

2024 Environmental, Social and Governance Report



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Stringent Governance and Compliance

About This Report

This report is the Environmental, Social and Governance (ESG) Report publicly released by Shandong Xinhua Pharmaceutical Company Limited ("the Company"). It aims to comprehensively and truthfully present the Company's management practices and achievements in the environmental, social, and governance fields to shareholders, employees, regulatory agencies, customers, partners, and the general public, who are all stakeholders.

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

Report scope and boundaries

Reporting scope: This report mainly covers Shandong Xinhua Pharmaceutical Company Limited and partly its subsidiaries. Reporting period: From January 1, 2024 to December 31, 2024. Part of the report extends moderately to the years before and after to enhance its comparability and forward-looking nature.

Data

The report's data and cases are sourced from relevant statistical data and cases of the Company and its subsidiaries. All of the related financial information is extracted from the Company's 2024 Annual Results Announcement. Monetary units mentioned in the report are all denominated in Renminbi.

Report references

This report is prepared in compliance with all the provisions set out in the Environmental, Social, and Governance Reporting Guide and Optimizing Climate-Related Information Disclosure under the Environmental, Social, and Governance Framework as contained in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK") issued by the SEHK, with reference to the Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 -Standardized Operation of Listed Companies on the Main Board, Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange-Sustainability Report (For Trial Implementation), Self-Regulatory Guidelines No. 3 for Companies Listed on Shenzhen Stock Exchange-Compilation of Sustainability Report, the Guidelines to Chinese State-owned Enterprises on Fulfilling Corporate Social Responsibilities issued by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") and so on.

Reporting procedures

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

Addressing and representation

Full NameShandong Xinhua Pharmaceutical Company LimitedXinhua Pharmaceutical (Shouguang) Co., Ltd.Shandong Zibo Xincat Pharmaceutical Co., Ltd.Shandong Xinhua Wanbo Chemical Co., Ltd.Shandong Xinhua Medical Trade Co., Ltd.	
Xinhua Pharmaceutical (Shouguang) Co., Ltd. Shandong Zibo Xincat Pharmaceutical Co., Ltd. Shandong Xinhua Wanbo Chemical Co., Ltd.	Full Name
Shandong Zibo Xincat Pharmaceutical Co., Ltd. Shandong Xinhua Wanbo Chemical Co., Ltd.	Shandong Xinhua Pharmaceutical Company Limited
Shandong Xinhua Wanbo Chemical Co., Ltd.	Xinhua Pharmaceutical (Shouguang) Co., Ltd.
, ,	Shandong Zibo Xincat Pharmaceutical Co., Ltd.
Shandong Xinhua Medical Trade Co., Ltd.	Shandong Xinhua Wanbo Chemical Co., Ltd.
	Shandong Xinhua Medical Trade Co., Ltd.

Report Access

This report is published in electronic form. To obtain the electronic version of this report, please visit the websites of Juchao Information Network (www.cninfo.com.cn), the SEHK (www.hkex.com.hk), or the official website of the Company (www.xhzy.com) for downloading. This report is prepared in Chinese and English respectively. In case of any discrepancy between the English and Chinese versions, the

Chinese version shall prevail.



Abbreviation

Xinhua Pharmaceutical, the Company, we, and us Shouguang Xincat Pharmaceutical Wanbo Chemical Xinhua Medical Trade

Stringent Governance and Compliance

Focus on Innovation

Protecting the Earth

Introduction to Xinhua Pharmaceutical

Brief introduction of the Company

Xinhua Pharmaceutical, previously known as Shandong Xinhua Pharmaceutical Factory, was established in Jiaodong Anti-Japanese Base in 1943. The Company is a significant pharmaceutical enterprise in China, producing and exporting analgesic-antipyretic drugs in Asia. Additionally, the Company is an important domestic manufacturer of cardiovascular and cerebrovascular drugs, anti-infection drugs, and central nervous system drugs. Xinhua Pharmaceutical holds a high status and influence in the domestic chemical and pharmaceutical industries. The Company is listed on both A-share and H-share markets and is ranked among the top 100 pharmaceutical enterprises, the top five enterprises in exporting APIs, and the top ten enterprises in exporting preparations. Currently, the Company possesses 5 industrial parks and 13 subsidiaries, with total assets exceeding RMB9 billion. The Company offers 26 products with top-one market share or of exclusive varieties, including aspirin, ibuprofen, levodopa, etofesalamide, tribendimidine, irisquinone, and pipemidic acid. The Company has established long-term strategic partnerships with many renowned transnational enterprises, such as Bayer, Perrigo, and GlaxoSmithKline.







Working with Employees

Contributing to the society

Appendixes



Stringent Governance and Compliance

Focus on Innovation

Protecting the Earth

Major events in 2024



Xinhua Pharmaceutical won the title of "Excellent Enterprise for Informatization and Industrialization Integration of Shandong Province of 2023".



Xinhua Pharmaceutical' Memantine Hydrochloride Tablets were approved for marketing.



"Xinhua Pharmaceutical High-End Preparation Smart Factory Project" was listed on the award-winning list of the 2023 Provincial State-owned Enterprise Digital Scene Typical Application Competition.



Xinhua Pharmaceutical's chemical raw medicine, Prednisone, of hormone variety, was approved for market launch. Prior to this, the Company's product had been registered in multiple international markets such as Europe and America.



Xinhua Pharmaceutical's Ibuprofen

commercial supermarkets, marking the

tablets entered the United States'

March



Xinhua Pharmaceutical's Atorvastatin Calcium Tablets obtained US marketing approval with specifications of 10mg, 20mg, 40mg, and 80mg.

April 💀

Xinhua Pharmaceutical's Workshop 205 was awarded the title of "National Workers Pioneer".



Xinhua Pharmaceutical's Peramivir Injection (15ml:0.15g) was approved for marketing and deemed to have passed the consistency evaluation.

Xincat Pharmaceutical's Cefaclor Capsules passed the consistency evaluation.

May

The project won the first prize of Shandong Science and Technology Progress Award.



Xinhua Pharmaceutical's Sodium Bicarbonate Injection (10ml:0.84g), Naloxone Hydrochloride Injection (1ml:0.4mg, 1ml:1mg, 2ml:2mg), and Citicoline Sodium Injection (4ml:0.5g) successfully passed the evaluation for consistency as generic drugs (3 products and 5 specifications).

Xinhua Pharmaceutical's Escitalopram Oxalate Tablets were approved for marketing.

June 🔡

Xinhua Pharmaceutical's Pregabalin Capsules were approved for marketing.

Xinhua Pharmaceutical's Yu Lei and Si Shuwei were awarded the title of "Chief Technicians of Shandong for the Year 2023".



Xinhua Pharmaceutical's "Neurodegenerative Drug Engineering Research Center" was recognized as a provincial-level engineering research . center.



The on-site promotion meeting of county key projects for high-quality development in Zibo City entered Xinhua Pharmaceutical's Injection GMP Transformation Project for research, observation, and guidance.



August 🔡





Academy of Engineering.

Xinhua Pharmaceutical held the appointment ceremony for Professor





通过攀止化学或器组织玻场收察,特此证明。

evaluation

Xinhua Pharmaceutical Party Committee organized a report meeting to interpret the spirit of the Third Plenary Session of the 20th Central Committee of the Communist Party of China.



Xinhua Pharmaceutical held an expert symposium on the summary of Phase I clinical trial of the innovative drug OAB-14 for Alzheimer's disease and the design



of Phase II clinical trial in Beijing.

was approved for marketing.

Xinhua Pharmaceutical's Dihydroxypropyl Theophylline Injection, Febuxostat API, and Apixaban Tablets were approved for marketing, respectively.



Xinhua Pharmaceutical's independently developed Active Pharmaceutical Ingredient (API), Esomeprazole Magnesium, was approved for marketing. Additionally, Pentoxifylline Injection was also approved for marketing.

Shouguang was listed in the third batch of development and cultivation enterprises integrating production and education in Shandong Province, as well as the Weifang City's list of all-staff innovation enterprises.



October 🖶

Xinhua Pharmaceutical passed the onsite inspection under the international convention on the prohibition of



Xinhua Pharmaceutical successfully passed the provincial health enterprise



Xinhua Pharmaceutical and Merck held the commercialization launch ceremony for the project Glucophage®"



Xinhua Pharmaceutical's new product, Fuya'an, a combination of Lutein Ester, Fish Oil, and DHA in gelatin candy form,

November

Wang Zhizhen, Vice Chairman of the 11th National Committee of the Chinese People's Political Consultative Conference (CPPCC), former Vice Chairman of the Central Committee of the Jiu San Society, and academician of the Chinese Academy of Sciences, visited Xinhua Pharmaceutical to provide guidance on its work.



Xinhua Pharmaceutical's simvastatin calcium API and its tablets both received approval from the US FDA.



December

Xinhua Pharmaceutical was recognized as an advanced unit in ideological and cultural construction for the years 2020-2024.



Xinhua Pharmaceutical's Esmolol Hydrochloride Injection(10ml:0.1g) and Lactulose Oral Solution (100ml:66.7g) were approved for marketing.

Xinhua Pharmaceutical's Azithromycin for Suspension passed the evaluation for consistency as a generic drug.

