangdong Pharmaceutical University, to discuss recruitment of fresh graduates and cooperation between the universities and our company.
- We implemented the "Campus Roadshow" project, a new campus recruitment model that integrates learning about corporate culture, understanding corporate products, experiencing traditional craftsmanship, professional resume diagnosis, and finding desired positions.
- The 2023 Open Day for Talents was also organized, inviting nearly 100 faculty and students from 5 prestigious universities including Sun Yat-sen University and South China University of Technology to visit China TCM, in order to enhance the employer brand awareness of China TCM.



Campus Roadshow Event



Open Day for Talents

Government-Business Cooperation

- We actively participated in talent cooperation and exchange activities organized by universities and government institutions, and traveled to Changsha, Wuhan, Beijing, and Hong Kong to take part in talent recruitment and introduction activities organized by local government institutions.
- Being a part of government-organized overseas talent exchange activities, we have been awarded the first title of "Foshan-Hong Kong Enterprise Talent Recruitment and Introduction Demonstration Base" by the Foshan government. This signifies that China TCM has become an important gateway for Foshan to attract and gather talent from Hong Kong.

Recruitment highlights

Case | Building a team of top-notch interviewers

We have conducted two sessions of the Gold Medal Interviewer Empowerment Training and Certification Program. The second session involved a total of 50 participants, including headquarters managers and human resources practitioners from subsidiary companies. The certification process consisted of written tests, practical assessments, and assignments. After the training and assessment, 14 individuals were certified as Gold Medal Interviewers, while 32 individuals were certified as Excellent Interviewers. Currently, we have formed a team of nearly a hundred interviewers.



Gold medal interviewer selection site

Case | Winning multiple gold employer awards

China TCM has been awarded the prestigious Excellence Award of "2023 Ram Charan Management Practice Award" for its outstanding management practices, marking the first time that China TCM has received this highest honor in China's management field. Additionally, the Company's employer brand building practices have been selected for inclusion in the case study library of the Chinese edition of Harvard Business Review.

In addition, China TCM has also been honored with 9 prestigious employer brand awards from organizations such as Career International's "2023 Best Employer in Human Resource Management" and HRflag's "2023 Best Human Resource Management Team". Jianguyin Tianjiang has also made its debut in the list of "2023 China 100 Best Employers" by Zhaopin.com.



Excellence Award of "2023 Ram Charan Management Practice Award"



2023 Best Employer in Human Resources Management

Talent Cultivation

The Company adheres to the "14th Five-Year Plan" for human resources and carries out employee training. It actively explores the training and cultivation mechanism for characteristic talents in traditional Chinese medicine. It continuously cooperates with external universities and third-party organizations to organize training programs to enhance employees' work abilities and leadership skills, aiming to continuously improve employees' overall capabilities. During the Reporting Period, the total investment in employee training amounted to RMB 9,883,900, with a cumulative total of 459,181 training participants.

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Case | Enhancing the "Five-Element & Great-Plan" Talent Development System to actively explore the training and cultivation mechanism for characteristic talents in traditional Chinese medicine

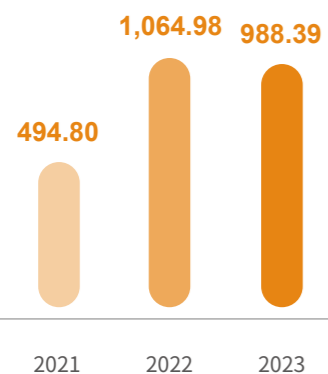
China TCM has taken the talent in the production and operation of traditional Chinese medicine materials as a pilot, integrating internal and external expert lecturers to provide teaching resources. The Company has invited 19 nationally renowned external experts and 15 outstanding internal experts to deliver courses. Through online and offline teaching, on-site visits, and practical exercises, we have built a knowledge system covering 5 major course themes and more than 40 courses in the Chinese medicinal materials resource industry chain. In 2023, a total of 6 themed training sessions were conducted, cultivating about 50 talents with expertise in traditional Chinese medicine.



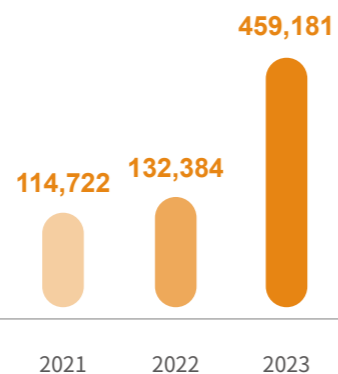
Intermediate-level training for production and management personnel of Chinese medicinal herbs



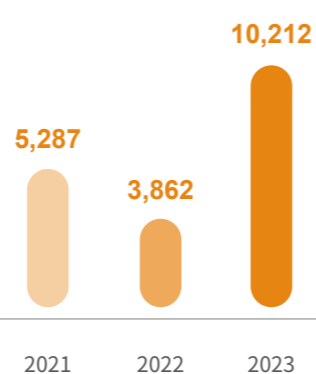
Investments in employee training (RMB10,000)



Number of employees participating in trainings (person-time)



Number of employee trainings (time)



Talent Development

China TCM continuously improves its employee career development system, providing capable and willing employees with the opportunity to choose a suitable development path and ensuring a smooth talent development channel.

Initiatives to support employee promotion and development in the Group

Establishing a sound employee promotion mechanism

- Organize employee dual-track promotion evaluations based on the criteria for management channel and professional technical talent channel, to continuously promote employee development.
- Establish a unified MPO job position system, implement a flexible employment mechanism, optimize the talent development mechanism, and establish a sound employee career development system.
- Release the Headquarters Title, Professional Qualification Evaluation and Academic Promotion Incentive Measures, encourage employees to obtain titles, professional qualifications, or occupational skill level certificates closely related to their positions, and provide certain incentives for employers obtaining the above-mentioned certificates. During the Reporting Period, the number of senior title holders in the Group reached **171**.

Optimizing Talent Pool Development

- Revise the *Implementation Rules for the Construction of Talent Pool*, optimizing the criteria for talent pool admission, evaluation procedures, training guidelines, promotion, and subsidy mechanisms.
- Organize reviews on professional technical personnel and reserve managers, allowing employees to apply for either one or both types of talent. This further improves the employees' career development system.
- During the year, **11** individuals passed the evaluation for senior professional titles for the year 2022, including **1** individuals who were awarded the senior professional title and **10** individuals who were awarded the associate senior professional title. Additionally, **91** individuals passed the evaluation for scientific and technological talents, including **5** leading professionals, **12** discipline (field) leaders, **35** scientific and technological backbone personnel, and **39** technical craftsmen.
- During the Reporting Period, a total of **1,090** professional technical personnel were evaluated, representing a year-on-year increase of **26.9%**. Among them, there were **136** special and senior talents, accounting for **12.5%** and showing a year-on-year increase of **37.4%**. Additionally, a total of **504** reserve management talents were evaluated, achieving a doubling growth compared to the previous year.



Ensuring Employee Safety

China TCM attaches great importance to the occupational health of its employees and continuously improves the system of occupational health protection. We actively carry out occupational health screenings for employees and strive to provide a safe, healthy, and comfortable working environment.

Ensuring the Occupational Health of Employees

China TCM strictly implements the Law on Prevention and Control of Occupational Diseases and establishes the Administrative Measures for Occupational Health Supervision and Management to supervise its affiliated enterprises in establishing occupational health management systems. We also carry out occupational health monitoring for employees exposed to hazards, including pre-employment, on-the-job, and post-employment health examinations. We provide labor protective equipment that meets national or industry standards to minimize the risks of occupational disease accidents and compliance risks.

During the Reporting Period, the Group had a total of 3,199 employees involved in occupations with potential hazards. All of them have undergone occupational health examinations, with 3,030 employees participating in the 2023 annual occupational health examination, while the remaining employees did not reach the occupational health examination cycle in 2023. No suspected cases of occupational diseases were found. A total of 44,970 people received occupational safety and health training throughout the year, with a total of 89,940 training hours.

<p>During the Reporting Period, the Group had a total of</p> <p>3,199 employees</p> <p>involved in occupations with potential hazards</p>	<p>No suspected cases</p> <p>of occupational diseases were found</p>	<p>A total of</p> <p>44,970 people</p> <p>received occupational safety and health training throughout the year</p>
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Guangxi Yifang organized occupational disease safety awareness campaign for employees.



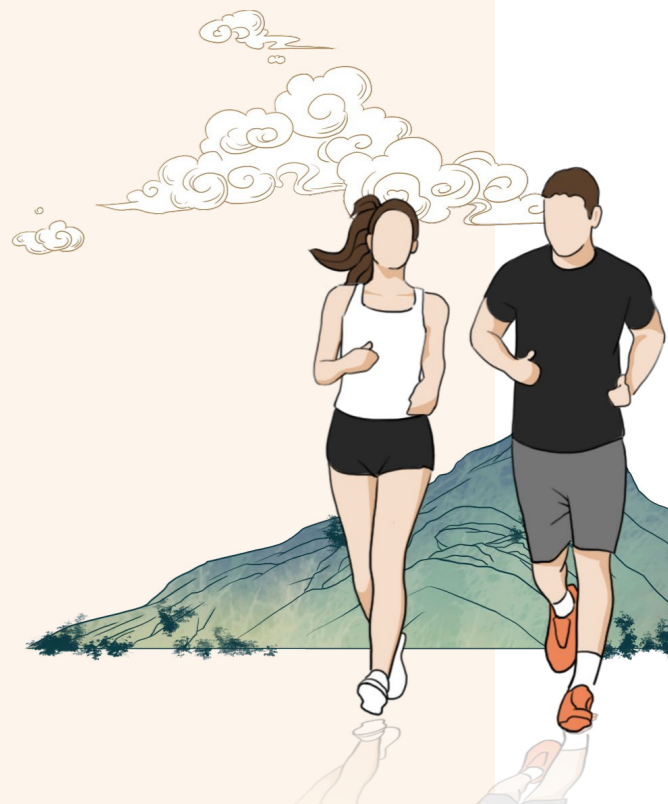
Certificate of occupational health and safety management system certification for Hunan Yifang



Certificate of occupational health and safety management system certification for Zhonglian Pharmaceutical



Certificate of occupational health and safety management system certification for Sichuan Tianxiang



04 Collaborating with Stakeholders to Build a Diverse Cooperative Ecosystem

China TCM actively communicates and exchanges with stakeholders such as partners and suppliers, establishing harmonious and healthy relationships. Through communication, sharing, and business cooperation, we aim to create a favorable industry development atmosphere and promote the overall development of the industry in an orderly manner.

- Collaborating with Partners for Mutual Success
- Supplier Management



Collaborating with Partners for Mutual Success

China TCM actively gathers the wisdom of various stakeholders in the industry, insists on working hand in hand with industry partners, continuously deepens exchanges and mutual learning, enhances the vitality within the industry, and leads the industry towards high-quality development.

Promoting Industry Development

China TCM actively participates in various forms of activities such as traditional Chinese medicine industry forums and academic seminars, focusing on the development trends of the traditional Chinese medicine industry, strengthening exchanges with industry enterprises, and jointly promoting the sustainable development of the traditional Chinese medicine industry.

Participation in Industry Conferences

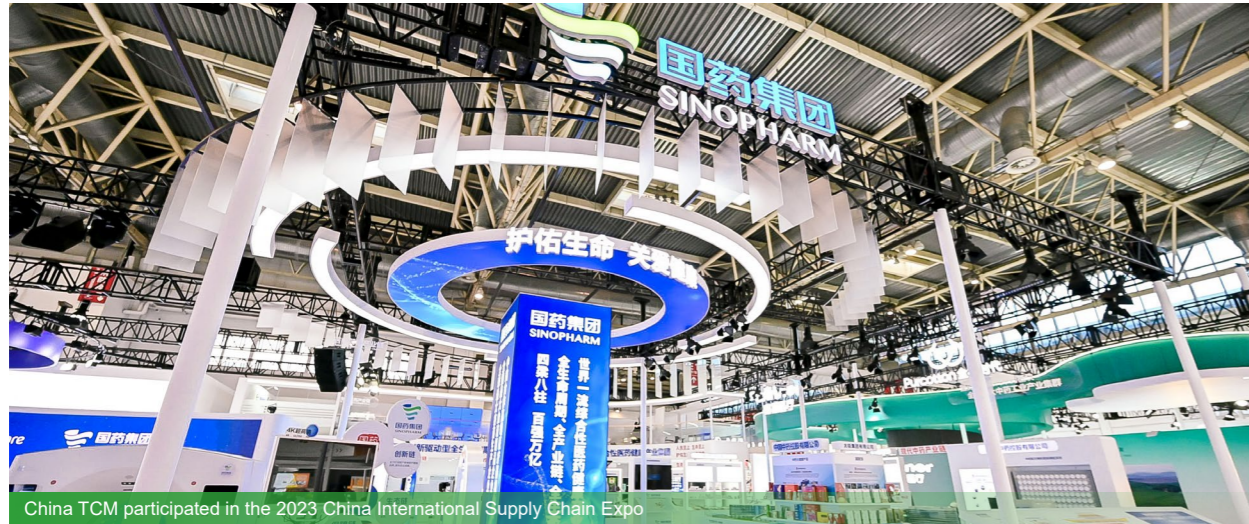
Case | Successful Establishment of the Concentrated TCM Granules Professional Committee of the China Association of Traditional Chinese Medicine

From 28 to 29 March 2023, China TCM established the Concentrated TCM Granules Professional Committee of the China Association of Traditional Chinese Medicine in collaboration with 10 other organizations. The inaugural meeting of the committee and the forum on the high-quality development of the concentrated TCM granules industry were successfully held. The meeting invited over 60 experts and manufacturer representatives in terms of concentrated TCM granules nationwide to participate. This association is the first organization in China dedicated to promoting and advancing the sustainable, stable, and healthy development of the concentrated TCM granules industry. It has played a significant role in the development of the concentrated TCM granules industry.



Participation in Large Exhibition and Conferences

In 2023, China TCM frequently participated in many international and national large exhibitions and conferences to show the achievements of modern development of TCM industry to all sectors of society and continuously expand its influence. The Company took the lead in setting up the Concentrated TCM Granules Professional Committee of the China Association of Traditional Chinese Medicine to provide strong professional support for the integration of politics, production, education and research in the industry.



China TCM participated in the 2023 China International Supply Chain Expo



China TCM released its frontier achievements in the construction of quality standards for the whole industrial chain of TCM at the first China International Supply Chain Expo



China TCM participated in the 86th PHARMCHINA



China TCM participated in the 17th Annual Conference of Hospital CEOs

Carrying out Exchanges and Cooperation

China TCM continues to strengthen its cooperation with the government, universities, and enterprises, adhering to the principle of mutual benefit and creating a situation of mutual trust, interdependence, and win-win cooperation.

Government-Business Cooperation

In 2023, the Company continued to strengthen its communication and collaboration with government departments, further enhancing mutual understanding and promoting exchanges between the government and the enterprise.

- The Company hosted over 100 visits, inspections, and discussions for leaders from provincial, municipal, and county government departments to visit and learn about China TCM throughout the year.
- We have conducted more than 100 field visits and research activities, actively exploring the cooperation and development models in the traditional Chinese medicine industry.

The Company hosted over

100 visits

times of reception of leaders from provincial, district and county government departments to visit, inspect and organize seminars in China TCM.

We have conducted more than

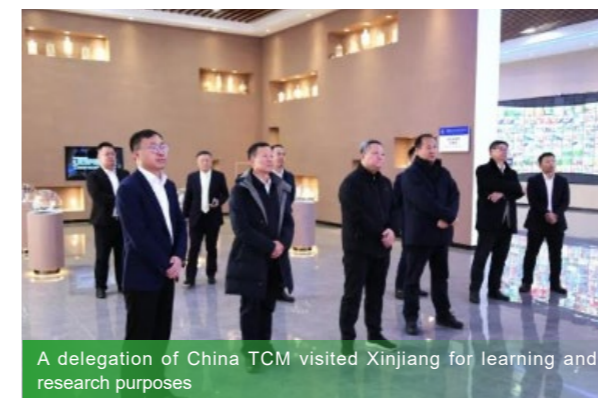
100 field visits



China TCM signed a strategic cooperation agreement with the Management Committee of Meihe New Area of Jilin Province and the People's Government of Meihokou City



China TCM signed a strategic cooperation framework agreement with the government of Zhumadian City, Henan Province



A delegation of China TCM visited Xinjiang for learning and research purposes



Jiang Chunsheng, Secretary of Yuexi County Party Committee of Anhui Province, visited China TCM for research and exchange

◎ University-Business Cooperation

China TCM continued to strengthen cooperation and exchanges with universities and research institutes. During the Reporting Period, strategic cooperation framework agreements were signed with Zhejiang Provincial Hospital of Chinese Medicine, Graduate School of China Academy of Chinese Medical Sciences, and Hunan University of Medicine. These agreements aim to promote collaboration in areas such as production, education, research, and application, enhance the development of traditional Chinese medicine disciplines, further improve the training quality of TCM personnel and their ability to serve society, and accelerate the transformation and industrialization of research achievements in traditional Chinese medicine.



A delegation led by Wang Jianxin, Party secretary of the School of Pharmacy of Fudan University, visited China TCM



A delegation led by Wang Qi, Party secretary of Anhui University of Chinese Medicine, visited China TCM for exchange and research



A delegation led by Zhai Lixiang, President of Guangdong Pharmaceutical University visited China TCM for research and exchange



A delegation of China TCM visited Shihezi University in Xinjiang for research and exchange

◎ Business-Business Cooperation



Guangdong Yifang and Shimadzu Corporation held a signing ceremony for the cutting-edge technology exchange and cooperation laboratory



China TCM, in collaboration with the First Affiliated Hospital of Heilongjiang University of Chinese Medicine and Harbin Urban Development Investment Group Co., Ltd., held a signing ceremony for the cooperative construction of a TCM hospital

Supplier Management

According to the material inventory, materials of China TCM can be divided into TCM materials, TCM decoction pieces, raw materials, auxiliary materials, and packaging materials. By combining different production processes for these materials, we identify the environmental and social risks in the upstream and downstream of the supply chain, continuously improve the supplier management system, and strengthen supplier compliance and safety management.

Access Management

China TCM implements a strict supplier access management process, and has established the *Supplier Management System* to rigorously screen suppliers who meet the qualifications, with a focus on reviewing suppliers that pose environmental risks. We have established a supplier management platform and assigned dedicated personnel to manage centralized procurement suppliers. New suppliers can only report their varieties on the supplier management platform and obtain quotation qualifications after being approved by the OA management process. In addition, suppliers can stay updated on the registered varieties through the platform's WeChat official account, and apply for additions or deletions of registered varieties based on their own business conditions.

During the Reporting Period, the Group conducted on-site audits in 27 centralized procurement suppliers of TCM materials and 14 suppliers of bulk materials (auxiliary materials, packaging materials). In the process of on-site audits, particular emphasis was placed on guiding warehouse environmental management to ensure that the storage conditions of TCM materials and raw materials meet the requirements, thus ensuring stable material storage quality.

Transparent Procurement

The Group has formulated the *Integrity Agreement (Procurement Business) in Key Areas* to better regulate the activities of both parties in procurement business, and promote suppliers' compliance and integrity in operation. When a new supplier is admitted, the procurement department signs an integrity procurement agreement with the supplier, and specifies the supervision and feedback channels for transparent procurement of both parties in the agreement, including email and telephone contacts for disciplinary and supervisory feedback of both parties.

During the Reporting Period, the Group conducted on-site audits in


27

centralized procurement suppliers of TCM materials

14

suppliers of bulk materials (auxiliary materials, packaging materials)





05 Protecting the Environment and Building a Sustainable Landscape with Lucid Waters and Lush Mountains

China TCM promotes the implementation of low-carbon and green development concepts through energy management, green production, and green operations among its subsidiaries. It encourages production units to establish standardized safety production systems and create green factories to reduce the environmental impact of production and business activities, thus contributing to the construction of a beautiful and sustainable environment.

- Enhance Environmental Management
- Practicing Green and Safe Production
- Promoting Green Operation

Enhance Environmental Management

China TCM has formulated the *Management Measures for Energy Conservation and Ecological Environmental Protection* in accordance with the *Environmental Protection Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, *Regulations on the Administration of Construction Project Environmental Protection* and other laws and regulations, as well as the actual business operations of the Group. The Company also promotes its subsidiaries to develop and implement corresponding management systems in accordance with the requirements of ISO 14001 and ISO 50001.

During the Reporting Period, the Group's total investment in environmental protection totaled RMB20.0024 million. There were no penalties from related competent authorities due to energy conservation or environmental protection issues, and no major environmental incidents or public sentiment events in the Group.

During the Reporting Period, the Group's total investment in environmental protection totaled (RMB 10,000)

2,000.24



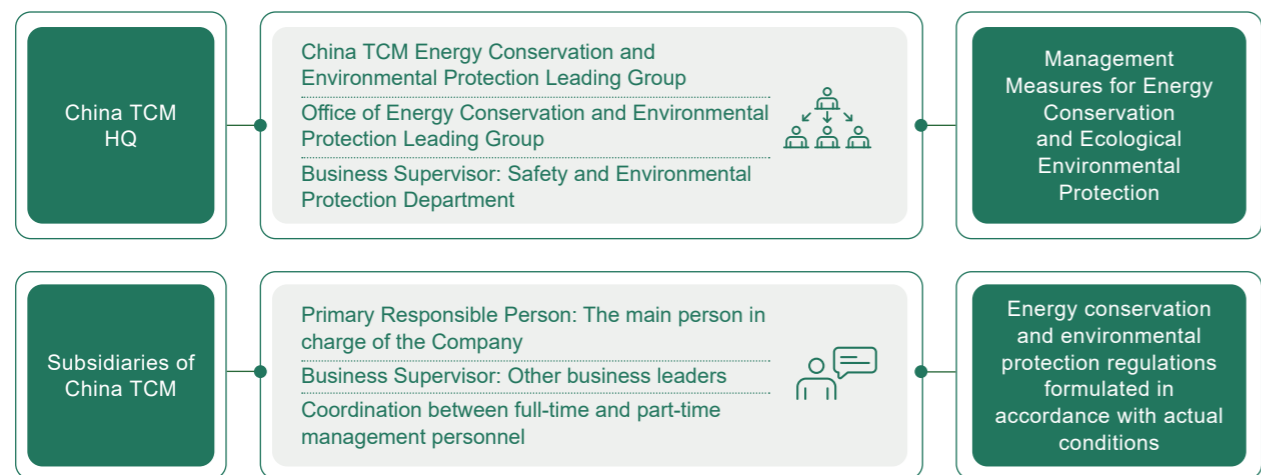
Environmental Management System

China TCM has established an energy conservation and environmental protection working group at the headquarters level, which is responsible for overseeing the Group's environmental management, energy management, and other related business activities. Subsidiaries at all levels have appointed full-time and part-time management personnel to be responsible for energy conservation and environmental protection management of the Company. On-site management personnel are responsible for the on-site management of pollution control facilities.

Organization Management System

The Company has established an energy conservation and environmental protection leading group, with the chairman serving as the director. This has formed an organizational management system with the energy conservation and environmental protection leading group as the leading body and the office of the energy conservation and environmental protection leading group as the working body.

Diagram of Energy Conservation and Management System of China TCM



Systematic Framework

The Company regulates the management of energy conservation and environmental protection of each affiliated enterprise according to the *Administrative Measures for Energy Conservation and Ecological and Environmental Protection*. By the end of 2023, there are a total of 181 existing systems in the subsidiary companies of China TCM. Within the year, 12 subsidiaries have added or revised a total of 27 related systems, and management and operational procedures.

Performance Evaluation and Reward and Punishment System

To ensure the smooth implementation of energy conservation and environmental protection work in all subsidiaries and support the sustainable development of the Group, China TCM has taken the following measures:

- ◆ Incorporate energy conservation and environmental protection work into the performance evaluation system for subsidiary leaders, linking it to their remuneration;
- ◆ Combine process assessment and target indicator assessment in the evaluation of energy conservation and environmental protection work of subsidiaries;
- ◆ Organize and conduct inspections on energy conservation and environmental protection of subsidiaries and roll out labeled supervision on those with significant environmental issues;
- ◆ Formulate the specific targets and responsibilities for subsidiaries according to the actual situation every year and clarify those targets and responsibilities in the *Energy Conservation and Environmental Protection Target Responsibility Agreement*.

Environmental Management System Certification

In 2023, the management system of the subsidiaries under China TCM has achieved the following results:

- ◆ **Subsidiaries newly certified by ISO14001 Environmental Management System:** Shandong Yifang Pharmaceutical Co., Ltd., Shandong Zhongping Pharmaceutical Co., Ltd., Longxi Yifang Pharmaceutical Co., Ltd., Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd., Hunan Yifang Tianjiang Pharmaceutical Co., Ltd., Xunyi Branch of Sinopharm Group Yifang Pingkang (Shaanxi) Pharmaceutical Co., Ltd.
- ◆ By the end of 2023, China TCM had 20 subsidiaries that have been certified by environmental management system.

Environmental management system certifications of some subsidiaries

Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. Hunan Yifang Tianjiang Pharmaceutical Co., Ltd. Longxi Yifang Pharmaceutical Co., Ltd. Xunyi Branch of Sinopharm Group Yifang Pingkang (Shaanxi) Pharmaceutical Co., Ltd.