Stringent Governance and Compliance

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Outstanding performance in ESG in 2024





- Established 27 pharmaceutical industry standards
- 36 drugs and 23 veterinary drugs approved in 2024



occupational health hazards who have received an occupational disease examination: 100%

Environmental philosophy Environmental protection is the 50 lifeline of Xinhua Pharmaceutical's TS . survival and development

- Total investment in environmental protection: RMB 134,000,000
- Number of environmental training sessions conducted: 10
- Total self-generated and self-used solar power by the Company: 1,815,300 kilowatt-hours

Talent philosophy



Selecting talents with virtue and morality to ensure each talent has his own merit and makes the best use of it

- Number of employees: 7,296
- Ratio of female employees to male employees: 0.74:1
- Number of female employees: 3,107
- Total number of employees trained: 7,296
- Total length of employee training: 189,696 hours



Stringent Governance and Compliance

Focus on Innovation

Protecting the Earth

Honors of the Year





Statement of the Board of Directors

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

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

The Company strictly follows the requirements of the Code of Corporate Governance for Listed Companies of the China Securities Regulatory Commission (CSRC), Environmental, Social, and Governance Reporting Guide and Optimizing Climate-Related Information Disclosure under the Environmental, Social, and Governance Framework as contained in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK") issued by the SEHK, with reference to Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange-Sustainability Report (For Trial Implementation), Self-Regulatory Guidelines No. 3 for Companies Listed on Shenzhen Stock Exchange-Compilation of Sustainability Report issued by Shenzhen Stock Exchange, to enhance the Board's participation in and supervision of ESG-related matters. We also continue to improve our ESG governance structure and management mechanism, explore ESG practices and ESG development values and consistently improve the quality of ESG report disclosures.

ESG governance structure

As the highest responsible, decision-making and supervisory body for ESG-related matters, the Board of Directors performs supervisory and management responsibilities for ESG-related matters, including but not limited to material risk assessment, key target setting, work planning and review. During the reporting period, the company established an ESG working group, led by the Board Office, and appointed ESG liaisons in various units and departments. They were responsible for coordinating and organizing the preparation of ESG reports, sustainable management-related tasks, data collection and analysis, communication with investors and research institutions, and other capacity-building work. Regular work achievements were reported to the Board of Directors.

During the reporting period, Xinhua Pharmaceutical's outstanding practices in sustainable development led to the company being awarded the "Wind ESG Rating A Certificate" and the "Zhongchengxin ESG Rating A+ Certificate", which reflects external recognition for the company's longterm commitment to ESG principles.



ESG Governance

Wind ESG Rating A Certificate

Zhongchengxin ESG Rating A+ Certificate

Communication with stakeholders

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

Stakeholders	Communication requirements	Communication Channels
Government departments	 Compliance with the relevant laws and regulations Quality and safety assurance for drug products Cooperation with government supervision for the healthy development of the industry Payment of taxes in accordance with the law and promotion of local economic development 	Government-enterprise seminarsSupervision and inspectionWork reports and research
Shareholders and investors	 Protection of shareholders' legitimate rights and interests Understanding of the Company's operating performance, governance standards, and tight control of risks Prudent operation for the greatest return on investment Assurance of openness, fairness, and impartiality in the disclosure of information 	 Convening of a general meeting of shareholders Company website Exchange meeting for investors and on-site inspection Timely disclosure of major business information and temporary announcements, and regular release of financial data Interview, hotline, and e-mail Hudongyi Platform of the Shenzhen Stock Exchange IR Connect of Hong Kong Stock Exchange
Employee	 Protection of employees' fundamental rights and interests Concern for the physical and mental health and safety of employees Understanding of the needs of the employees and their suggestions for the Company Provision of a platform for employee training and career development 	 Workers' congresses and trade unions Four Eagles Program Employee satisfaction survey Occupational health and safety training Feedback platform Daily communication
○○○ Consumers □□□ and customers	 Protection of consumer rights and interests Compliance with business ethics Assurance of drug quality and safety and prompt recall of any problematic drugs Provision of a guarantee for quality after-sales service 	 Product label and information disclosure Customer visit Consumer satisfaction survey Consumer complaints and opinions handling
Partners and	 Maintenance of good and stable cooperation relationship Conducting business with integrity and ensuring drug compliance Timely communication and coordination with upstream and downstream partners for a win-win situation 	Regular communicationWork meetings and correspondence over the phoneCompany website
ر الله Media	 Maintenance of open and transparent information disclosure Maintenance of a good level of communication with the media 	Telephone interviews and email exchangesSpecial interviews
Industry peers and associations	 Maintenance of fair competition among peers to promote the healthy development of the industry Realization of technology and experience sharing between companies 	Meetings organized by the industryExperience sharing meetingField visits and exchanges
الم ل + المح دommunity	 Paying attention to the impact of production and operation on the local area Promotion of local economic development and support for vulnerable groups Dissemination of health information and assistance to sick people Increased recycling of product packaging and waste, and reduction of environmental pollution 	 Participation in social welfare Regular provision of regional assistance Implementation of volunteer service Disclosure of environmental information

Analysis of important topics

By benchmarking with domestic and international ESG report compilation standards, Xinhua Pharmaceutical interprets macro policies and hot topics in the industry, conducts extensive research and analysis, and establishes a library of important ESG topics in conjunction with the Company's business development strategy and unique features. Through online surveys and offline stakeholder interviews, we comprehensively assessed the impact of each topic on Xinhua Pharmaceutical and external stakeholders. Finally, 4 new ESG tops were introduced upon the previous reporting period and we identified 23 ESG topics, and disclosed and responded to them in this report.

Xinhua Pharmaceutical 2024 Important Topics Matrix



Important topics presentation





O1 Stringent Governance and Compliance: Building the Foundation of Responsibility

Corporate governance	15
Integrity and compliance	19
Information security	24
Leading role of Party building	25

Corporate governance

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



Xinhua Pharmaceutical Governance Structure

Operation by Board of Shareholders, Board of Directors, and Board of Supervisors

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

General Meeting of Shareholders

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



3 general meetings

Board of Directors

The Board of Directors directs and leads the affairs of the Company, formulates strategic orientations, and sets goals and business development plans. The Board of Directors of the Company consists of nine directors, including four independent nonexecutive directors.





Special Committees of the Board of Directors

The company's Board of Directors has established four special committees: the Strategic Development Committee, the Independent Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. These committees strictly adhere to the *Company Law*, the *Securities Law*, as well as the rules of procedure outlined for each committee. They provide rational advice to the Board of Directors and assist in improving operational efficiency.

Independence of the Board of Directors

The company has established the "Independent Director Work System", which clarifies the selection, duties, rights, and obligations of independent directors, as well as their participation in decision-making and supervision processes. This ensures that independent directors can fulfill their responsibilities independently and impartially, providing strong support for the company's standardized operation and healthy development.

The appointment of independent directors in each special committee is as follows:

Special committee	Independent directors (count)	Non-independent directors (count)	Independent director as chairman or not
Strategic Development Committee	4	5	No
Independent Audit Committee	4	0	Yes
Nomination Committee	3	2	Yes
Remuneration and Appraisal Committee	4	0	Yes





Site of the First Extraordinary General Meeting 2024





Site of the 2nd Meeting of the 11th Board of Directors

During the reporting period

The Audit Committee held 4 meetings, and the Remuneration and Appraisal Committee held 1 meeting

During the reporting period

The Company held $\mathbf{2}$ special

meetings for independent directors

During the reporting period

the Supervisory Committee

During the reporting period

submitted **2** work reports

to the Board of Directors.

The General Manager

The Company held 7 meetings of

Stringent Governance and Compliance

O Board diversity

The company attaches great importance to the diversity of the Board of Directors' composition. Factors such as age, educational background, professional knowledge, skills, and industry experience of board members are fully taken into account to ensure that the board can meet various business needs and enhance decision-making and execution capabilities. The current board members have extensive experience in various fields, including industry, research and development, financial, finance, and risk management, leveraging their diverse professional expertise to support decision-making of the company.



Board of Supervisors

The Supervisory Committee examines the financial condition of the Company, supervises the lawful and compliant performance of the directors, managers and other senior management, and gives independent opinions. The Supervisory Committee of the Company consists of five supervisors.

Management

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

Management of Relationship between Investors

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

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



Site of Performance Briefing Meeting 2023





Protecting the Earth

Highlighted investor relations management during the reporting period:

To facilitate a comprehensive understanding of the Company's operational performance and development strategy among investors, the Company organized earnings briefings alongside the release of periodic reports. Leveraging on-site attendance at the Shareholders' General Meeting, the Company arranged site visits to address investor concerns, fostering an effective communication mechanism to strengthen confidence among existing and potential investors.

The Company promptly responded to investor inquiries, addressing 132 questions via the exchange's interactive platform (http://irm.cninfo.com.cn) during the reporting period. This ensured timely, accurate, and transparent disclosure of corporate information to the capital markets, mitigating misunderstandings and bolstering confidence. Outside the blackout periods for periodic reports, the Company actively hosted on-site visits and research sessions for pharmaceutical industry analysts and fund managers, demonstrating its growth capabilities.

Prioritizing investor returns, the Company initiated its first-ever interim dividend payout in history. Authorized by the Annual General Meeting, the Board implemented the 2024 interim dividend distribution to enhance shareholders' tangible benefits from the Company's growth and cultivate a long-term investment philosophy.

In 2024, the Company held 3 Shareholders' General Meetings, each time inviting minority shareholders to participate on-site, ensuring their rights were fully respected and protected. Following the meetings, the Company arranged exclusive facility tours, providing shareholders with opportunities to gain indepth insights into its operations and development strategies. Through faceto-face engagement, the Company further strengthened mutual trust and interaction with its shareholders.



Protecting the interests of small and medium-sized investors and fostering transparent communication



Investors' Visit to the Company

Integrity and compliance

Transparent disclosure

The Company discloses all relevant information in a truthful, accurate, complete, timely, and fair manner, in strict accordance with the Measures for the Administration of Information Disclosure by Listed Companies and the Articles of Association. The Company will ensure that all shareholders can obtain the Company's information fairly through compliant websites and newspapers. Meanwhile, the Company has established an insider registration management system to clarify the management and accountability of insiders, keep a register of insiders, and ensure the equal rights of investors.