Environmental Management Performance

In 2023, the subsidiaries of China TCM achieved outstanding performance in environmental management, and some enterprises were praised and recognized by local environmental protection departments.

- Sichuan Tianhao was awarded the "Environmentally Friendly Enterprise" in Mianyang City, Sichuan Province;
- Beijing Huamiao has been awarded the "Four-Star Green Credit Enterprise" in Daxing District, Beijing;
- Tongjitang Pharmaceutical has been awarded the title of "2022 Annual Environmental Credit Evaluation - Excellent Environmental Protection" and has successfully passed the inspection as a representative unit for the establishment of a national water-saving city.



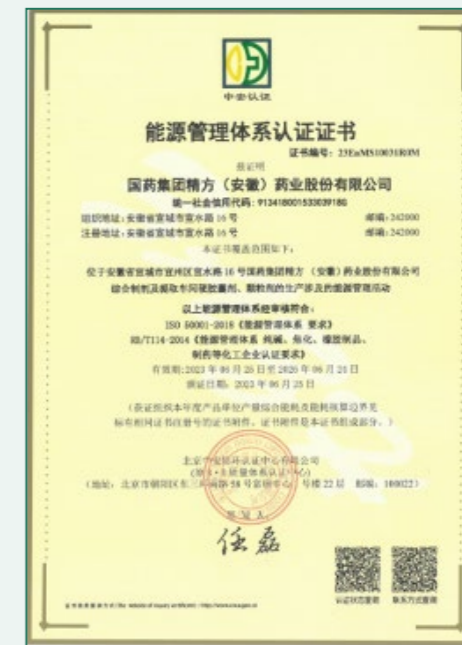
Beijing Huamiao was certified as a four-star green credit enterprise

Energy Management

In accordance with the *Environmental Protection Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, and other laws and regulations, China TCM has established the measures for management of energy conservation and ecological environment protection, and other systems correspondingly. At the same time, China TCM actively promotes its affiliated enterprise to establish environmental management systems, encourages subsidiaries to obtain energy management system certification, optimize the efficient allocation of resources, and ultimately achieve the goals of energy conservation and emission reduction.

Performance of Management System

China TCM subsidiaries newly certified by ISO50001 Energy Management System in 2023: Jiangyin Tianjiang Pharmaceutical Co., Ltd., Shandong Yifang Pharmaceutical Co., Ltd., and Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. So far, China TCM had 5 subsidiaries that have been certified by such system.



Sinopharm Group Zhonglian Pharmaceutical Co., Ltd. and Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. have obtained ISO50001 Energy Management System certification.

Promoting Energy Conservation and Emission Reduction

During the Reporting Period, China TCM achieved its annual energy-saving and environmental protection targets and indicators. The comprehensive energy consumption per RMB10,000 of output was controlled within 0.0478 tons of standard coal, while the CO₂ emissions per RMB10,000 of output were controlled within 0.1738 tons of CO₂ equivalent. The Company also achieved its goals in terms of legal disposal and emissions of pollutants.

During the Reporting Period, the comprehensive energy consumption per RMB10,000 of output was controlled within

0.0478 tons of standard coal

while the CO₂ emissions per RMB10,000 of output were controlled within

0.1738 tons of CO₂ equivalent



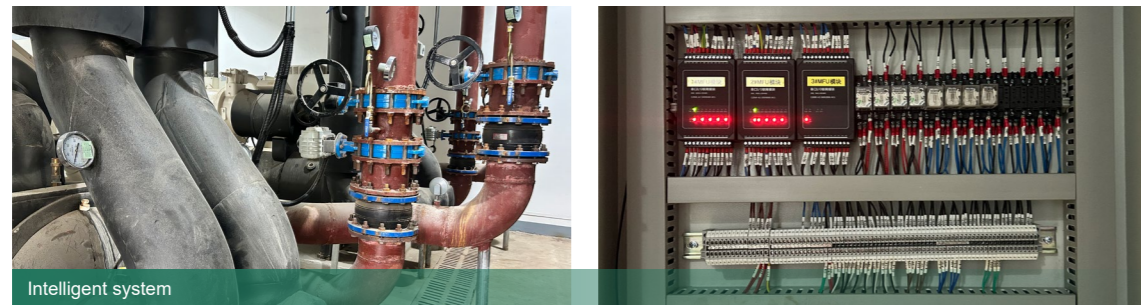
Energy Consumption of China TCM

Indicator	Unit	2021	2022	2023
Total energy consumption	MWh	891,874.4	827,694.8 [Note]	746,110.8
Energy consumption intensity	kWh/RMB1,000 of operating revenue	46.8	57.9	41.2
Natural gas	m ³	20,190,039.5	22,077,276.7	23,491,993.4
Coal	tonne	45,833.5	36,066.5	26,555.7
Purchased electricity	kWh	162,446,834.4	175,290,038.3	164,487,176.8
Purchased steam	million kJ	623,025.3	729,885.5	620,342.6

[Note] The data of 1,250,184.30 reported in the "Environmental, Social, and Governance Report of China Traditional Chinese Medicine Holdings Co. Limited 2022" is a statistical error and should be corrected to 827,649.8.

Case | Application of Intelligent Systems Promotes Energy Conservation in Production

Zhonglian Pharmaceutical utilizes an intelligent control system to collect operational data from the chiller, cooling tower, cooling and chilled water pumps, and air conditioning fan cabinets. The system performs intelligent calculations to determine the most energy-efficient operating mode for the current conditions. It also synchronously monitors the operational data of various air conditioning equipment, forming an intelligent equipment management system. This dual approach achieves the goal of energy conservation and consumption reduction.



Intelligent system

Water Resource Management

During the Reporting Period, the Group did not encounter any issues in obtaining suitable water sources. However, the Group has implemented water recycling and conservation measures such as steam condensation recovery, cooling water recycling, and rainwater harvesting. In addition, our subsidiaries have reduced water consumption through technological improvements in the production process.

Indicator	Unit	2021	2022	2023
Water consumption	tonne	3,124,576.1	3,876,991.7	3,996,813.9
Water consumption intensity	tonne/RMB1,000 of operating revenue	0.16	0.27	0.22

Case | Promote Water Conservation through Technological Transformation

In 2023, China TCM subsidiaries implemented several measures to conserve water through technological upgrades, including:

- Tongjitang Pharmaceutical's fire protection water system with reuse of reclaimed water has reduced water consumption by 700 cubic meters annually. The crusher cooling water recycling project can save 16 cubic meters of water per day.
- Jiangyin Tianjiang has carried out a renovation project for the reuse of condensate water from the overall steam room, which is used for cleaning medicinal herbs and sites, in order to reduce the amount of tap water used.
- Guangxi Yifang has completed the installation and commission of heat pump dual-effect concentrator steam condensate waste heat recovery system.
- Anhui Tianxiang's purified water renovation project can save 160 cubic meters of water per day.

Green Energy Usage

China TCM continues to promote its subsidiaries to incorporate green energy into their production and operation. During the year, the Group's installed capacity for photovoltaic power generation was 2.4MW, with a total photovoltaic power generation of 1.9021 million kilowatt-hours, equivalent to a reduction in emissions of approximately 1,900 tons of carbon dioxide equivalent. By 2024, the installed capacity for photovoltaic power generation is expected to reach 7.5MW, with an estimated reduction in emissions of approximately 6,000 tons of carbon dioxide equivalent.

During the Reporting Period, several subsidiaries were involved in the construction and operation of multiple photovoltaic projects:

- ◆ Guangxi Yifang's rooftop photovoltaic project has a designed installed capacity of 1.632MW and has been completed and put into operation;
- ◆ Feng Liao Xing Pharmaceutical's photovoltaic power generation project has a designed installed capacity of 0.82MW. It is expected to generate 700,000 kWh in the first year;
- ◆ Jiangyin Tianjiang's photovoltaic project has been connected to the grid, with a designed installed capacity of 0.77MW;
- ◆ Hunan Yifang's photovoltaic project, with a designed installed capacity of 1.84MW, is ready to be put into operation after the completion of rooftop photovoltaic bracket installation.



Jiangyin Tianjiang's photovoltaic project



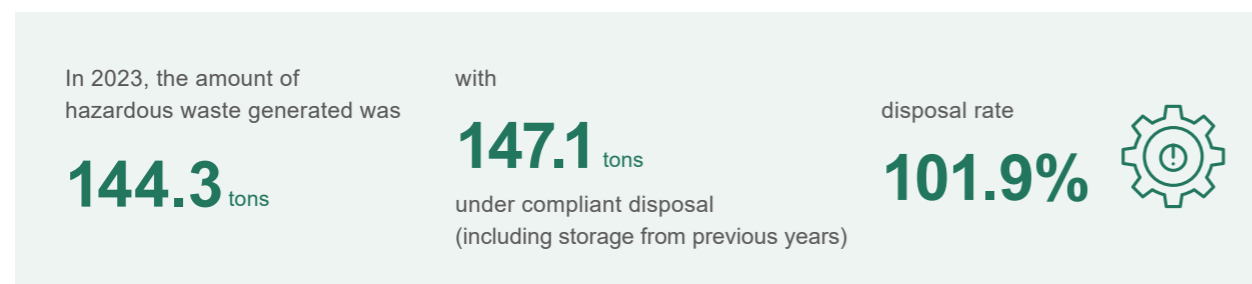
Guangxi Yifang's photovoltaic project

Waste Management

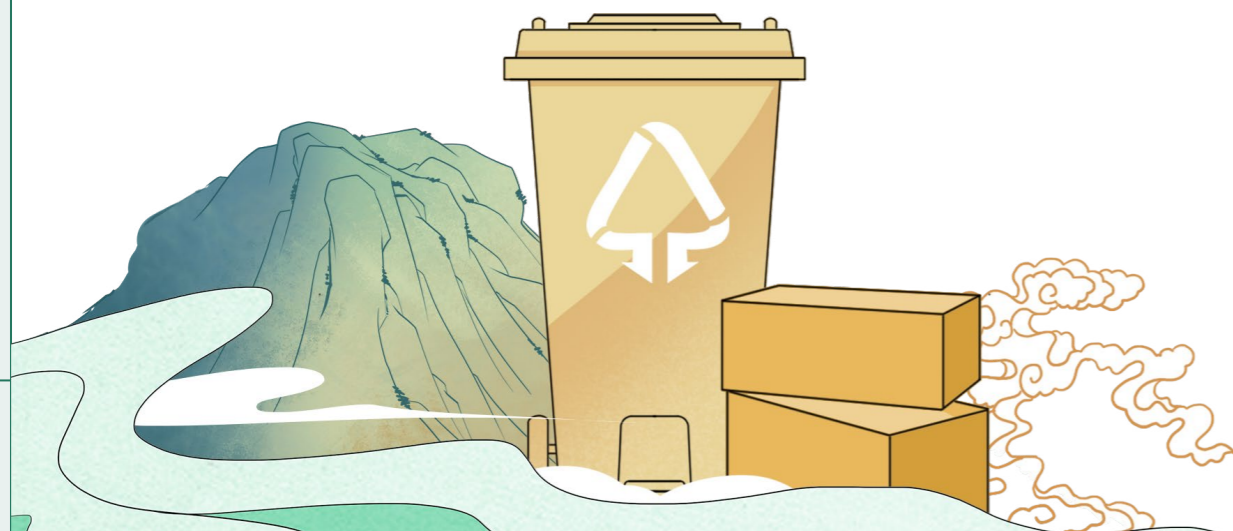
China TCM formulates the corresponding waste management system in accordance with the *Directory of National Hazardous Wastes*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other laws and regulations. For the waste generated during the production process, the Group follows the principles of "reduction", "harmlessness" and "recycling" to dispose of it through compliant methods.

Among them, the generated non-hazardous waste mainly includes medicine residues, sludge, general waste, etc., which are handed over to external harmless treatment and third-party recycling institutions, while the remaining is handled by the sanitation department. The generated hazardous waste is legally handed over to qualified units with hazardous waste disposal capabilities for professional treatment.

In 2023, the amount of hazardous waste generated was 144.3 tons, with 147.1 tons under compliant disposal (including storage from previous years), resulting in a disposal rate of 101.9%.



Indicator	Unit	2021	2022	2023
Hazardous waste	tonne	116	293.3	144.3
Intensity of hazardous waste	kg/RMB1,000 of operating revenue	0.06	0.02	0.008
Non-hazardous waste	tonne	50,554.4	86,198.8	84,017.3
Intensity of non-hazardous waste	kg/RMB1,000 of operating revenue	2.65	6.03	4.64
Third-party recycling	tonne	18,666.8	17,480	13,630.1
Landfill disposal	tonne	2,127.5	3,892	1,943.5
Internal incineration	tonne	9,269.6	9,752.5	4,740
Internal fertilizer	tonne	7,379.4	4.34	0
External harmless treatment	tonne	13,111	68,797.7	63,703.8



Compliant emission

China TCM conducts compliance supervision on emissions of its affiliated enterprises in accordance with the *Integrated Emission Standard of Air Pollutants*, *Integrated Wastewater Discharge Standard*, and *Emission Standard of Air Pollutants for Boiler*.

During the Reporting Period, China TCM urged its relevant subsidiaries to conduct environmental monitoring in accordance with the requirements of the *Regulation on the Administration of Permitting of Pollutant Discharges* and the *General Guidelines for Self-monitoring of Pollutant Discharge Units* and other related regulations. The environmental factors tested mainly include production wastewater, process exhaust gases generated from pre-treatment and extraction, boiler exhaust gases, and plant boundary noise. The test results all comply with national and local pollutant emission standards.

Case | Multiple Measures to Reduce Exhaust Emissions and Upgrade Wastewater Treatment Standards

- **Nitrogen oxide emission reduction:** Subsidiaries in Foshan, Guangdong have carried out low-nitrogen combustion transformation of gas boilers. After the transformation, the emissions can meet the special emission standards of the *Emission Standard of Air Pollutants for Boiler* (DB44/765-2019) of Guangdong Province, with nitrogen oxide emission concentrations reaching below 50mg/m³.
- **Exhaust gas emission reduction:** Sichuan Tianxiong Pharmaceutical has implemented a project to collect and deodorize exhaust gas from sewage stations. After the implementation of the project, the air purification efficiency has reached over 95%.
- **Upgraded sewage discharge:** After the implementation of the sewage treatment capacity enhancement project, the sewage treatment capacity of Guangdong Yifang has increased from 400m³/day to 600m³/day. After the supporting sewage treatment station of Phase III project of Longxi Yifang was put into use, the average COD emission concentration was reduced by 29% and the average ammonia nitrogen emission concentration was reduced by 22%. After the upgrade and renovation of the sewage treatment facilities of Pulante Pharmaceutical, the sewage treatment capacity has been upgraded from the original 60m³/day to 300m³/day, with the effluent quality reaching the first-grade A standard of *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant*.



Exhaust gas collection and deodorization device of sewage treatment plant of Sichuan Tianxiong Pharmaceutical

Tackling of Climate Change

In order to respond to the national "Carbon Peak and Carbon Neutrality" strategy and actively implement the "dual control" system for total carbon emission and intensity, China TCM has formulated the *Action Plan for Carbon Peak and Carbon Neutrality*, which includes multiple dimensions such as energy green and low-carbon transformation, resource conservation and efficient utilization, green and low-carbon circular transformation, digital and intelligent enhancement, and green and low-carbon capacity building. It has also established a working mechanism for carbon peak and carbon neutrality with the Office of Energy Conservation and Environmental Protection Leading Group as the working body, to comprehensively coordinate and promote the carbon peak and carbon neutrality work of the Company, and to lead its subsidiaries in achieving carbon peak and carbon neutrality.

Unified Deployment

In order to promote the implementation of the *Action Plan for Carbon Peak and Carbon Neutrality*, the Group has conducted systematic planning and overall deployment, and has promoted major energy-consuming enterprises to formulate their own action plans for carbon peak and carbon neutrality. During the Reporting Period, all major energy-consuming enterprises completed the formulation and issuance of the "carbon peak and carbon neutrality program" upon integrating external environmental factors with their own corporate development goals and implementation paths, laying a foundation for the steady and orderly promotion of green, low-carbon transformation and high-quality development of the Company.

GHG Emission

In line with the Group's actual situation, China TCM has set a target of controlling carbon dioxide emissions to within 0.1738 tons of carbon dioxide equivalent per RMB10,000 of output value in order to control GHG emissions.

By taking measures such as incorporating pollution reduction and carbon reduction into the Company's development strategy, major decisions, industrial layout, and major projects, comprehensively coordinating the work of carbon peak and carbon neutrality, and addressing major issues and matters in energy conservation and environmental protection, as well as optimizing and ensuring resources including personnel, finance, and materials, China TCM aims to control the carbon dioxide emissions (comparable price) to 0.1729 tons of CO₂e per RMB10,000 of output value by 2023, and achieve such target within the year.

China TCM has set a target of controlling carbon dioxide emissions to within

0.1738 tons of CO₂e/RMB10,000 of output value

China TCM aims to control the carbon dioxide emissions (comparable price) to

0.1729 tons of CO₂e/RMB10,000 of output value by 2023



China TCM GHG emission indicators data (2021- 2023)

Indicator	Unit	2021	2022	2023
Total GHG emissions	tonne of CO ₂ e	306,697.8	377,850.7	338,793.6
Direct emissions (scope 1)	tonne of CO ₂ e	105,687.6	122,799.1	106,562.2
Indirect emissions (scope 2)	tonne of CO ₂ e	201,010.2	255,051.6	232,231.4
GHG emissions intensity	tonne of CO ₂ e/RMB1,000 of operating revenue	0.021	0.026	0.019

Pollution Discharge Permit Certifications Obtained by Several Affiliated Companies of China TCM



Guangxi Yifang



Guangdong Yifang



Jingfang Pharmaceutical



Jiangyin Tianjiang



Longxi Yifang



Shandong Yifang

Biodiversity Protection

China TCM places great emphasis on biodiversity conservation and strictly adheres to the *Regulation of the People's Republic of China on Wild Plants Protection*, the *Regulations of the People's Republic of China on Wildlife Protection*, the *UN Convention on Biological Diversity* and other laws, regulations and international conventions. In the construction of TCM production bases and throughout the TCM production process, solid measures are taken to promote biodiversity conservation. This includes the rational development and utilization of biological resources to ensure the sustainable development of the TCM industry.

Case | Measures Taken by China TCM to Enhance Biodiversity Conservation

- According to the *Technical Guidelines for the Assessment of Traditional Chinese Medicine Resources*, multidimensional research and evaluation were conducted on the characteristics, scarcity, and resource reserves of different varieties of TCM materials. Based on this, personalized procurement strategies were developed to prevent TCM materials from non-authentic sources and non-genuine production areas flowing into the production process. This also helps to some extent in curbing the overexploitation and unsustainable harvesting of TCM materials, thus protecting the sustainable utilization of medicinal resources.
- We have fully implemented the GACP base management system and adopted the model of combining industrial parks with production groups for base construction. We have established a total of 78 GACP bases for 48 varieties of TCM materials in various authentic production areas across China, including Gansu, Shandong, and Hunan, with a total planting area of over 80,000 mu. The scutellariabaicalensis and caulis loniceræ base is the first base in China to pass the extended inspection of GAP. The cinnamon, cassia twig, and fructus gardeniae base has also passed the GAP acceptance inspection of the Guangdong Provincial Medical Products Administration.
- The Company continues to strengthen the collaborations between businesses, universities, and research institutions and has carried out various initiatives for the introduction and domestication of wild resources in the genuine production areas of wild medicinal materials. Currently, mature artificial breeding and cultivation techniques have been developed for species such as spina date seed, herbaepimedii, dogwood, and fructus forsythiae. Among them, the herbaepimedii base has been designated as a national standardized demonstration base for the protection of herbaepimedii resources by the Department of Standards and Technology of State Administration for Market Regulation.



Guangdong Yifang GAP base of scutellariabaicalensis and caulis loniceræ



Herbaepimedii breeding base in Longxi Industrial Park

- Zhonglian Pharmaceutical has reduced environmental pollution caused by the disposal of TCM residues through the practical application of organic-inorganic compound fertilizers for cultivating TCM herbs. This practice has further increased the humus content in the planting soil, enriched the biodiversity of the soil, and reduced the occurrence of pests and diseases in the medicinal herbs grown in the base, thus playing a role in protecting the biodiversity of the ecological environment.



Practicing Green and Safe Production

China TCM adheres to the concept of "people-oriented and life first" and regards safety as the top priority in production. We are committed to promoting the construction of green factories, strictly regulating the management of hazardous chemical emissions during the production process, and making every effort to promote plastic and carbon reduction in product packaging.

Work Safety Management

China TCM has been continuously improving its safety production system, safety management procedures, and emergency management measures based on its actual situation, ensuring steady progress in safety work. During the Reporting Period, the Group invested a total of RMB 15,415,000 in safety production, and there were no major and above safety production accidents.

During the Reporting Period, the Group invested a total of

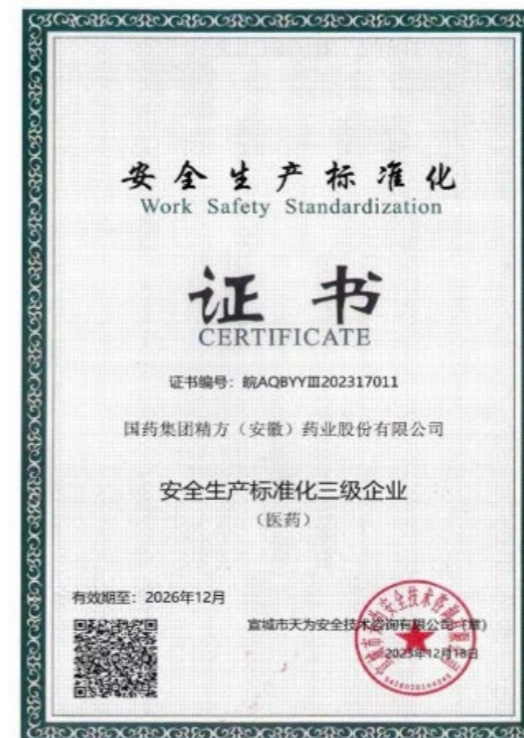
RMB **15,415,000**



◎ Safety Management System

The Group has established a safety production system based on the *Measures for Management of Safety Production Responsibility System*. In 2023, the Group, based on its actual situation, formulated the *Management Measures for Safety of Stakeholders*, and revised four other systems including the *Measures for Supervision and Administration of Safety Production* and the *Measures for Management of Emergency Response Plan of Safety Accidents*. The safety management system has become more effective and improved.

In 2023, there were a total of 30 subsidiaries of China TCM that obtained third-party certification for standardized safety production. Among them, 1 subsidiary obtained second-level certification, and 29 subsidiaries obtained third-level certification.



In 2023, there were a total of

30 subsidiaries

of China TCM that obtained third-party certification for standardized safety production



Among them,

1 subsidiary

obtained second-level certification

29 subsidiaries

obtained third-level certification



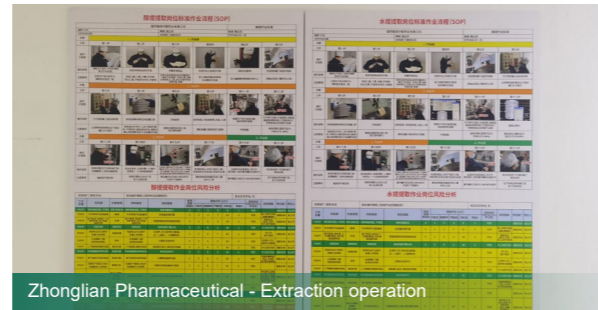
◎ Safety Management Operation Process

The Group has compiled the Plan for Implementing the Special Activities for Identifying Operational Risks and Standard Operating Procedures (SOP) for High-risk Positions, organized subsidiaries at all levels to comprehensively sort out operational positions, identified 28 high-risk operational positions, and prepared 251 standard operating procedures (SOP) and supporting guidance videos for high-risk positions. We have also established a shared database for SOPs for high-risk positions, and built a platform for common learning, sharing, and co-creation of safety work, promoting coordinated progress and overall improvement among subsidiaries and operational processes.

Description of SOPs for high-risk positions (including alcohol extraction, cutting, slag extraction, confined space) developed by subsidiaries



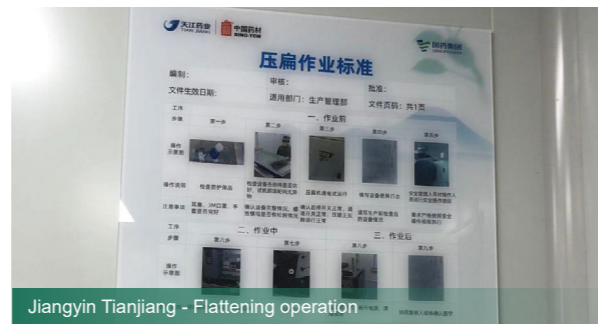
Guangdong Yifang - Extraction and concentration operation



Zhonglian Pharmaceutical - Extraction operation



Tongjitang Herbal - Steaming and boiling operation



Jiangyin Tianjiang - Flattening operation

◎ Safety Emergency Management

The Group has revised a number of safety management systems such as the Interim Measures for the Administration of Contingency Plans for Work Safety Incidents and the Measures for Administration of Contingency Plans for Work Safety Incidents, and required all subsidiaries to prepare and revise contingency plans for environmental emergencies in accordance with the requirements of laws and regulations, and regularly carry out training and emergency drills to improve the emergency response capacity for environmental emergencies. During the Reporting Period, a total of 60 contingency plans for work safety incidents were revised by our subsidiaries at all levels, with 206 emergency response drills (including emergency disposal exercises) conducted, effectively enhancing our emergency rescue capabilities.