Comprehensive risk management

The Company has established a robust internal control system that is risk-oriented, focused on major risk prevention and control, and prioritized compliance oversight. Guided by the principle of "holistic design, phased implementation, benchmarking against industry leaders, and continuous optimization", the Company is progressively achieving the governance objectives of "strengthening internal controls, mitigating risks, and promoting compliance". By consolidating risk management resources and fostering cross-functional collaboration, the Company has built an integrated, company-wide risk prevention mechanism that covers all processes and systems, thereby driving high-quality development.

During the reporting period, the Company developed the 2024 Comprehensive Risk Management Plan in accordance with the Risk and Opportunity Management Procedures, established a Comprehensive Risk Management Leadership Group and a Comprehensive Risk Management Working Group; Implemented internal policies including the Compliance Management System Construction Plan, Compliance Management Measures (Trial), and Major Business Decision Compliance Review Measures; Revised the Internal Control Manual to advance the integrated development of risk management, internal controls, and compliance, further enhancing comprehensive risk management capabilities and solidifying the foundation for sustainable growth.

Comprehensive risk evaluation

The Company conducted a systematic annual comprehensive risk evaluation, identifying 115 potential risks and prioritizing ten corporate-level critical risks, including investment decision-making, environmental protection, and product quality. To ensure risk controllability, the Company has designated responsible units, established early-warning indicators, and formulated corresponding control measures. Meanwhile, the Company has developed contingency plans for critical risks, further enhancing its risk response capabilities. Through continuous strengthening of daily risk management, the Company will ensure that critical risks are effectively monitored and stably controlled.

Internal Control

Under the framework of comprehensive risk management, the Company has continuously promoted and improved the construction of an internal control system. Moreover, the Company has fully implemented the Basic Internal Control Norms for Enterprises, the Guidelines for Application of Enterprise Internal Controls, and the Guidelines for Evaluation of Enterprise Internal Controls issued by the Ministry of Finance and other four departments of the State. The Company engaged a thirdparty professional institution to conduct an independent audit on the effectiveness of the Company's internal control and organized all units to rectify the internal control problems identified in the audit. In the meantime, the Company conducted a selfevaluation of the internal control system in 2024 in accordance with the Basic Internal Control Norms for Enterprises and supporting guidelines, using the Company's evaluation methods.

During the reporting period, the Company's internal audit work closely aligned with its development objectives. A total of 6 audits were conducted throughout the year, covering areas such as overseas asset supervision, economic responsibility of executives, hospitality expense management, marketing credit risk, major investment tracking, and construction settlement audits. These audits identified 45 issues and proposed 32 recommendations, all of which were accepted by the Company. The audited units have organized rectifications in accordance with the audit opinions, thereby enhancing the operational quality of each unit.



Comprehensive risk management culture development

The Company has actively promoted the development of a comprehensive risk management culture. By distributing internal control manuals, conducting internal control awareness sessions, and other initiatives, the Company has strengthened the awareness of risk prevention and compliance management across the organization. These efforts have enhanced employees' risk management competencies and capabilities, thereby elevating the Company's overall risk management standards.

On June 5, 2024, Xinhua Pharmaceutical convened a kick-off meeting for the revision of the Internal Control Manual and the integrated construction of risk, internal control, and compliance systems. The meeting aimed to advance the integrated management system of risk, internal control, and compliance, thereby enhancing the Company's risk prevention and control capabilities. A total of 82 participants attended the meeting, including senior executives, heads of various departments and subsidiaries, and risk management personnel. Through policy presentations, current situation analysis, and the introduction of integration strategies, the meeting proposed a risk-oriented and compliance-focused concept for the integrated construction. It emphasized the principle of "integrating business operations with risk prevention and control", requiring the revision of the internal control manual, reinforcing the responsibilities of the "three lines of defense", and strengthening compliance awareness across the organization to ensure legal and compliant operations.

Internal control objectives

The objectives are to reasonably ensure legal and compliant operations, asset safety, authenticity and completeness of financial reports and related information, improve operational efficiency and effectiveness, and promote the realization of development strategies.





Xinhua Pharmaceutical held kick-off meeting for integrated risk, internal control, and compliance construction

Presentation Session on the Revision of the Interna Control Manual and the Integrated Construction of Risk, Internal Control, and Compliance

During the reporting period

The Company and its subsidiaries paid a

total of RMB **248** million in taxes

The Company has established and

improved its tax risk management

system, strengthened risk assessment

and early-warning mechanisms,

and promptly implemented control

measures. It has also enhanced

tax risk prevention and control by

developing targeted measures and conducting regular tax risk inspections and supervision.

Stringent Governance and Compliance

Tax management

The Company strictly adheres to national tax laws and regulations and has established the Tax Management Standards of Shandong Xinhua Pharmaceutical *Company Limited* to comprehensively regulate tax-related activities, including tax filing, tax inspections, tax planning, and tax risk management. The Company's Finance and Assets Department and Audit Department are responsible for supervising and inspecting the implementation of these standards to ensure all tax-related activities are strictly carried out in accordance with the regulations. Through rigorous tax management and standardized tax practices, the Company has effectively prevented and mitigated tax risks, ensuring the compliance and stability of its business operations.

Tax risk prevention and control measures

Based on its operational conditions The Company stays updated on the latest tax laws and regulations and changes in tax policies, the to ensure legal compliance and Company conducts reasonable tax planning to reduce tax risks. lawful operations.

The Company has intensified training and education on tax risks to raise employees' risk awareness and prevention capabilities.

The Company has improved the tax support mechanism for major business decisions and strengthened the control of taxrelated matters at the source of business operations.

The Company has enhanced its tax management information system. striving to unify tax management processes, policy interpretations, and tax calculation rules, thereby improving the level of automated processing.

Business Ethics

The Company adheres strictly to the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and other laws and regulations related to bribery, extortion, fraud, and money laundering that significantly impact the Company. The Company has successively established the Measures for the Implementation of Responsibility System for the Construction of the Party Conduct and of an Honest and Clean Government, and Provisions on the Integrity and Self-Discipline of Party Members and Leaders. The Company places significant emphasis on the development of an anti-corruption system. The Company has a Committee for Discipline Inspection, supported by an office for the committee, to foster a clean and upright business ecosystem through multi-dimensional efforts. This provides a solid foundation for the Company's sustainable development.



Protecting the Earth

Organized all Party branches to watch the anti-corruption documentary Sustained Efforts, Advancing Further and arranged Party members, cadres, and employees to view the TV special Iron Discipline Escorts - Shandong's Anti-Corruption Campaign in 2023.

Held the 2024 Conference on Improving Party Conduct, Upholding Integrity and Combating Corruption and Cautionary Education Conference for Cadres. Over 200 participants, including the Company's directors, senior executives, Party and administrative leaders of various units. and key professionals, attended the conference, achieving effective warning and educational outcomes.

Organized a Party-themed activity on Party conduct and integrity warning education for all Party members and cadres. Participants studied typical cases of disciplinary violations and illegal activities, guiding them to undergo ideological refinement and spiritual cleansing, thereby improving their ability to drive enterprise development through practical actions.



2024 Conference on Improving Party Conduct, Upholding Integrity and Combating Corruption and Cautionary Education Conference for Cadres

Highlight initiatives in integrity building for 2024



The Company held an integrity talk session for 10 newly promoted midlevel leaders, collectively studying the newly revised Regulations on Disciplinary Actions of the Communist Party of China. The session outlined expectations and requirements for the newly promoted personnel, further enhancing their understanding of their roles and responsibilities in Party conduct and integrity building.

Reiterated integrity and self-discipline regulations during key holidays such as New Year's Day, Spring Festival, Mid-Autumn Festival, and National Day; Issued integrity reminders, strengthened the management of official vehicles to prevent misuse, and emphasized integrity during the school admission season to enhance daily supervision and management of Party members and cadres, fostering a culture of integrity in the workplace.



Integrity Talk Session for Newly Promoted Personnel

Stringent Governance and Compliance

Protecting the Earth Working

Whistleblowing mechanism

The Company is committed to upholding high standards of integrity, openness, accountability, and anti-corruption. In line with the requirements of strict governance of the Party, the Company has established accessible channels for employees and the public to report issues. In accordance with its operational realities, the Company has publicly disclosed whistleblowing hotlines and mailing addresses, requiring employees and encouraging third parties to report any misconduct related to the Company. Upon verification of reported issues, the Company's Committee for Discipline Inspection will handle the matters seriously. All whistleblowing reports must be submitted personally by the whistleblower or through a written complaint. These reports are reported by the Audit Committee to the Committee Chairman for appropriate action.

During the reporting period, to further optimize the whistleblowing mechanism and expand reporting channels, the Company installed "Whistleblowing Boxes" in No. 1 Branch and No. 2 Branch. Additionally, through the internal media Xinhua Pharmaceutical, the Company reiterated the whistleblowing methods to all employees and the public, enhancing the transparency and accessibility of the whistleblowing mechanism.



O Whistleblower Protection

To effectively safeguard the Company's legitimate rights and interests and foster a clean and upright corporate environment, the Company has formulated and implemented the *Whistleblower Protection Policy*. The policy explicitly stipulates that the whistleblower's personal information, including name, contact details, and home address, as well as the content of the report, are strictly confidential. All whistleblowing materials will be managed in accordance with confidential document standards. Additionally, the Company will take all necessary measures to fully protect the whistleblower's legal rights and personal safety, resolutely preventing the transfer of whistleblowing materials to the reported department or individual. During the receipt and verification of whistleblowing information, the Company's personnel will strictly adhere to confidentiality principles to ensure the whistleblower's identity remains undisclosed.