During the Reporting Period, a total of

60

contingency plans for work safety incidents were revised by our subsidiaries at all levels

206 emergency

response drills conducted



Emergency capability

China TCM requires its subsidiaries to develop emergency response plans based on their own circumstances, while also conducting various forms of emergency drills.

Emergency system

During the Reporting Period, Anhui Tianxiang completed the preparation of emergency response plans for sudden environmental incidents, which were reviewed and filed by the local ecological environment management bureau. In July, Jiangyin Tianjiang organized a training session on environmental emergency response for 4 employees at the sewage station. The main content of the training focused on the corresponding emergency response procedures after environmental emergencies to prevent accidental discharge of pollutants.



Headquarters emergency drill site



Dezhong Pharmaceutical drill site



Zhejiang Yifang drill site



Feng Liao Xing Material & Slices drill site



Beijing Huamiao drill site



Guangdong Yifang drill site

Screening and Identification of Safety Hazards

China TCM has established the Implementation Measures for the Supervision and Management of Hazardous Sources and the Administrative Measures for the Screening, Identification and Control of Accident Hazards. Through special inspections, routine inspections, and self-inspections, we continuously strengthened the work of screening, identifying and treating hidden risks, and resolutely eliminated hazards at their early stages.

Carrying out a Series of Safety Inspections to Strengthen the Screening, Identification and Control of Hidden Risks

- Headquarters inspection:** Achieved full coverage supervision and inspection of industrial subsidiaries, totaling **54** times; identified **316** accident hazards, and completed rectification for all **316** hidden risks, with a completion rate of **100%**;
- Subsidiary self-inspection:** Identified **3,243** hidden risks, completed rectification of **3,193** hidden risks, achieving a rectification completion rate of **98%**. The remaining hidden risks are being continuously addressed and followed up;
- Supervision and inspection by CNPGC:** There were a total of **7** inspections conducted, with **10** hidden risks identified. All **10** identified risks have been rectified, achieving a **100%** completion rate for rectification.
- Supervision and inspection by government:** There were a total of **258** instances of government supervision and inspection, which identified **294** hidden risks. All **294** identified risks have been rectified, achieving a **100%** completion rate for rectification.

Case | Conducting Multiple Special Screenings and Inspections to Identify Safety and Environmental Hazards

- Special screening and inspection to identify safety production hazards of environmental protection equipment and facilities:** A special comprehensive screening and inspection was conducted to identify the safety production hazards of environmental protection equipment and facilities in subsidiaries. A total of 108 safety production hazards of environmental protection equipment and facilities were identified. All 108 identified hazards have been rectified, resulting in a 100% rectification rate.
- Special screening and inspection on ecological environment protection in the Yangtze River and Yellow River basins:** In accordance with the *Notice of the State-owned Assets Supervision and Administration Commission on the Special Rectification Action for Ecological Environment Protection of the Yangtze River and Yellow River Basins by Central SOEs*, a thorough screening and inspection was conducted on the 5 key tasks and 62 work points listed in the Action Checklist. No relevant hidden dangers that do not comply with the requirements of the Action Points were found. Supervisory inspections were conducted on Jiangyin Tianjiang River and Longxi Yifang, within the basin. No significant hidden dangers or prominent environmental risks were found.

Case | Zhejiang Yifang Established a Risk Monitoring and Early Warning System

The Company has achieved full coverage of video surveillance in key areas of the entire factory area (244 sites). Management personnel can install the EZVIZ App on their mobile phones to view and playback videos at any time. Regular inspections were conducted on key areas to ensure the safety of personnel and equipment. Anti-theft nets and fingerprint door locks have been installed in the monitoring room and the fire control mainframe room. One transportation vehicle has been installed with front and rear radar and video recording. Regular maintenance has been conducted and no abnormalities or accidents have been reported so far.

Safety Culture Building

China TCM attaches great importance to safety education and training, actively organizing various safety education and training activities. During the Reporting Period, the Group conducted a total of 858 work safety education and training sessions, with a total of 44,970 participants.

Work Safety Training

Case | All Work Safety Management Personnel Required to Hold Valid Certificates for Their Positions

The Chairman, Party Secretary, and Chief Engineer of China TCM participated in the training organized by the China Academy of Safety Science and Technology for the main responsible persons and safety management personnel of production and operation units, and obtained safety certificates after passing the assessment. A total of 280 personnel, including the subsidiaries' heads, persons in charge of safety management, and grassroots safety management personnel, have received training and obtained safety certificates after passing the assessment.



Beijing Huamiao Safety Training



Feng Liao Xing Pharmaceutical Safety Training



Jingfang Pharmaceutical Safety Training



Sichuan Tianhao Pharmaceutical Safety Training



Sichuan Jiangyou Zhongba Safety training



Zhonglian Pharmaceutical Safety Training

Work Safety Activities

The Company organized activities such as the "Occupational Disease Prevention and Control Law" promotion week, "119" fire safety awareness month, and "Safety Production Month". These activities aimed to enhance safety awareness and skills through safety pledges, safety culture promotion, fire safety awareness campaigns, safety knowledge training, first aid skills training, emergency drills, safety knowledge competitions, emergency drills, safety knowledge competitions, and hand-drawn evacuation route maps.



Safety Activities of Feng Liao Xing Material & Slices



Jingfang Pharmaceutical Safety Activities



Guangdong Medi-World Safety Activities

Green Factory

China TCM continues to promote the establishment of green factories. By the end of 2023, five of its subsidiaries have obtained national-level green factory certification, and one subsidiary has obtained provincial-level green factory certification. During the year, the Company has added two national-level green factories: Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. and Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. Additionally, one provincial-level green factory has been added: Anhui Fengliaoxing TCM Decoction Pieces Co., Ltd.

By the end of 2023,

5 subsidiaries

have obtained national-level green factory certification

During the year, the Company has added

2 subsidiaries

1 subsidiary

has obtained provincial-level green factory certification

Green factory has been added

1 subsidiary



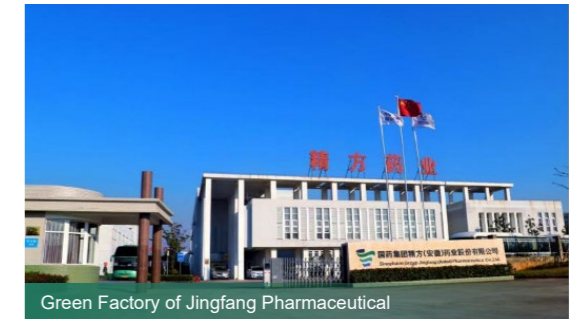
Case

China TCM Once Again Added "national-level green factories" to Its Portfolio

- The Ministry of Industry and Information Technology of China has announced the list of green manufacturing for the year 2023. Tongjitang Pharmaceutical and Jingfang Pharmaceutical have been awarded the title of "national-level green factory" for their outstanding performance in optimizing energy structure and improving production efficiency.



Green Factory of Guizhou Tongjitang Pharmaceutical



Green Factory of Jingfang Pharmaceutical

Further Reading

The national-level green factory is recommended by the provincial-level industrial and information technology authorities, evaluated by experts, and ultimately selected by the Ministry of Industry and Information Technology. It is the highest-level award in the category of green development projects nationwide and represents a comprehensive demonstration of energy conservation, emission reduction, and clean production by enterprises.

Hazardous Chemicals Management

China TCM has formulated the *Implementation Measures for the Supervision and Management of Hazardous Sources*, which supervises its affiliated enterprises to establish and improve the system for the safety management of hazardous chemicals. This includes clarifying management responsibilities and standardizing the full process control of hazardous chemicals. During the Reporting Period, the Group organized the identification and investigation of hidden dangers related to hazardous sources. A total of 8,441 hazardous sources were identified, including 0 level-one hazardous sources, 240 level-two hazardous sources, 3,033 level-three hazardous sources, and 5,168 level-four hazardous sources. The storage volume of hazardous chemicals did not reach the threshold for significant hazardous sources.

Management Measures for Hazardous Chemicals

- Regularly carry out training on the management of hazardous chemicals and emergency drills to enhance the self-rescue and mutual assistance capabilities of employees in emergency situations.
- Organize subsidiaries to roll out investigation and rectification of hidden dangers in high-risk areas related to hazardous chemicals. A total of 132 hidden dangers were identified and all of them have been rectified.
- Develop SOPs for high-risk operations to provide safe and effective operation instructions for operators.
- Prepare *Special Plan for Laboratory Safety Management Enhancement* and organize the implementation of special enhancement work for laboratory safety management.
- Carry out various forms of online and offline learning, sharing, and benchmarking activities on the knowledge of laboratory hazardous chemical safety management. Through these activities, benchmarking improvement has been achieved in 10 aspects, including laboratory safety management system and safety responsibilities.
- Develop SOPs for high-risk positions such as the handling of hazardous chemicals, operation of high-temperature ovens, and handling of gas cylinders, in order to effectively identify and control safety risks during the operation process.

Case | Tongjitang Pharmaceutical Implemented a Comprehensive Regulatory Network and Utilized Big Data for Transparent Management

To achieve traceable sources, traceable destinations, and controllable processes for hazardous chemicals, Tongjitang Pharmaceutical has optimized and improved the workflow for chemical requisition. In collaboration with the Information Department and utilizing the existing information service system, they have jointly developed an electronic online system for requisitioning hazardous chemicals. After a trial period of 3 months, the system has been successfully implemented. Employees can now access accurate information on the precise location, quantity, and inventory of 120 reagents in the storage area at any time. This ensures that safety records are not only more accurate but also permanently stored.

Green Packaging

China TCM continues to practice the concept of sustainable development, reducing the use of packaging materials and promoting plastic reduction and carbon reduction through streamlined packaging.

Case | Reducing Procurement Costs and Promote Plastic and Carbon Reduction

Jiangyin Tianjiang's project of "Cost Reduction for Material Change in Formula Machine Roll Film" successfully utilized the ABC classification method to analyze packaging categories and determine the target packaging materials. After multiple verifications, the material of formula machine roll film was changed from aluminum-plastic film to aluminum-plated film structure, while ensuring the safety and stability of the formula particle packaging materials. In 2023, the procurement quantity of formula machine roll film was reduced by approximately 19.4 tons. While enhancing the technical performance of the formula machine roll film in terms of toughness, puncture resistance, and uniformity, efforts were made to reduce procurement costs and promote plastic and carbon reduction.

Case | Implementing Streamlined Packaging to Promote Green Development

Jingfang Pharmaceutical is committed to practicing the concept of green development by streamlining drug packaging. After studying relevant drug laws and regulations and communicating with the drug regulatory authorities, it has been confirmed that for certain varieties (such as Compound Shuanghua Granules, Pi Pa Cough Relieving Capsules, and Nephritis Comfort Capsules), the package inserts can be printed on the drug packaging cartons. Therefore, the drug packaging cartons have been redesigned and revised, and change control measures have been implemented to ensure compliance with regulatory requirements. Through this measure, the consumption of paper package inserts has been reduced by approximately 2 tons in 2023.

Promoting Green Operation

China TCM adheres to the concept of sustainable development and continuously promotes green operations. We actively engage in environmental education activities, creating a favorable atmosphere for low-carbon and environmentally friendly practices within the Group. We advocate for employees to adopt a green and low-carbon lifestyle in both work and personal life.

Environmental Education and Advocacy

China TCM organizes "Energy Conservation Week" and "National Low Carbon Day" themed promotional activities to create a strong atmosphere of energy conservation and carbon reduction. It aims to promote the development of green and low-carbon production and lifestyle, as well as the social trend of thrift, rational energy use, and conservation.

Performance Data

- China TCM and its affiliated enterprises have conducted **42** theme lectures, with a total of **7,687** participants. They have also organized **33** energy-saving and environmental protection training activities, with a total of **6,502** participants. Additionally, they have conducted **156** online and offline quizzes, with a total of **5,141** participants. They have distributed **2,217** copies of promotional materials and deployed **172** promotional personnel, reaching an audience of **11,168** people.



Case | Rolling out Specialized Training to Promote Green and Low-carbon Development

In August 2023, China TCM organized a training session on the reporting on "Sinopharm Big Data Platform" and sharing excellent energy-saving and environmental protection projects. A total of 144 people participated in the event. During the meeting, Jingfang Pharmaceutical and Dezhong Pharmaceutical Machinery shared their projects on "condensate water recycling" and "deep energy-saving module for heat pump dual-effect concentrator and new generation heat pump concentration solution" respectively. By establishing a communication and exchange platform, the subsidiaries were able to share good experiences and practices in energy conservation and carbon reduction, thereby contributing to green and low-carbon development.



Sharing by Jingfang Pharmaceutical

Case | Environmental Education and Promotion Activities Carried out by China TCM's Affiliated Enterprises

- In 2023, its subsidiaries collectively conducted 120 internal training sessions, with a total of 10,407 participants.
- Tongjitang Herbal organized energy-saving and environmental protection training for various departments (including the storage department and decoction center) to enhance their knowledge in this area, and provided training for safety and environmental management personnel on the decomposition of safety and environmental protection goals.
- Jiangyin Tianjiang conducted safety and environmental education and training for employees in the pre-treatment, extraction, formulation, and storage workshops. A total of more than 550 people participated in the training.
- On July 15, Shanghai Tongjitang conducted training on solid waste management, clarifying the current requirements for solid waste control and the precautions in handling solid waste.
- Shaanxi Yifang conducted specialized training on environmental safety and hazardous waste management.

In 2023, its subsidiaries collectively conducted with a total of

120 sessions

10,407 participants



China TCM Energy Conservation Week Promotion



Anhui Tianxiang Energy Conservation Week Promotion



Guangdong Medi-World Environmental Day Promotion



Longxi Yifang Environmental Day Promotion



Hunan Yifang Energy Conservation Week Promotion



Sichuan Sinopharm Tianjiang's training to enhance business capabilities in the prevention and control of atmospheric pollution

Green Offices Practices

China TCM advocates for a green and healthy office model, aiming to create a low-carbon living environment within the Company. We actively promote paperless office practices and engage in activities such as the "Clean Plate Campaign" to promote green office initiatives and encourage the efficient use of resources.

Case | Leading the Green Office Trend and Sharing Green-themed Promotional Videos

China TCM adheres to the concept of green office leading to a low-carbon lifestyle. During themed holidays, we used WeChat groups as the main platform for promotion. We shared promotional videos on themes such as "International Day for Biological Diversity", shared the national events for June 5th World Environment Day, and promoted the "Ten Guidelines for Citizen Ecological Behavior." These efforts aim to guide all employees in adopting a low-carbon lifestyle.



06 Caring for the People's Well-being and Sharing a Harmonious and Beautiful Society

China TCM actively fulfills its corporate responsibilities as a pharmaceutical enterprise, leveraging its own strengths to continuously consolidate the achievements in poverty alleviation. We actively participate in rural revitalization, engage in social charity and public welfare activities, and contribute to community development. We always adhere to the principle of synchronizing corporate development with social progress.

- Empowering Rural Revitalization
- Passionate about Public Welfare and Charity
- Engaging in Volunteer Service



Empowering Rural Revitalization

China TCM attaches great importance to rural revitalization work, focusing on "Party building + China TCM to support rural revitalization." We fully leverage the advantages of the entire industry chain of traditional Chinese medicine in promoting the overall development of rural revitalization. In 2023, the total investment of the Company in rural revitalization was approximately RMB 33.8681 million.

Talent Support

China TCM continues to select professional talents as dispatched officials to designated assistance areas such as Xinjiang, Qinghai, Guizhou, etc., to solidly promote targeted assistance work. We also invite experts from universities and technical backbones to visit the designated assistance areas, conduct technical guidance, professional knowledge training, and other activities at planting and production bases, providing strong professional talent support for rural revitalization.

During the Reporting Period, the Group dispatched Chen Yuehong to Xinjiang Agriculture and Husbandry Investment (Group) Co., Ltd. to serve as the deputy director of the Organization and Personnel Department, to help establish the senior management reserve talent pool of Xinjiang Agriculture and Husbandry Investment (Group) Co., Ltd., assist in improving the background investigation of the Company's public recruitment of cadres, and effectively improve the quality of talent introduction. Chen Zhong was dispatched to Zhisai Village, Zhahe Township, Zhiduo County, Qinghai Province, to serve as the first secretary of Zhisai Village. Through field visits, visits, discussions and exchanges, Chen had a detailed understanding of the physical conditions of sick orphans and needy families, as well as related conditions of herdsmen affected by lightning strikes, and helped the local people carry out assistance work.

Sinopharm WuzhaiTianjiang has invited experts from universities to visit their planting bases, production workshops, etc., to provide technical guidance. They engaged in discussions and exchanges regarding planting methods, green development, promptly addressed any technical issues encountered during the planting and production processes, and also conducted training on TCM planting techniques, e-commerce sales, providing strong technical support for rural revitalization.

A team of over ten experts, including doctors, rehabilitation therapists, and licensed pharmacists, from the health industry company, provided professional TCM health consultation, free clinics, TCM appropriate technology experiences, and trials of health products to the villagers along the "BailiFanghua" rural revitalization demonstration belt.



Sinopharm WuzhaiTianjiang provided technical support for rural revitalization



The health industry company carried out a series of activities for rural revitalization

Shaanxi Yifang actively provided technical support to farmers, printing and distributing promotional leaflets on common diseases and pest control methods for corydalis tuber. They also provided on-site consultations to farmers, explaining in detail the key points and management methods for corydalis tuber cultivation, aiming to help farmers achieve high yield and high quality corydalis tuber.



Shaanxi Yifang helped disadvantaged groups cultivate corydalis tuber

Industry Assistance

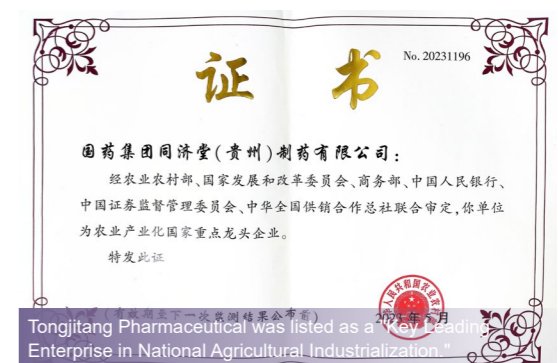
China TCM fully leverages its advantages in the areas of industry, resources, and information to support and promote the development of medicinal herb planting and processing industries in local areas. By focusing on the procurement of TCM materials, we help drive the development of rural industries. In 2023, the Company provided approximately RMB 50,000 worth of consolation goods to Jingyu County and Zhi Duo County. We also undertook a special assistance fund of RMB 450,000 for Jingyu County, Jilin Province, and used the procurement of TCM materials as a starting point to promote industrial development and advance the guaranteed purchase of TCM materials from Jingyu County, with a total value of RMB 2 million.

Case | Promote agricultural industrialization

During the Reporting Period, Sichuan Tianxiang officially received the honorary title of "Key Leading Enterprise in Agricultural Industrialization in Sichuan Province," while Tongjitang Pharmaceutical was listed as a "Key Leading Enterprise in National Agricultural Industrialization."



Sichuan Tianxiang Was Recognized As a Key Leading Enterprise in Agricultural Industrialization in Sichuan Province



Tongjitang Pharmaceutical was listed as a "Key Leading Enterprise in National Agricultural Industrialization."

Zhonglian Pharmaceutical continues to promote the construction of Wufeng Standardized Demonstration Base and ShiyanRhizomaPolygonati Ecological Planting Demonstration Base. Among them, the standardized planting base for coptis chinensis has been awarded the "Three Nos and Whole Process Traceability" brand certification and has received the honorary title of "2023 Authentic Medicinal Herb Brand". Four new authentic medicinal herb varieties, including atracylodeslancea and polygonum cuspidatum, have been evaluated and identified by experts from the Hubei Province Seed Association.



"Three Nos and Whole Process Traceability" Base of Zhonglian Pharmaceutical

Dezhong Pharmaceutical established resource sharing and mutual development partnerships with 7 village economic cooperatives in Sihui City, Guangdong Province, they have built a branded demonstration base for the cultivation of southern medicinal herbs. At the same time, Dezhong Pharmaceutical independently operated a research plot of 100 mu and a standardized planting demonstration plot of 140 mu, promoting the cultivation of pogostemoncablin on over 300 mu of land in Sihui. Dezhong Pharmaceutical has been successfully selected as a demonstration enterprise for GAP in TCM materials. It has independently conducted tissue culture experiments and cultivated over 18,000 pogostemoncablin tissue culture seedlings, and has obtained the Crop Seed Production and Operation License, laying a solid foundation for the industrialization of pogostemoncablin base.



Construction of the Pogostemon Cablin Planting Demonstration Base in Sihui

Lixian Dahuang has been actively implementing agricultural standardization in the local area of Lixian. It has been actively guiding and promoting farmers to engage in standardized production, thereby improving the overall quality of herbaepimedii products in Lixian. This has led to a significant increase in the output value of herbaepimedii and has provided long-term employment opportunities for 52 people per month, generating a total of RMB467,600 in wages. The average income per person has increased by RMB8,990, thereby helping local farmers improve their income levels and quality of life.



Instructing local villagers to carry out bagging of herbaepimedii

Jiangxi Yifang has adopted a model of "local government + enterprise + cooperative + farmers". It has established over 35,000 mu of GAP base for authentic Jiangxi-produced TCM materials in Yichun, Ji'an, Jiujiang, and other areas in Jiangxi Province. This initiative has led to the reemployment of nearly 450 households of farmers in Shanggao County and Tonggu County of Yichun City, and has helped local farmers start businesses and increase their income.



Construction of Standardized Planting Base of Polygonatum Sibiricum



Consumer Assistance

China TCM fully leverages the support of central SOEs in consumer assistance. It actively participates in events such as the second "Week of Consumer Assistance by Central SOEs to Promote Rural Revitalization" and the Group's Autumn Consumer Assistance Season. These consumer assistance activities aim to help people in assisted areas solve agricultural product sales issues and drive income growth for the local population. During the Reporting Period, the Group purchased agricultural products worth nearly RMB1 million from 63 poverty alleviation areas, including Jingyu County in Jilin Province, Yanshou County in Heilongjiang Province, and Qinglong County in Guizhou Province.

The cafeteria of Shaanxi Yifang signed a contract for purchasing agricultural products with local rural revitalization enterprises, thereby promoting local industrial development.

Passionate about Public Welfare and Charity

China TCM pays close attention to the demands of stakeholders, fully leverages the advantages of pharmaceutical enterprises, takes proactive social responsibility, actively participates in social charity and public welfare undertakings, and extensively carries out community volunteer service activities to promote the construction of a harmonious society.

Supporting Rural Education

China TCM has always been concerned about the living and working conditions of teachers and students in remote areas. Through measures such as financial donations and teaching assistance, it supports the development of education in rural areas.

Case | Carrying out the Volunteer Teaching Program Themed on "Inheriting the Cultural Heritage and Nurturing Children's Hearts with the Quintessence of Chinese Culture"

China TCM organized two "Colorful TCM Volunteer Teaching Teams" to visit Hongping Elementary School and Heba Elementary School in Guizhou Province to carry out the volunteer teaching activities themed on "Inheriting the Cultural Heritage and Nurturing Children's Hearts with the Quintessence of Chinese Culture". The teams integrated traditional Chinese medicine culture with educational games, guiding students to understand traditional Chinese medicine and explore the "Herbal Garden."



Volunteer Teaching Program

The colorful TCM volunteer team of Zhonglian Pharmaceutical went to Xiangbizui Primary School in Jinjiapu Town, Yingshan County to carry out a volunteer teaching activity for mountainous area school with the theme "Colorful TCM, Building Dreams and Moving Forward," aiming to promote the culture of Traditional Chinese Medicine.



"Colorful TCM, Building Dreams and Moving Forward" Volunteer Teaching Program

Popularizing TCM Culture

China TCM actively carries out public educational activities on modern TCM culture, promoting the dissemination of scientific TCM health concepts.

Relying on its science popularization exhibition hall and resources, Guangdong Yifang actively carries out public lectures on modern TCM culture. It provides free public lecture services to party and government agencies, schools, hospitals, social organizations, and more. In 2023, there were over 450 batches of visits with more than 5,600 visitors.

Guangdong Medi-World provides convenient booth services at the Shunfengshan Park Arch Square, promoting the scientific concept of health in the area of TCM, and disseminating popular science knowledge and cultural heritage of TCM in Shunde.

In 2023, there were over

450 batches

of visits for Guangdong Yifang with more than

5,600 visitors



Popularization Activities on TCM Culture



Guangdong Medi-World's Public Welfare Campaign for Popularizing TCM Culture

Engaging in Volunteer Service

Relying on the "Colorful TCM" volunteer service brand, China TCM actively builds the "Colorful TCM" volunteer service team and the "Colorful TCM" volunteer teacher team, continuously guiding Party members, cadres, league members, and employees to participate in volunteer service activities.