Anti-unfair competition

The Company strictly adheres to relevant laws and regulations, including the *Anti-Unfair Competition Law of the People's Republic of China*, international *Antitrust Laws*, the EU *Competition Law*, and the Anti-Monopoly Law, to ensure legal and compliant business operations. The Company firmly prohibits any unfair competition or monopolistic practices and actively maintains market order and a fair competitive environment. The Company is committed to upholding the principles of fair competition in all business activities, refraining from participating in any monopolistic or unfair competitive practices. It actively encourages, supports, and protects all organizations and individuals in supervising such behaviors. Furthermore, the Company regularly conducts specialized training on anti-unfair competition and anti-monopoly to enhance employees' legal awareness and compliance consciousness, ensuring that every employee adheres to the principles of fair competition in their daily work.

Training on the Anti-Monopoly Guidelines for the Active Pharmaceutical Ingredient Sector

On August 13, 2024, Xinhua Pharmaceutical's Domestic Trade Department organized a specialized training session on the *Anti-Monopoly Guidelines for the Active Pharmaceutical Ingredient Sector*. The training aimed to enhance employees' understanding of anti-monopoly regulations and their compliance awareness. The content covered the core principles of the guidelines, types of horizontal and vertical monopoly agreements, common behaviors of abusing market dominance (such as unfair pricing, refusal to trade, and restriction of transactions), as well as specific penalty cases. Through this training, employees were better equipped to identify potential monopoly risks and take effective measures to avoid related legal risks, ensuring the Company's compliant operations in the market competition.



Xinhua Pharmaceutical places high importance on information security management, strictly adhering to relevant laws and regulations such as the *Data Security Law*. The Company has formulated and implemented internal policies, including the *Information Network Security Management Measures, Data Security Management Regulations, Network Equipment Management Regulations,* and *Information System User Authorization Management Measures*, to comprehensively enhance the reliability, stability, and security Working Group dedicated to building a comprehensive cybersecurity protection system. By engaging third-party independent institutions to conduct thorough risk assessments of its information systems and security mechanisms, the Company continuously improves and strengthens its information security risk management framework.

To raise employees' awareness of information security, the Company regularly organizes training sessions on information security and privacy protection, enhancing employees' risk prevention capabilities. Additionally, the Company continuously refines its *Information System Emergency Response Procedures*, clearly defining response mechanisms, handling processes, and measures for emergencies to ensure swift and effective responses in the event of unexpected disasters.

Furthermore, to further enhance the security protection capabilities of its information systems, the Company has introduced third-party professional security hosting services, providing 24/7 cloud monitoring, assisting in handling security incidents, and conducting real-time detection of internal network terminals to ensure the secure operation of assets and comprehensively safeguard business continuity and data security.

Engaging a Third Party to Conduct Information Security Risk Assessment, Strengthening Security Defenses

To address the increasingly prominent security threats in the Company's informatization development and ensure the security and stability of its information systems, the Company engaged a third-party professional institution in November 2024 to conduct a comprehensive security risk assessment of its information systems. The assessment team conducted an in-depth evaluation of the Company's overall network environment through methods such as log analysis, vulnerability scanning, and asset identification. The results indicated that the Company's current security protection status is generally low-risk, but there are still potential risks such as exposed internet ports and medium-to-low-risk vulnerabilities. To address these issues, the assessment team provided improvement recommendations and developed a risk mitigation plan, including measures such as closing unnecessary ports and patching vulnerabilities, further enhancing the Company's security protection capabilities.





Leading role of Party building

Xinhua Pharmaceutical consistently adheres to the principle of enterprise development as its guiding direction, upholding Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guide. The Company comprehensively implements the spirit of the 20th CPC National Congress and the Third Plenary Session of the 20th Central Committee. With the theme of "Year of Deepening Value-Driven Party Building", the Company leverages the leading role of Party building, organizes and conducts Party discipline education, enhances the standardization level of Party building, and promotes the upgrading of Party construction. These efforts provide a strong guarantee for the Company's innovative and breakthrough development.

Organization development

Since the establishment of its first Party branch in Jiaodong in 1944, the Company's Party organization has continuously grown and expanded. In October 1948, after relocating from Guanshui Village, Muping County, Jiaodong to Zibo City, the Company formally established its Party Committee. The Company has dedicated departments for ideological and political work, including the Party Committee Office, Party-Mass Work Department, Party Committee Cadre Management Department, and Office for the Committee for Discipline Inspection. It is also supported by mass organizations such as the Trade Union, Communist Youth League, and Science and Technology Association. Additionally, each secondary subsidiary, production workshop, sales department, and research department of the Company has a full-time or part-time Party (General) Branch Secretary. Each branch is also equipped with a Party building liaison officer, who is fully responsible for the Party construction and ideological and political work of their respective units, ensuring effective coverage and implementation of Party building efforts.



Party building brand

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company's Party Committee has comprehensively strengthened Party construction, creating a value-driven Party building work system. This system establishes a development model led by Party building, characterized by "high-quality development as the goal, Party building brands defining branch functions, regular Party building initiatives as the specific path, and the '1+3N' organizational method. Through this model, the Company has achieved standardized Party building foundations, normalized Party building platforms, regularized Party building initiatives, and distinctive Party building brands, transforming Party building into a driving force for the Company's vigorous development.

The Party Committee has consistently focused on building Party branch brands as a powerful tool to define branch functions. Since 2017, the Company has followed a three-stage, four-step, and five-measure approach to create Party building brands, resulting in the establishment of over 40 unique Party branch brands. These efforts have injected new momentum into the Company's high-quality development.

The Party Committee of the Company focuses on key tasks for the Company's development and implements the party-building leading project, promoting party-building alliances. In 2024, the Party Committee of the Company collaborated with units such as the Fourth People's Hospital of Zibo City, Zibo Occupational Disease Prevention and Control Hospital, Hualu Investment Development Co., Ltd., etc., to carry out party-building collaborations. 31 grassroots Party branches of the Company engaged in internal and external industry chain alliances and collaborative activities, addressing difficulties and bottlenecks in the industry chain to lay a solid foundation for the Company's high-quality development.



Party building activities

During the reporting period, the Company's Party Committee advanced high-quality Party building by conducting tiered, classified, and categorized Party member education, implementing Party building initiatives, and carrying out the "I Serve the People" campaign. These efforts included solidly promoting Party discipline education, establishing Party building alliances, strengthening organizational development, creating exemplary Party branches, participating in the construction of the Red Medical Exhibition Hall, producing Party building promotional videos, and organizing celebratory events. These initiatives comprehensively drove the high-quality development of Party building work.



Xinhua Pharmaceutical Party Committee organized a report meeting to interpret the spirit of the Third Plenary Session of the 20th Central Committee of the Communist Party of China

On August 9, 2024, the Party Committee of Xinhua Pharmaceutical organized a report meeting at the Company to interpret the spirit of the Third Plenary Session of the 20th Central Committee of the Communist Party of China. The meeting aimed to deepen the study, publicity, and implementation of the plenary session's spirit, driving the Company's high-quality development. The report meeting invited Professor Wang Jinsheng from the Party School of the Shandong Provincial Committee of the CPC (Shandong Administration Institute) to provide a specialized lecture. Over 120 participants attended, including the Company's leadership team, Party branch secretaries, Party building liaison officers, and Youth League branch secretaries. Professor Wang Jinsheng delivered a comprehensive interpretation of the core content of the plenary session's spirit under the theme "Learning the Spirit of the Third Plenary Session of the 20th Central Committee to Advance Chinese Modernization Through Further Comprehensive Reform and Opening Up". Xu Lie, Deputy Secretary of the Party Committee and Secretary of the Committee for Discipline Inspection, chaired the meeting. He emphasized that Party organizations at all levels should widely study and publicize the plenary session's spirit through various forms, promote reform and innovation in line with practical work, and ensure the spirit takes root within the Company



Party-Building Leading Project Helps the Company Achieve High-Quality Development



O2 Focus on Innovation, Fulfilling the Mission of Health

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Scientific research and technological innovation

Xinhua Pharmaceutical regards research and development (R&D) innovation as the core driving force for enterprise growth. The Company consistently keeps pace with global trends in pharmaceutical science and technology, dedicating itself to the R&D and breakthroughs in new chemical entities and advanced formulation technologies. Guided by clinical needs, the Company proactively deploys innovative drugs and complex formulations with high added value and differentiated advantages. It continues to deepen its focus on 12 key therapeutic areas, including the digestive system, pain management, cardiocerebral vascular system, antimetabolic system, nervous system, nutrition and health, and hormones. By integrating global resources and strengthening industry-academia-research collaboration, Xinhua Pharmaceutical has established a full-chain innovation system spanning from early-stage R&D to industrialization. This has resulted in a rich and competitive product pipeline, contributing more high-quality solutions to the cause of human health.

R&D management system

Adhering to the innovation philosophy of "continuous improvement, surpassing limits, and pursuing excellence", the Company has implemented a comprehensive scientific innovation system and formualted and implemented management system documents including: Scientific Innovation Management Measures, Measures for the Administration of Whole Life Cycle Incentive of Scientific and Technological Innovation, Measures for the Administration of Awards for Scientific and Technological Progress, Measures for the Administration of Awards for Achievements in the Scientific Research Stage, Measures for Reward and Evaluation of Project Production and Major Innovation Outcome Assessment and Incentive Measures. These systems standardize innovation activities, enhance R&D efficiency, and accelerate the translation and application of scientific achievements, providing robust support for sustained progress in technological innovation.