Community Volunteer Service

China TCM encourages and supports its employees to participate in social volunteer service activities, forming a long-term mechanism for volunteers. The Company has established a stable volunteer service team and organized a series of diverse volunteer activities, including community service, voluntary blood donation, and public tree planting. During the Reporting Period, the Group accumulated a total of 1,823 volunteers and a total of 1,465 hours of volunteer service.



Case | Organizing and participating in the volunteer service activity of "Millions of youth get united for voluntary actions"

At the launch ceremony of the 2023 Nanhai District Learning-from-Lei Feng Universal Volunteer Service Action Month and the Spring Volunteer Service Market, the Group set up a theme booth called "China TCM Protects Your Health" to educate the public on TCM health knowledge, share TCM health products, and contribute the TCM power in inheriting and promoting the spirit of Lei Feng in the new era.

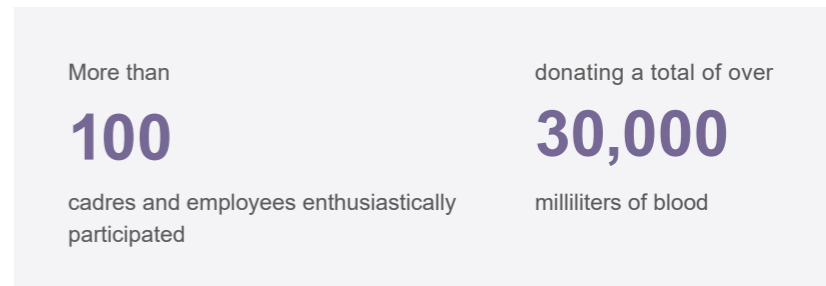


Scene of the "Millions of youth get united for voluntary actions" activity

Subsidiaries such as Guangdong Yifang, Jianguyin Tianjiang, and Jingfang Pharmaceutical actively organized blood donation activities. Guangdong Yifang, in collaboration with the Lishui Town Health Office and Fengyong Village Committee, conducted a voluntary service activity titled "Blood Donation Practical Education to Bring Warmth." More than 100 cadres and employees enthusiastically participated, donating a total of over 30,000 milliliters of blood.



Volunteer service activity titled "Blood Donation Practical Education to Bring Warmth"



Jingfang Pharmaceutical organized a voluntary blood donation called Colorful TCM - Spreading Great Love through Blood Donation to Make the World More Wonderful



Jianguyin Tianjiang carried out a public welfare blood donation activity called "Colorful TCM - Great Love of Tianjiang"

Jianguyin Tianjiang organized a "Learn from Lei Feng" health knowledge lecture, explaining the concepts and methods of health preservation in traditional Chinese Medicine (TCM) to residents, and providing TCM diagnosis and treatment, blood pressure measurement, and health consultation services.



Health knowledge lecture

Zhonglian Pharmaceutical carried out the "Warm-hearted Health Assistance to People in Rural Areas" volunteer service activity, providing TCM consultations for the villagers of Guangming Village in Jiangxia District, while promoting TCM culture and everyday first aid skills. They also donated various types of commonly used cold medicines and caring medicine boxes.



Zhonglian Pharmaceutical carries out the "Warm-hearted Health Assistance to People in Rural Areas" volunteer service activity



Guangdong Medi-World established a TCM Party member volunteer service team and served 1,680 residents by carrying out 11 volunteer service activities such as "Deliver Results for the Mass", "Bring TCM Culture to Community" and "Promote Patriotic Movement and Beautify Homeland".

Guangdong Medi-World carried out **11** volunteer service activities such as "Deliver Results for the Mass", "Bring TCM Culture to Community" and "Promote Patriotic Movement and Beautify Homeland"

Provide services for **1,680** residents



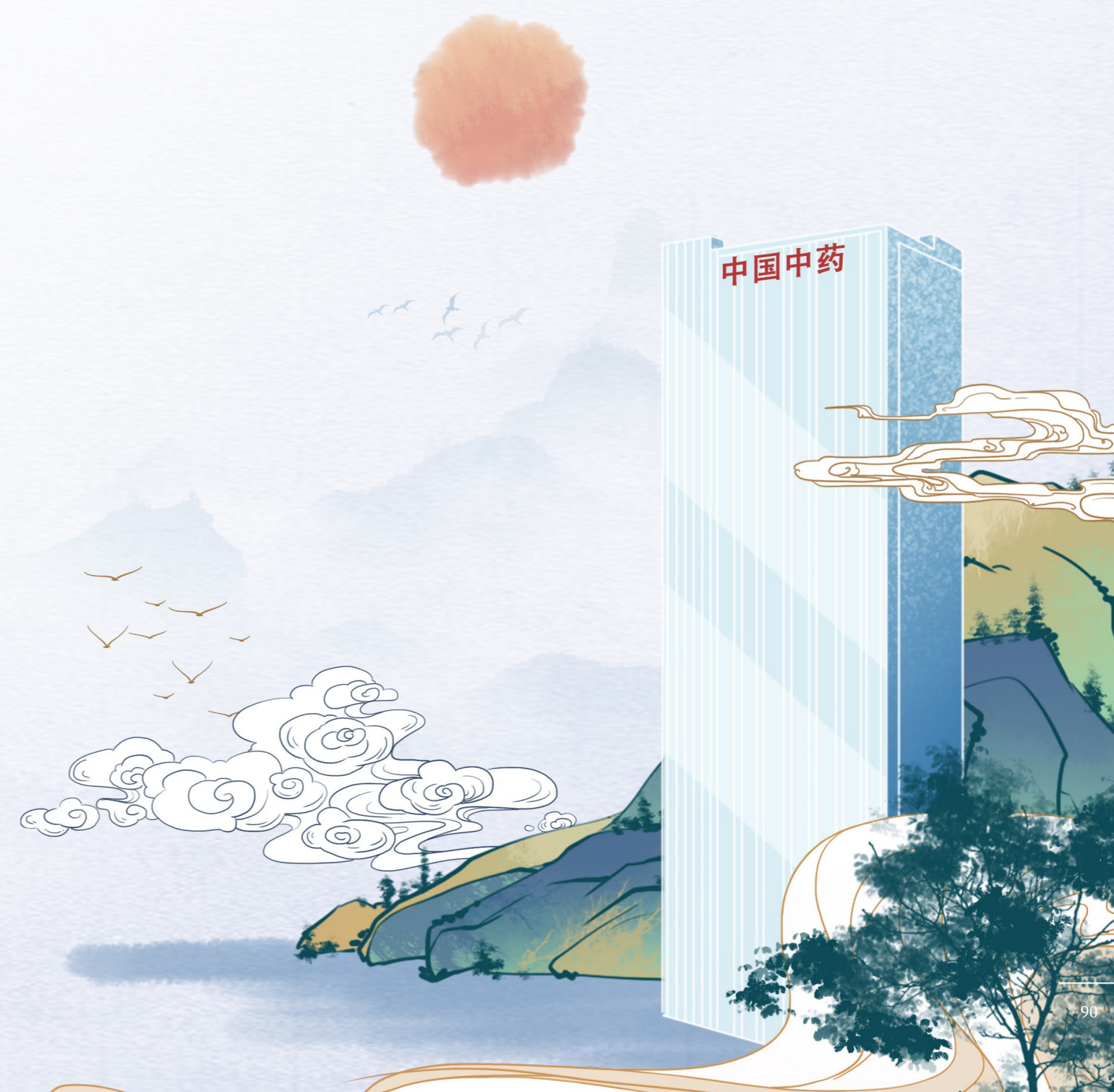

Feng Liao Xing Pharmaceutical organized employees to visit the "special families" in the Shangsha community as part of the themed activity "Colorful TCM · Long Live the Lei Feng Spirit". Led by the Youth League Committee of the community, they learnt about the situation and needs of those families and delivered commonly used medicines such as Feng Liao Xing Rheumatism Liniment and Baoji Pills.



Looking Forward to 2024

The new era calls for new responsibilities and new achievements in the new journey.

In 2024, China TCM will continue to bear in heart the duties and responsibilities and fulfill them, take the initiative to fulfill the main responsibilities of a state-owned listed central enterprise, continuously strengthen the main business, enhance its business performance, strengthen its capability of fulfilling its social responsibilities, actively build a win-win industry ecosystem, closely link its products and services to people's well-being, comprehensively advance the coordinated development of the environment, society and governance, promote ESG concepts and practices with TCM industry characteristics, drive all relevant parties in the TCM industry chain to create value and develop together, and contribute to the sustainable and high-quality development of the TCM industry.



Appendix

Laws and Regulations

For different sustainability aspects, China TCM strictly complies with applicable national laws and regulations, which are listed in the table below:

Aspects	Applicable laws and regulations	Compliance Statement
Emission	<ul style="list-style-type: none"> • Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution • Law of the People's Republic of China on the Prevention and Control of Water Pollution • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste • Law of the People's Republic of China Soil Pollution Prevention and Control • Law of the People's Republic of China on Promoting Clean Production • Directory of National Hazardous Wastes • Integrated Emission Standard of Air Pollutants • Integrated Wastewater Discharge Standard • Standard for Pollution Control on Hazardous Waste Storage • Emission Standard of Air Pollutants for Boiler 	During the year, the Company was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
Use of Resources	<ul style="list-style-type: none"> • Energy Conservation Law of the People's Republic of China • Circular Economy Promotion Law of the People's Republic of China 	
Environmental and Natural Resources	<ul style="list-style-type: none"> • Environmental Protection Law of the People's Republic of China 	
Employment	<ul style="list-style-type: none"> • Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China • Provisions on the Prohibition of Using Child Labor • Law of the People's Republic of China on the Protection of Minors • Employment Ordinance of the Hong Kong SAR 	During the year, the Company was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Company relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare.

Aspects	Applicable laws and regulations	Compliance Statement
Health and Safety	<ul style="list-style-type: none"> • Work Safety Law of the People's Republic of China • Labor Law of the People's Republic of China • Special Equipment Safety Law of the People's Republic of China • Fire Control Law of the People's Republic of China • Regulation on Work-Related Injury Insurance • Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 	During the year, the Company was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Company relating to providing a safe working environment and protecting employees from occupational hazards. There were no cases of work-related fatalities or occupational diseases.
Labor Standards	<ul style="list-style-type: none"> • Provisions on the Prohibition of Using Child Labor • Law of the People's Republic of China on the Protection of Minors 	During the year, the Company did not have any cases of child labor and forced labor.
Product Responsibility	<ul style="list-style-type: none"> • Good Supply Practice for Pharmaceutical Products • Good Manufacturing Practice for Pharmaceutical Products • Product Quality Law of the People's Republic of China • Drug Administration Law of the People's Republic of China • Specifications for Pharmacovigilance Quality Management • Regulation on the Administration of Annual Reports on Drugs • Administrative Measures for Drug Recalls • Good Agricultural Practice for Chinese Crude Drugs • Tort Law of the People's Republic of China • Patent Law of the People's Republic of China • Trademark Law of the People's Republic of China • Copyright Law of the People's Republic of China • Contract Law of the People's Republic of China 	During the year, the Company was not aware of any non-compliance with laws and regulations that have a significant impact on the Company relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.
Anti-corruption	<ul style="list-style-type: none"> • Criminal Law of the People's Republic of China • Anti-Unfair Competition Law of the People's Republic of China • Prevention of Bribery Ordinance of Hong Kong SAR • Oversight Law of the People's Republic of China • Law of the People's Republic of China on Administrative Discipline for Public Officials 	During the year, the Company was not aware of any non-compliance with laws and regulations that have a significant impact on the Company relating to bribery, extortion, fraud and money laundering and was not involved in any corruption cases.

Performance Data Summary

Environmental data

Indicator	Unit	2021	2022	2023
Environmental protection				
Total investments in environmental protection	RMB10,000	2,000.24	1,723.80	2,051.53
Energy consumption				
Purchased electricity	kWh	162,446,834.4	175,290,038.3	164,487,176.8
Gasoline	kg	260,328.9	154,738.8	207,337.2
Diesel	kg	221,181.9	174,049.5	167,003.5
Natural gas	m ³	20,190,039.5	22,077,276.7	23,491,993.4
Coal	tonne	45,833.5	36,066.5	26,555.7
Purchased steam	million kJ	623,025.3	729,885.5	620,342.6
Total energy consumption	MWh	891,874.4	827,694.8	746,110.8
Energy intensity	kWh/RMB1,000 of operating revenue	46.80	57.90	41.20
Water consumption	tonne	3,124,576.1	3,876,991.7	3,996,813.9
Water consumption intensity	Tonne/RMB1,000 of operating revenue	0.16	0.27	0.22
Occupational health and work safety				
Total investment in work safety	RMB10,000	/	1,427.47	1541.50
Number of emergency drills for work safety	time	/	130	207
Number of employees participating in work safety emergency drills	time	/	38,658	40,368
Coverage of work safety emergency drills	%	/	100	100
Total person-times of occupational health and safety training	time	37,453	40,246	44,970
Total hours of occupational health and safety training	hour	74,906	80,492	89,940
Coverage of occupational health and safety training	%	100	100	100
Number of work-related accidents	nos.	8	2	0
Number of work-related injuries	person	8	5	0
Lost days due to work-related injuries	day	216	258	0
Number of work-related fatalities	person	0	0	0
Number of newly added occupational diseases	nos.	0	0	0

Indicator	Unit	2021	2022	2023
GHG				
GHG emissions	tonne of CO ₂ e	306,697.8	377,850.7	338,793.6
Direct emissions (scope 1)	tonne of CO ₂ e	105,687.6	122,799.1	106,562.2
Indirect emissions (scope 2)	tonne of CO ₂ e	201,010.2	255,051.6	232,231.4
GHG emissions intensity	tonne of CO ₂ e/RMB1,000 of operating revenue	0.021	0.026	0.019
Waste gas				
O _x	tonne	65.9	173.2	80.4
SO _x	tonne	42.4	59.2	45.2
PM	tonne	9.1	9.2	7.9
Wastewater				
COD	tonne	68.9	189	102.1
Ammonia nitrogen	tonne	5.8	12	2.4
Waste				
Hazardous waste	tonne	116.0	293.3	144.3
Intensity of hazardous waste	kg/RMB1,000 of operating revenue	0.06	0.02	0.008
Non-hazardous waste	tonne	50,554.4	86,198.8	84,017.3
Intensity of non-hazardous waste	kg/RMB1,000 of operating revenue	2.65	6.03	4.64
Third-party recycling	tonne	18,666.8	17,480	13,630.1
Landfill disposal	tonne	2,127.5	3,892	1,943.5
Internal incineration	tonne	9,269.6	9,752.5	4,740
Internal fertilizer	tonne	7,379.4	4.34	0
External harmless treatment	tonne	13,111	68,797.7	63,703.8
Packaging material consumption				
Paper products	tonne	10,384.9	5,178	9,626.5
Plastic	tonne	16,550.1	3,008	2,964.4
Composite membrane	tonne	2,372.8	2,295	3,501.6
Glass	tonne	925.1	691	932.7
Metals	tonne	818.2	114	369.1
Others	tonne	41.9	18.6	126.3
Total	tonne	31,093	11,308.9	17,520.6
Density of packaging material	kg/RMB 1,000 of operating revenue	1.63	0.79	0.97

Employees data

Indicator	Unit	2021	2022	2023
Total number of employees	person	17,098	17,662	17,303
By gender				
Male	person	8,690	8,882	8,613
Female	person	8,408	8,780	8,690
By function				
Marketing personnel	person	6,198	6,155	5,811
Production personnel	person	7,252	7,008	6,529
Management personnel	person	2,430	3,236	3,634
R&D personnel	person	1,218	1,263	1,329
By age				
<30	person	5,243	5,997	5,311
30-50	person	10,804	10,353	11,031
>50	person	1,051	1,312	961
By region				
Mainland China	person	17,094	17,658	17,299
East China	person	5,175	5,347	4,988
South China	person	4,441	4,585	3,849
North China	person	1,206	1,246	951
Central China	person	1,682	1,738	2,570
Northwest China	person	1,245	1,286	1,447
Northeast China	person	824	851	654
Southwest China	person	2,521	2,605	2,840
Hong Kong SAR	person	4	4	4
By educational background				
Employees with a bachelor's degree or above	person	9,829	9,910	10,657
Employees with a junior college certificate or below	person	7,269	7,752	6,646
By ethnic group				
Ethnic Han	person	16,323	16,835	16,279
Ethnic minorities	person	775	827	1,024

Indicator	Unit	2021	2022	2023
Others				
Number of disabled employees	person	125	117	117
Proportion of female employees in management	%	36.5	38.2	38.9
Interests of employees				
Signing rate of labor contracts	%	/	/	100
Coverage rate of five social insurances and housing provident fund	%	100	100	100
Average paid leave days per person	days	/	6.20	6.57
Satisfaction of employees	points	/	/	81.47/100
Coverage rate of employee physical examination	%	/	98.03	100
Employee care				
Input for support of employees-in-need (including in-kind rebate)	RMB10,000	/	32	69.71
Person-times of employees-in-need helped	person-time	32	31	231

Employee new hire rate

Indicator	Unit	2021	2022	2023
By gender				
Male	%	29	26	23.14
Female	%	30	26	22.55
By age				
<30	%	46	42	43.49
30-50	%	23	26	14.87
>50	%	9	4	5.72
By region				
Mainland China	%	30	26	23.14
East China	%	30	26	22.35
South China	%	65	50	37.67
North China	%	10	6	15.25
Central China	%	3	16	18.6
Northwest China	%	14	15	12.3
Northeast China	%	9	4	14.53
Southwest China	%	9	12	19.23
Hong Kong SAR	%	0	0	25

Employee turnover

Indicator	Unit	2021	2022	2023
By gender				
Male	%	23	24	21.13
Female	%	24	24	20.79
By age				
<30	%	35	34	29.74
30-50	%	18	17	16.73
>50	%	19	26	21.02
By region				
Mainland China	%	23	24	20.96
East China	%	22	23	22.45
South China	%	46	47	31.56
North China	%	11	8	17.88
Central China	%	6	7	15.8
Northwest China	%	11	17	13.41
Northeast China	%	12	5	12.54
Southwest China	%	12	13	15.49
Hong Kong SAR	%	25	0	25

Employee training performance

Indicator	Unit	2021	2022	2023
Investments in employee training	RMB10,000	494.8	1,064.98	988.39
Number of employees participating in trainings	person-time	114,722	132,384	459,181
Number of employees trainings	time	5,287	3,862	10,212
Employee training performance – by gender				
Training coverage				
Male	%	100	94.07	81.52
Female	%	80	93.43	80.04

Indicator	Unit	2021	2022	2023
Average training hours per employee				
Male	hour	48	21.70	37.53
Female	hour	37	37.82	42.77
Employee training performance – by function				
Training coverage				
Marketing personnel	%	81	93.60	90.15
Production personnel	%	96	97.18	96.31
Management personnel	%	100	91.41	87.50
R&D personnel	%	84	90.08	81.36
Average training hours per employee				
Marketing personnel	hour	38	20.38	26
Production personnel	hour	25	20.32	25.88
Management personnel	hour	108	50.02	85.15
R&D personnel	hour	41	31.72	35.13
Number of anti-corruption training sessions	time	12	14	23
Number of anti-corruption training participants	person	9,928	15,712	14,523
Number of legal compliance trainings	time	/	/	8
Number of persons who have received legal compliance training	person-time	/	/	300

Occupational health and safety

Indicator	Unit	2021	2022	2023
Occupational health and safety training				
Total person-times of occupational health and safety training	time	37,453	40,246	44,970
Total hours of occupational health and safety training	hour	74,906	80,492	89,940
Occupational health and safety performance				
Number of work-related accidents	nos.	8	2	0
Number of work-related injuries	person	8	5	0
Lost days due to work-related injuries	day	216	258	0
Number of work-related fatalities	person	0	0	0
Number of newly added occupational diseases	nos.	0	0	0

Distribution of suppliers

Indicator	Unit	2021	2022	2023
Mainland China	nos.	218	199	195
East China	nos.	64	56	54
South China	nos.	27	27	24
North China	nos.	29	27	25
Central China	nos.	31	29	27
Northwest China	nos.	22	18	22
Northeast China	nos.	15	9	12
Southwest China	nos.	30	33	31
Performance rate of economic contracts	%	100	100	100
Number of supplier ESG reviews	nos.	/	/	27
Number of suppliers suspended in cooperation for non-compliance	nos.	/	/	0
Number of potential suppliers rejected for non-compliance	nos.	/	/	0
Ratio of responsible procurement	%	/	/	100
Number of supplier ESG trainings	time	/	/	2
Hours of supplier ESG training	hour	/	/	2
Coverage of supplier ESG training	%	/	/	99

Product quality

Indicator	Unit	2021	2022	2023
Product qualification rate	%	100	100	100
Qualification rate of drug sampling and testing	%	100	99.74	99.95
Number of defects identified by internal quality audit	nos.	581	518	559
Rectification rate of defects identified by internal quality audit	%	98.6	100	100
Number of product recalls	recalls	/	4	5
Percentage of products recalled				
TCM decoction pieces				
Quality	%	0	0.04	0.017
Safety	%	0	0	0
Concentrated TCM granules				
Quality	%	0.00017	0.00006	0.00004
Safety	%	/	0	0

Indicator	Unit	2021	2022	2023
TCM finished drugs				
Quality	%	0.00008	0.00002	0.00042
Safety	%	0	0	0
Total number of customer complaints				
Quality	time	24	32	28
Packaging appearance	time	177	105	75
Non-conformity of product information	time	17	1	13
Adverse reactions	time	24	30	26
Others	time	25	38	33
Resolution rate of customer complaints	%	100	100	100

Community

Indicator	Unit	2021	2022	2023
Investments in public welfare	RMB10,000	1,189	1,433.81	1,445.5
Person-times of employees participating in volunteer services	person-time	433	416	1,823
Volunteer service time	hour	1,290	1,280	1,465
Investments in rural revitalization	RMB10,000	/	3,166.26	3,386.81
Proportion of unionized employees (Head Office)	%	/	/	100

Innovation and R&D

Indicator	Unit	2021	2022	2023
Number of clinical trial incidents	Time	0	0	0
Expenditure on R&D	RMB100 million	6.94	6.12	6.86
Proportion of R&D expenditure	%	/	4.82	3.78
Number of R&D personnel	person	1,218	1,263	1,218
Proportion of R&D personnel	%	7.12	7.15	7.12
Number of patents granted	nos.	177	209	201
Number of innovative drugs that have been launched to the market	nos.	1	0	0

Index of Indicators

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Caring for the People's Well-being and Sharing a Harmonious and Beautiful Society	Passionate about Public Welfare and Charity	
	Engaging in Volunteer Service	413
Looking Forward to 2024		
Appendix	Laws and Regulations	
	Performance Data Summary	
	Index of Indicators	2-4
	Suggestions and Feedback	

Index of indicators of Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules

Issue	Performance indicator	Chapter cited/note
Mandatory disclosure requirements		
Governance structure		P11
Reporting principle		P02
Reporting scope		
"Comply or explain" provision		
Main category A - Environment		
A1 Emission	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P68
	A1.1 The types of emissions and respective emissions data.	
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P65
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	P66, P68
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P65
A2 Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	P63
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P62
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P63
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P77

Issue	Performance indicator	Chapter cited/note
A3 The Environment and Natural Resources	General Disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	P59-60
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P68
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
Main Category B: Social		
Employment and Labour Practices		
B1 Employment	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P37
	B1.1 Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	P37-38
	B1.2 Employee turnover rate by gender, age group and geographical region.	P97
B2 Health and Safety	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P70
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P93
	B2.2 Lost days due to work injury.	P93
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P41
B3 Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P44
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P98
	B3.2 The average training hours completed per employee by gender and employee category.	P45-46
B4 Labour Standards	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P37
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	
	B4.2 Description of steps taken to eliminate such practices when discovered.	

Suggestions and Feedback

Dear readers,

Hello! Thank you for reading the 2023 Environmental, Social and Governance Report of China Traditional Chinese Medicine Holdings Co. Limited. We highly value and look forward to hearing your suggestions and feedback on this report, your comments and suggestions are an important basis for us to continue to promote ESG management and practice. You may copy and fill in the form below and send feedback to us via email or fax. Your valuable suggestions are very welcome and sincerely appreciated!

Multiple choice questions (please place "√" in relevant location)

1. Do you think this report reflects the significant economic, social and environmental impact of China TCM?

Yes General No

2. Do you think the analysis of the stakeholders identified in this report and their relationship with China TCM is accurate and comprehensive?

Yes General No

3. Do you think the information disclosed in this report is comprehensive?

Yes General No

4. Do you think the information disclosed in this report is readable?

Yes General No

Open-ended questions

1. What other information do you think you are concerned about is not disclosed in this report?

2. What else do you think can be improved in this report?

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Issue	Performance indicator	Chapter cited/note	
Operating Practices			
B5 Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.	P56	
	B5.1 Number of suppliers by geographical region.		
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		
B6 Product Responsibility	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P31-33	
	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.		P34
	B6.2 Number of products and service related complaints received and how they are dealt with.		P31-32
	B6.3 Description of practices relating to observing and protecting intellectual property rights.		P29
	B6.4 Description of quality assurance process and recall procedures.		P34
B7 Anti-corruption	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P32	
	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P16	
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.		
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P17	
	B7.3 Description of anti-corruption training provided to directors and staff.	P16	
Community			
B8 Community Investment	General Disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P82	
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P83-85	
	B8.2 Resources contributed (e.g. money or time) to the focus area.	P83, P87	



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