R&D structure and team

The Company has established a comprehensive new drug R&D system featuring a "Three Academies, Four Centers and Five Alliances" research framework. This innovation system is led by 9 academicians and supported by premium research platforms including the National Enterprise Technology Center, Academician Workstation, Postdoctoral Research Station, and Taishan Scholar positions. The Company has been recognized as a National High-Tech Enterprise, a National Torch Program Key High-Tech Enterprise, a National Comprehensive New Drug R&D Technology Platform (Shandong) Industrialization Demonstration Enterprise, one of Shandong Province's second batch of Innovative Enterprise Pilot Units, and a Shandong Technological Innovation Demonstration Enterprise.

The Company continues to attract top-tier talent including PhDs and master's degree holders, building a high-caliber R&D team with strong scientific capabilities, innovative capacity, rational structure and international alignment. As of the reporting period end, the R&D team comprised 828 professionals dedicated to breaking through key technological bottlenecks while enhancing both the technological sophistication and market competitiveness of products.

Technology research and development



Scientific and technological innovation incentive mechanism

To stimulate employee initiative and creativity, accelerate the R&D and commercialization of new products, and drive technological innovation, the Company has implemented a full-lifecycle incentive mechanism. Key measures include formulating the Measures for the Administration of Whole Life Cycle Incentive of Scientific and Technological Innovation, covering Science and Technology Progress Awards, Rationalization Proposal and Technical Improvement Rewards, Project Commercialization Awards, International Registration Awards, and Interim Achievement Awards. The Company has encouraged applications for provincial/ministerial-level or higher scientific projects, platforms, achievements, and funding support, with corresponding rewards for successful outcomes. Additionally, the Company has established scientific and technological innovation performance metrics and refined a marketoriented evaluation system that prioritizes work performance.

R&D innovation achievements

achieving a series of breakthrough innovations.



Industry-University-Research cooperation

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

- Xinhua Pharmaceutical and China Pharmaceutical University (CPU) have jointly invested in establishing the first schoolenterprise cooperation center, known as the "Xinhua-CPU New Drug Research and Development Center";
- Xinhua Pharmaceutical collaborates with the Institute of Medicinal Biotechnology (IMB), Chinese Academy of Medical Sciences & Peking Union Medical College to establish a "Postdoctoral Workstation Collaboratory";
- Xinhua Pharmaceutical and Shenyang Pharmaceutical University have signed a Framework Agreement on Cooperative Research and Development of OAB-14, a Major Innovative Drug to Treat AD. They have also developed a technology research and development platform for sustained and controlled-release pills and sustained-release microspheres using this innovative drug as the carrier;
- Xinhua Pharmaceutical and Central South University have signed a Framework Agreement on Cooperative R&D of Innovative Drugs for Treatment of Pulmonary Hypertension. This represents a new collaborative mechanism integrating industries, academia, and research. This initiative aims to establish a cutting-edge innovation platform and expedite the development of innovative drugs:
- Xinhua Pharmaceutical and China Pharmaceutical University have signed a Cooperation Agreement for Joint Research and Development of Major Innovative Drugs and High-End Preparations. The agreement promotes the construction of a "Joint Research Center for Innovative Drugs and High-End Preparations", as well as an "Innovation Center for Research and Development of Major Public Safety and Emergency Drugs";
- Xinhua Pharmaceutical and the Institute of Materia Medica, Chinese Academy of Medical Science & Peking Union Medical College have signed a Laboratory Agreement on Innovative Drugs for Nerve Injury and Protection to establish a joint laboratory to develop innovative drugs for strokes.

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

Compliance with scientific ethics standards

In conducting clinical trials, the Company strictly adheres to Good Clinical Practice (GCP) across all stages - from trial design and implementation to monitoring and data management - ensuring scientific rigor, methodological soundness, and ethical compliance. Through a robust quality control system and stringent ethical review processes, we safeguard participant safety and rights while generating reliable, high-quality data to support drug development.

Measures for compliance with scientific ethics standards:

Trial protocol design	Review by the Ethics Committee
	The Company strictly adheres to GCP requirements for ethics review, submitting trial protocols, informed consent forms, participant recruitment materials, investigator brochures, and other documents for review, and obtains formal ethics approval.
Quality management system	Investigator's brochure
The Company has established a clinical trial QMS, forming dedicated research and management teams to provide guidance, oversight, and timely progress updates throughout trial execution. Additionally, the Company dispatches personnel to trial sites for on-site coordination to safeguard trial quality and participant rights.	The Company-provided <i>Investigator's</i> brochure The Company-provided <i>Investigator's</i> Brochure contains pharmaceutical, non-clinical, and clinical data of the investigational product, enabling researchers to understand key protocol elements such as dosage, frequency, and administration intervals.
Safety endpoints	Document archiving
	Document archiving: The Company ensures trial documents are stored in GCP-compliant conditions with light-proof, water-resistant, and fire-resistant protections to facilitate long-term preservation, identification, retrieval, and review.

Intellectual property protection

The Company places high importance on intellectual property (IP) protection, strictly complying with the Patent Law of the People's Republic of China, Implementing Regulations of the Patent Law of the People's Republic of China, Trademark Law of the *People's Republic of China*, and other relevant laws and regulations. It has formulated and implemented internal governance documents including the *Measures* for the Administration of Patent of Shandong Xinhua Pharmaceutical Company Limited and Measures for the Administration of Trademarks of Shandong Xinhua Pharmaceutical Company Limited to standardize IP management processes, enhance protection effectiveness, and ensure proper safeguarding and utilization of innovation achievements. As of the reporting period end, the Company has obtained Intellectual Property Management System Certification and was honored as a "National Intellectual Property Advantage Enterprise". No IP infringement incidents (either as infringer or infringed party) occurred during the reporting period.



As of the reporting period end



Furthermore, to fully stimulate employee innovation, accelerate the commercialization of proprietary intellectual property, and drive R&D of high-value-added products and technologies, the Company provides corresponding incentives for employeeinventors/designers, ensuring proper recognition of each innovator's contribution.

> Rewards for invention patent application and authorization

Rewards for patent commercialization

Document retention period: For clinical trials supporting drug registration applications, the Company guarantees essential documents are retained for at least 5 years post-marketing approval of the investigational product.



Obtained the Intellectual Property Management System Certification (Left), Awarded the Title of "National Intellectual Property Advantage Enterprise" (Right)



Rewards for utility model and design patent

Incentives for patent management personnel

Stringent Governance and Compliance

Digitalization construction

Through the vigorous implementation of its "Four-Wheel Drive" strategy, the Company has accelerated its transformation and upgrading, successfully transitioning from traditional manufacturing to digital and intelligent production.

The Company has achieved remarkable results in digital transformation:

Digitalization & automation of production processes

All formulation production processes and key API manufacturing processes have achieved full continuity and automation, significantly improving production efficiency and product quality.



Smart control systems

The power and energy supply systems now feature remote automated intelligent control, ensuring efficient energy management and stable supply while further reducing operational costs.

Smart production lines & systems

In recent years, the Company has accelerated automation and intelligent transformation, with multiple smart production lines and manufacturing systems coming online. Equipment operation management, power supply, and energy systems have all achieved remote intelligent control, significantly enhancing production management precision.

Smart factory development & industry recognition

Through digital and intelligent transformation, the Company has successfully developed smart and garden-style factories, not only improving the production environment but also strengthening sustainable development capabilities. The Company's Modern Pharmaceutical International Cooperation Center has been recognized as a Shandong Provincial Digital Workshop and selected for Shandong's "Modern Advantageous Industrial Cluster + AI" pilot demonstration project list, demonstrating its leadership in digital transformation. During the reporting period, the Company's "High-End API Smart Factory" was honored as a "2024 Provincial Intelligent Factory" by Shandong Province; its "High-End Formulation Smart Factory" won the Typical Application Case Award in the Provincial Enterprise Digital Scenario Competition; The Company won the honorary title of "Excellent Enterprise for Informatization and Industrialization Integration of Shandong Province of 2023".

Through sustained digitalization construction, the Company has not only enhanced its core competitiveness but has also established benchmark practices for intelligent transformation in the pharmaceutical industry. Moving forward, the Company will continue to deepen its digital strategy, driving integrated development of intelligent manufacturing and green production to further consolidate its industry leadership position.



Xinhua Pharmaceutical won the title of "Excellent Enterprise for Informatization and Industrialization Integration of Shandong Province of 2023"

Product quality and safety

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

Quality management system

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

With drug quality as the cornerstone, the Company has developed a "Responsibility+" whole-industry-chain QMS model, establishing dedicated QA, QC and pharmacovigilance departments to oversee API, formulations and food additives throughout their lifecycles. The Company strictly complies with global regulations (GMP, Drug Administration Law, etc.), maintaining an international QMS that covers product lifecycles, supported by a five-tier documentation system for end-to-end control. A dedicated quality team implements stringent controls from raw material procurement to finished product release, ensuring drug quality and safety. Enhanced supplier management through audits and quality agreements ensures supply chain integrity, with continuous QMS improvements guaranteeing production compliance and medication safety. During the reporting period, the Company was honored as a "Quality Leading Enterprise in the 2nd Zibo Program in 2024".



Stringent Governance and Compliance

Quality management training

Protecting the Earth

The Company promptly identifies regulatory updates, continuously optimizes its documentation system, and organizes revisions and training for management documents including Non-Conforming Product Management Procedure, Finished Product Customer Complaint & Returned Goods Handling Standard and Quality Risk Management Procedure. For newly issued regulations, the Company conducts gap analyses and implements corrective actions. Additionally, the Company participates in external training programs including NMPA CDE's 2024 Q3 "Drug Review Cloud Classroom", U.S. GMP expert workshops on Equipment Cleaning Validation: Theories & Case Studies to enhance professional competencies.





Product quality improvement initiatives

Establishing Comprehensive Quality Management System

In compliance with regulatory requirements from China, US, EU, and WHO, the quality department has provided end-to-end guidance and monitoring throughout the product lifecycle from new product transfer, registration review, GMP certification, technical improvements, routine production to product sales ensuring full compliance with stringent standards.

Implementing Global **Ouality Standards**

The Company has proactively adopted China GMP (2010), ISO 9001, Food Safety Management System, US cGMP, EU GMP, and ICH Q7, and coordinated with regulatory authorities for inspections and certifications to accelerate internationalization.

Technical Quality Breakthroughs & Collaborati

The Company has strengthened cooperation with universities to introduce advanced ideas and technologies and conducted technical quality improvement activities to meet market demands and enhance product quality. It has also established incentive mechanisms such as the "Scientific Progress Award" and "Rationalization Proposal Award" to encourage innovation and improvement.

Digital Empowerment of Quality Management

The Company has implemented systems including LIMS, MES, OMS, and WMS to achieve digital lifecycle management across R&D, production, quality, and logistics. It has deployed electronic chromatography systems and electronic document management systems to enhance data integrity management, ensuring data accuracy and reliability.

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



Key quality management measures

The Company strengthens quality informatization development to advance digital transformation of quality management. By establishing project implementation schedules and promotion mechanisms, it accelerates the standardization and digitalization of key GMP processes. The Company adopts an integrated approach for quality event management (deviations, changes, CAPA, OOS/ OOT), training management and document management, creating a comprehensive platform combining Quality Management System (QMS), Training Management System (TMS) and Document Management System (DMS). The platform enables the collection, processing, classification, retrieval and accumulation of quality-related information, standardizes business processes, and supports online recording, approval, task distribution and tracking for quality operations. Meanwhile, it breaks down information silos to establish closed-loop and networked three-dimensional management. Through big data analytics, it achieves forward-looking prediction and proactive control of quality risks, significantly enhancing the control level of the quality management system.

Product Quality Guarantee

Product quality serves as the cornerstone for the Company's long-term sustainable development. The Company continually optimizes its product lifecycle quality management system. Through robust quality management and continuous improvement initiatives, we ensure products meet stringent standards, delivering reliable and superior products/services that earn market trust and recognition.

Quality inspection

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

Training on Revised Quality Management Documents



GMP Inspection Findings & Revised Document Training



GMP Knowledge Training



Qualified Person Specialized Training



The Company has implemented multiple management standards including Standard Operating Procedure Management Procedure, Corrective and Preventive Action (CAPA) Management Procedure, and Quality Management Coordination Management Procedure to standardize QMS operations and drive continuous improvement.

Enhanced Training & Talent Development

The Company has conducted diversified training programs tailored to various positions, covering domestic and international regulations, GMP, and internal management procedures. It has emphasized the integration of theory and practice to ensure employees master the latest regulations and apply them in work practices, firmly establishing quality awareness.

Strengthening On-Site Quality Oversight



The Company has enhanced QA on-site supervision by monitoring finished product operations, intermediate quality variations, and upstream production processes, and developed corrective and preventive measures for continuous improvement to ensure GMP compliance.



| Product recall management

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

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

During the reporting period

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



| Pharmacovigilance management

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

In addition, the Company has formulated the *Operating Procedures for Medical Safety Consultation and Complaint Handling* and *Operating Procedures for Suspected Adverse Drug Reaction Information Monitoring and Reporting* to standardize the feedback channels and handling procedures for adverse drug reactions. The Company's adverse reaction collection channels include telephone consultation, QR code collection, internet, email, literature search and sales staff reporting. During the reporting period, the Company did not receive any high-level alerts.



Pharmacovigilance highlights in 2024

Protecting the Earth

The Company revised multiple pharmacovigilance system documents including Pharmacovigilance Internal Audit Management System, Pharmacovigilance System Master File Preparation and Update SOP, Drug Safety Committee Working Mechanism Procedures, and Drug Safety Signal Detection SOP to continuously improve the pharmacovigilance documentation system.

In alignment with the *Guidelines for the Internal Audit of Pharmacovigilance for Drug Marketing Authorization Holders in Shandong Province (Trial)*, the Company enhanced its pharmacovigilance internal audit system by introducing a management system for audit plans and protocols, standardizing audit report numbering, and engaging external auditors. Utilizing remote document reviews, random sampling, and interviews, the auditors conducted a comprehensive review of the Company's pharmacovigilance system against the 100 criteria outlined in the appendix to the *Pharmacovigilance Inspection Guidelines*. The audit covered multiple departments, including the Preparation Quality Assurance Department, Research Institute, and Preparation Performance Advancement Department. The final approval conclusion confirmed compliance. All 4 identified minor deficiencies were thoroughly addressed and rectified, with a formal response report archived. These optimizations have further standardized and scientized the Company's pharmacovigilance internal audit system, significantly improving its operational quality and efficiency.

The Company underwent a special inspection on *Good Pharmacovigilance Practice* (GVP) conducted by the Shandong Provincial Center for Adverse Drug Reaction Monitoring. The Company's Pharmacovigilance Department attached high importance to the inspection, meticulously prepared the required documentation, and successfully passed the onsite audit. In addition to routine checks, the inspection team conducted a detailed review and inquiry into the Company's responses to 3 provincial regulatory risk notification letters issued in 2023. The inspection team concluded that Xinhua Pharmaceutical's pharmacovigilance system generally meets the national requirements for Marketing Authorization Holders' pharmacovigilance obligations, complying with both the Good *Pharmacovigilance Practice* (GVP) and the *Pharmacovigilance* Inspection Guidelines. Regarding the minor deficiencies identified by the inspection team, the Company has completed the corrective action report as required and submitted it to the provincial center via email.

Xinhua Pharmaceutical Conducted 2024 Pharmacovigilance Training for All Employees

From March to May 2024, Xinhua Pharmaceutical organized comprehensive pharmacovigilance training for all employees. The training was designed in compliance with the *Drug Administration Law of the People's Republic of China* and *Good Pharmacovigilance Practice* (GVP) requirements, aiming to enhance Marketing Authorization Holders' capability in proactive collection of suspected adverse drug reactions and improve employees' awareness of pharmacovigilance knowledge. Tailored to the Company's specific needs, the training covered regulatory requirements for reporting suspected adverse reactions, the four essential reporting elements, collection responsibilities and obligations, as well as reporting methods. The training significantly deepened employees' understanding of pharmacovigilance-related knowledge.



Special Inspection by Shandong Provincial Center for Adverse Drug Reaction Monitoring

Enhancing Product Accessibility

As a leading domestic pharmaceutical company, we are committed to improving product accessibility to meet patient needs and promote sustainable development in the healthcare industry. Through multifaceted efforts, we ensure that high-quality medicines are widely available across various healthcare facilities and patient populations. We continuously optimize sales channels, strengthening promotion in primary healthcare institutions such as community health centers and rural clinics. By educating healthcare providers on product characteristics, we enhance awareness and utilization of our medicines at the grassroots level.

We actively participate in the National Reimbursement Drug List (NRDL) inclusion process. In the 2024 edition released by the National Healthcare Security Administration, 114 of Xinhua Pharmaceutical's products were listed, including 58 Category A and 56 Category B drugs. Additionally, we closely monitor national centralized drug procurement programs. Through these initiatives, highquality medicines such as rabeprazole sodium enteric-coated tablets and piracetam injections have been made widely accessible in public healthcare institutions, reducing the financial burden on patients.

Key Products in the National Reimbursement Drug List

Sevelamer Carbonate Tablets (Nuolantai®): These tablets are used to treat hyperphosphatemia in patients with chronic kidney disease. They are currently the only phosphate binder available in China that does not contain calcium or other metals. This product is classified as a Category B drug on the NRDL and has undergone consistency evaluation. This product is a highly cross-linked polymer that is not absorbed by the human body and does not accumulate in tissues. It has a high level of safety. It exhibits excellent efficacy in reducing phosphorus levels and can significantly lower patients' cardiovascular risks, thereby improving their long-term survival benefits. The active pharmaceutical ingredient of this product is self-produced by Xinhua Pharmaceutical. The formulation of this product meets international standards. In 2024, it obtained EU certification and FDA ANDA approval.

Cefaclor Sustained Release Tablets (Xindaluo®): It is a representative species of the second-generation cephalosporins and is classified as a Category B drug on the NRDL. According to the Antibacterial Drug Classification Management Catalog, it belongs to the non-restricted use level. It has successfully passed the consistency evaluation. This product exhibits good sensitivity against both Gram-positive and Gramnegative bacteria and is relatively stable against β -lactamases. The sustained release tablet utilizes release technology to deliver the medication steadily and slowly, reducing the frequency of administration and significantly improving patient adherence. It also maintains an effective blood drug concentration over a longer period of time, minimizing the peak-trough fluctuations in blood drug concentration. This helps to keep the blood drug concentration within a relatively stable range with minimal fluctuations, reducing side effects and enhancing the safety of the medication.

Aspirin Enteric-coated Sustained Release Tablets (Jiening®): The Tablets are jointly developed by domestic authoritative institutions and adopt patented enteric-coated sustained release technology. The tablets achieve precise and controlled release in the intestines, maintaining a stable blood drug concentration throughout the day. This reduces gastrointestinal irritation caused by the instantaneous release of regular enteric-coated formulations. Additionally, it blocks the adverse reactions of aspirin's inhibition of the PGE2 pathway, reducing the risk of adverse reactions by more than 50%. Multiple clinical studies have confirmed its significant efficacy and superior safety profile.

It is primarily used for inhibiting platelet adhesion and aggregation, reducing the occurrence of myocardial infarction, transient ischemic attack, or stroke in patients with atherosclerosis.

Xinhua Pharmaceutical's 50mg low-dose formulation is designed in line with guideline recommendations, meeting the individualized medication needs in cardiovascular, cerebrovascular, and obstetrics/gynecology fields. It is particularly suitable for special populations such as the elderly, those with fragile gastrointestinal systems, and those with swallowing difficulties. This formulation fills the gaps in traditional dosage forms and their limitations in application scenarios.

Pharmacoeconomic evaluations have shown that despite being priced similarly to imported counterparts, this medication can reduce complications such as bleeding and gastric damage, leading to reduced healthcare expenditure and indirect treatment costs for patients. Long-term use of this medication provides significant economic value.







Rabeprazole Sodium Enteric-Coated Tablets ("Shutaide"): Xinhua Pharmaceutical's Shutaide is a second-generation proton pump inhibitor used for the treatment of gastric ulcers, duodenal ulcers, anastomotic ulcers, reflux esophagitis, and Zollinger-Ellison syndrome. It is also used as an adjunctive therapy for eradicating Helicobacter pylori in patients with gastric or duodenal ulcers. Xinhua Pharmaceutical's Rabeprazole Sodium Enteric-Coated Tablets passed the consistency evaluation in July 2023. Rabeprazole Sodium Enteric-Coated Tablets, known for its fast onset of action, potent and prolonged acid suppression, non-enzymatic metabolism pathway, minimal individual variability, and no interaction with clopidogrel, has become the mainstream medication for treating peptic ulcers.

Protecting the Earth

Piracetam injection: a cyclic derivative of y-aminobutyric acid (GABA), is a cerebral metabolic enhancer that protects against brain function impairment caused by physical, chemical, and other factors. It is clinically used for memory decline and mild-to-moderate cerebral dysfunction due to acute/chronic cerebrovascular diseases, brain trauma, toxic encephalopathy, etc., as well as for childhood intellectual developmental delay. Xinhua Pharmaceutical's piracetam injection passed the consistency evaluation in February 2023, demonstrating comparable quality and efficacy to the innovator.

Customer relationship management

Xinhua Pharmaceutical consistently upholds a customer-centric philosophy, striving to comprehensively meet customer needs in manufacturing costs, quality, environmental protection, and human resource management. We continuously elevate our service level to ensure sustainable value creation for all customers.

Customer service system

The Company values customer relationship management and customer service quality, establishing robust systems to optimize customer experience. Internal protocols such as International Trade Department Sales Management Standards, Customer Complaint Handling Procedures, and Customer Satisfaction Survey Mechanism have been formulated to holistically elevate service quality and management level.

Customer classification management

To better fulfill customer needs and effectively integrate existing and new marketing resources, the International Trade Department of the Company has adopted differentiated management strategies. Customers are categorized into high-value customers, standard customers, and satellite customers based on their contribution to corporate growth, loyalty, global influence, creditworthiness, and development potential.



Customer classification	Description	Management strategy
High-value customers	Core customers (40% of total customer base), generating most corporate profits. They engage in extensive business cooperation with the Company and possess strong global rankings, excellent credit records, and high loyalty. These customers are primarily located in Europe and North America, and the cooperation involves the Company's leading products and CMO projects.	 Priority support & deepened cooperation: Priority production scheduling during supply shortages; annual contracts for price stability Credit term benefits, customized specifications, and premium product support Enhanced loyalty through differentiated services to expand cooperation depth
Standard customers	Potential customers for future company growth (40% of total customer base). They are mainly in Russia, Brazil, Indonesia, etc. For these customers, sales is stable but subject to country credit risks; They are primary targets for competitor benchmarking.	 Potential cultivation & prudent operation: Product chain bundling and service optimization to facilitate customer upgrade Dynamic credit assessment, 30% advance + 70% port payment, and other risk control terms
Satellite customers	Scattered customers in the business market (20% of total customer base), including a small number of delinquent customers and low-value customers. They feature low loyalty, low price sensitivity, and poor credit, serving as market supplements.	 Risk control & selective conversion: Strict 100% advance payment or LC terms Screening high-value customers, upgrading to standard customers, and eliminating low-value customers

Customer communication channels

The Company maintains close communication with customers through various channels, primarily categorized into daily business communication, professional exhibitions and visits, and promotional channels. For daily business communication, sales personnel utilize emails, phone calls, video conferences, QQ, and WeChat to promptly convey corporate and product information, address customer inquiries, proactively gather feedback, and enhance customer relationships. For critical matters or complex issues, video conferences are organized to pool resources from various departments, ensuring efficient project progress. Additionally, the Company actively participates in professional exhibitions such as CPhI China and CPhI Europe, while conducting regular customer visits to strengthen face-to-face communication and resolve practical challenges. Furthermore, through promotional channels such as formal letters, Weibo, and the Company's official social media accounts, alongside the integration of big data and e-commerce platforms like Alibaba, the Company regularly updates product information, proactively engages with customers, shortens communication gaps, and improves the efficiency of customer relationship management.

Customer complaint handling

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

In 2024, we received 22 product complaints, with no major quality complaints reported. All complaints were thoroughly investigated and analyzed, with corrective measures implemented to ensure satisfactory resolution and customer approval. The Company reviews customer complaints every six months, analyzing the proportion of complaints by classification, identifying causes and trends, evaluating the effectiveness of corrective and preventive actions, tracking repeated complaints, monitoring the number of complaints being handled and those that have been resolved, to prevent recurrence and potential drug recalls. Additionally, the Company will implement appropriate improvement measures based on the review results.



Customer Satisfaction Survey

Protecting the Earth

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



Xinhua Pharmaceutical established a deep partnership with Brazilian customer Brainfarma

Xinhua Pharmaceutical has forged a deep partnership with Brazilian customer Brainfarma. Both parties perform as a joint registrant mutually for official Brazilian market authorization. Brainfarma dispatched an expert team to assist Xinhua Pharmaceutical in successfully passing an on-site audit by Brazilian regulatory authorities, securing Brazilian GMP certificate. This cooperation not only reflects Brainfarma's high level of trust and support for Xinhua Pharmaceutical but also demonstrates the two parties' deep collaboration in overcoming complex market access challenges.

Responsible Marketing

In product promotion and advertising, the Company leverages a diverse range of platforms, including television media, industry newspapers and magazines, outdoor advertising, and new media channels, to comprehensively showcase the advantages of its products in terms of efficacy, safety, target population, taste, manufacturing processes, and quality. These efforts are aimed at enhancing brand awareness and strengthening corporate influence.

Throughout marketing and promotional activities, the Company consistently upholds a strong sense of responsibility, strictly complies with the highest standards of business conduct, and resolutely adheres to national laws and regulations, including the Advertising Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Drug Administration Law of the People's Republic of China, the Maritime Code of the *People's Republic of China*, and the *Measures for the Quarantine Treatment* of Wood Packaging Materials for Export Goods. The Company firmly prohibits exaggerated or false advertising practices. At the same time, the Company places emphasis on enhancing the compliance awareness of its sales personnel to maintain a transparent and ethical sales promotion environment. Additionally, the Company rigorously reviews the release and management of external promotional materials to ensure the accuracy and reliability of marketing and product information. This approach not only strengthens the foundation of the brand but also further expands the company's influence and enhances its brand impact.



Winning "Strategic Partnership Award of Huizhou Daya Pharmaceutical Co., Ltd."



Brazilian GMP Certificate



Responsible supply chain

Xinhua Pharmaceutical is committed to building a responsible supply chain system, ensuring stability and sustainability through rigorous supplier admission, tiered management, and periodic audits. The Company integrates ESG requirements into supply chain management to enhance suppliers' sustainable development capabilities. Additionally, Xinhua Pharmaceutical actively listens to supplier needs, deepens cooperation, and fosters a mutually beneficial supply chain ecosystem to advance sustainable development goals.

Supply chain management system

The Company strictly complies with laws and regulations such as the Law of the People's Republic of China on Inviting and Bidding Tenders and has established a comprehensive procurement and supplier management system. It has formulated and implemented core policies, including the Management Measures for Transparent Procurement, the Management Standards for Bidding Procurement, and the Management Standards for Non-Bidding Procurement, to standardize procurement processes. Additionally, specialized regulations such as the Standards for Material Classification and Supplier Management, the Management Standards for Preparation Suppliers, and the Management Standards for Quality Audit of Suppliers of Materials are in place to strengthen supplier admission and quality management. To further optimize the management system, the Company continuously refines internal policies like the Management Standards for Potential Suppliers and Supplier Tiered Management Standards, supplemented by operational guidelines such as the *Procurement Center Supplier* Management System and Assessment Rules, the Contract Management Methods, and the Prepayment Management Method. This framework covers the entire procurement lifecycle - supplier selection, addition, classification, evaluation, and performance assessment - ensuring transparent, standardized procurement and efficient supplier management. The Company adheres to the principle of equal treatment for small and medium-sized enterprises (SMEs), guaranteeing compliance with legal requirements. During the reporting period, there were no instances of overdue payments to SMEs.

Number of suppliers b	y region(Nr)
2022 Total number of suppliers 587	 Shandong 316 Hebei 9 Jiangsu 52 Shanghai 29 Zhejiang 15 Other regions 163 Hong Kong, Macao and Taiwan, 3 China, as well as overseas regions
2023 Total number of suppliers 632	 Shandong 331 Hebei Jiangsu 49 Shanghai 29 Zhejiang 16 Other regions 195 Hong Kong, Macao and Taiwan, China, as well as overseas regions
2024 Total number of suppliers 682	Shandong 352Hebei15Jiangsu62Shanghai32Zhejiang18Other regions198Hong Kong, Macao and Taiwan, China, as well as overseas regions5

Supplier Management	Unit	2022	2023	2024
Total number of new suppliers of the year	Nr	32	59	72
Percentage of suppliers that have signed the Supplier Code of Conduct	%	80	85	87
Number of suppliers that have conducted ESG impact assessments	Nr	198	216	233
Number of suppliers identified as having actual and potentially significant negative social impacts	Nr	0	0	0
Number of supplier social responsibility (ESG) trainings	Time(s)	1	1	1
Percentage of suppliers involved in supplier social responsibility (ESG) training	%	75	75	77
Ratios of internal purchasers passing sustainable purchasing training	%	98	96	96.5

Supplier admission management

The Company rigorously enforces the supplier admission mechanism under the Standards for Material Classification and Supplier Management. When introducing a new manufacturer for Class A materials, a stringent risk assessment process is implemented, evaluating completeness of supplier qualification documents, BSE/TSE risk controls, production process consistency, impurity profile variations, organic solvent usage, suitability of existing quality standards, etc. Upon successful assessment, on-site audits are conducted to verify critical aspects such as quality management systems, production process controls, and testing capabilities, ensuring compliance with the Company's quality requirements.

Supplier selection criteria

Potential suppliers shall meet or exceed the tier of existing suppliers

Demonstrated advantages in technology, cost, and quality, with overall capabilities and corporate culture aligned with Xinhua Pharmaceutical, as well as complete and compliant qualifications

Supplier evaluation & ESG management

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

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

The Company mandates preferential use of eco-friendly products among suppliers, requiring FSC forest certification for the suppliers of paper packaging materials for preparations. Noncertified suppliers are barred from formal partnerships.

Supplier communication

To enhance communication and collaboration with suppliers, the Company has established diversified communication mechanisms, including on-site audits, email correspondence, survey questionnaires, and signing of relevant documents. The Company has entered into the Corporate Social Responsibility Commitment, the Stakeholder EHS Status Survey, and the Supplier Status Survey to gain a comprehensive understanding of suppliers' operations and drive continuous improvement in their EHS performance. During the reporting period, the Company further strengthened integrity-building among suppliers by actively promoting the signing of the Mutual Integrity Commitment for Business Engagement. The commitment clarifies the ethical and self-discipline requirements for both parties in business dealings, fostering a fair, transparent, and trustworthy partnership.

Compliance with national laws and regulations, with no history of legal violations or contractual breaches in prior business engagements

Adequate production premises, facilities, equipment, and qualifications to fulfill contractual obligations

Supplier audit

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

The Company formulates an annual plan for visiting and inspecting suppliers. This plan includes on-site inspections and quality control, in combination with the quality audit plan issued by QA and preparation QA. The Company provides suppliers with a briefing on corporate culture and safety, requiring them to integrate with Xinhua Pharmaceutical's corporate culture, so as to achieve better cooperation. Additionally, social responsibility matters are specified in the contract.



O3 Protecting the Earth and Ensuring Green Development

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Environmental management system

Xinhua Pharmaceutical has established environmental protection as a core strategy for enterprise survival and development, upholding the principle of "point source treatment, scientific and technological pollution control" and advancing the objectives of clean production, project emission reduction, waste recycling, recycling economy, and zero emissions. Through technological innovation and effective implementation of environmental protection projects, the Company ensures stable operation of its environmental protection facilities and achieves compliant discharge of wastewater and waste gas, proper disposal of hazardous waste, and fulfillment of the main responsibility of environmental protection for enterprises.

To strengthen environmental management, the Company continuously refines its environmental management system by formulating 18 environmental management procedures, including the Wastewater Control Procedure, Hazardous Waste Control Procedure, and Clean Production Management Procedure, as well as 12 environmental management standards, such as the Environmental Pollution and Accident Management Standard and Pollutant Online Monitoring Management Standard. These systematic and standardized measures ensure the scientific and normative execution of environmental governance. During the reporting period, the Company recorded no violations of environmental laws or regulations.

Environmental protection input	Unit	2022	2023	2024
Total annual investment in environmental protection	RMB'0,000	14,600	11,425	13,400
Proportion of total investment in environmental protection to operating income	%	1.95	1.41	1.58
Annual investment in technology transformation for environmental protection and energy conservation	RMB'0,000	6,021	4,428	1,100
Annual training times on environmental protection	Time(s)	41	38	10

Environmental protection management structure

Xinhua Pharmaceutical has implemented a three-level environmental protection management system, strengthened basic environmental protection work, and established a responsibility system for environmental protection. The Company has established an Environmental Protection Committee, with the Environmental Protection Management Department serving as the dedicated authority overseeing all environmental protection activities under the leadership of the Deputy General Manager in charge of environmental protection. The Company's Environmental Protection Management Department is a full-time department for environmental protection management, which is responsible for operating the Company's environmental protection management system and assessing the environmental protection of all units of the Company. All units of the Company have environmental-protection leaders and specialists in charge of operating the environmental protection system of the unit.



Environmental protection management certification

The Company continuously improves the construction of the environmental management system, promote the implementation of environmental management work, and actively pursues the environmental management system and national green factory certification.

Protecting the Earth

During the reporting period

Xinhua Pharmaceutical successfully passed the eighth renewal audit for the ISO 14001 environmental management system

Environmental emergency management

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

Xinhua Pharmaceutical conducted emergency drill for environmental incidents

In 2024, the Company collaborated with Zhangdian Branch of Zibo Municipal Ecology and Environment Bureau to organize an emergency drill for environmental incidents. This exercise marked a critical shift from theoretical plans to practical operations, validating the feasibility, accuracy, and effectiveness of the current emergency response procedures for environmental incidents and providing a solid safeguard for the Company in addressing potential environmental emergencies.

Shouguang Company conducted special drill for liquid ammonia leakage

To enhance its capability to respond to environmental emergencies and ensure swift, effective action in critical situations such as liquid ammonia leakage, Shouguang Company organized a special drill for liquid ammonia leakage in June 2024. The exercise involved the company's emergency response team, fire rescue squad, and relevant workshop personnel, covering key phases such as training preparation, emergency response, and rescue operations. Through this drill, Shouguang Company not only tested the feasibility and effectiveness of its emergency plans but also improved participants' incident response skills and teamwork. Additionally, the company promptly addressed issues identified during the drill, laying a solid foundation for future emergency management work.



Environmental Management System Certification of Xinhua Pharmaceutical





Cultivation of environmental awareness

Through extensive training programs for environmental protection and various environmental protection publicity and education activities, the Company publicizes a green office environment, promotes employees' understanding of low-carbon production and lifestyle, and cultivates awareness of resource conservation and environmental protection. Moreover, the Company regulates its environmental behavior through legislation, and provides training to employees on new environmental protection laws to increase their awareness of environmental protection. To ensure effective implementation of environmental protection measures, the Company has established a comprehensive environmental management system combining relevant inspection activities with daily inspections, quarterly inspections, and special inspections.





Inspection of Environmental Protection

Training on Environmental Protection

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



Enhancing emission governance

Protecting the Earth

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

Waste treatment

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

For non-hazardous waste management



The company has established a non-hazardous waste management system aimed at pollution prevention and resource recycling. At the management level, an industrial solid waste pollution control procedure has been implemented to oversee the entire process from generation to comprehensive utilization. The Company engages qualified recycling vendors under contractual agreements that specify pollution prevention requirements.

For hazardous waste management

The Company has developed a hazardous waste management planning system in accordance with national environmental protection laws and regulations to ensure proper control and disposal of hazardous waste. The Company manages hazardous waste comprehensively, identifying hazardous wastes according to the Directory of National Hazardous Wastes, classifying, storing, and managing them in strict accordance with national and local requirements, so as to ensure proper control and disposal of hazardous waste. Meanwhile, the company has established hazardous waste pollution control procedures and management standards for hazardous waste storage and transfer at the management level, clarifying the management requirements and responsibility system for waste generation, transfer, and storage to ensure strict oversight throughout the entire waste treatment process.

Waste treatment	Unit	2022	2023	2024
Total domestic waste	Tons	2,850	2,790	2,580
Density of domestic waste	Ton(s)/output per RMB 10,000	0.006	0.006	0.005
Total general (non-hazardous) solid waste	Tons	54,956.49	55,802.17	58,022.64
Total hazardous solid waste	Tons	8,408.90	9,337.72	13,202.79
Density of hazardous solid waste	Ton(s)/output per RMB 10,000	0.018	0.019	0.027

Exhaust gas treatment

The Company strictly complies with the laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and adopts point source treatment method to enhance exhaust gas emission management. The Company engages third-party agencies to conduct organized and fugitive emission testing in production parks, including No. 1 Branch and No. 2 Branch, in accordance with the Pollutant DischaArge Permit. During the reporting period, all exhaust gas emission indicators met standards.

Exhaust gas treatment	Unit	2022	2023	2024
Particulate	Tons	1.26	0.19	0.23
Nitrogen oxide	Tons	0.15	0.22	1.63
Sulfur dioxide	Tons	0.12	0.069	0.17
VOC emissions	Tons	22.30	27.71	23.74
Total exhaust emission	Tons	23.83	28.19	25.78

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Newly-built RTO facilities in the No. 2 Branch

In May 2024, No. 2 Branch installed and put into use a new set of 120,000 m³/h RTO for industrial waste gas treatment. Relying on the four sets of RTOs in No. 1 Branch and the existing two sets of RTOs in No. 2 Branch, the Company formulated an optimization and elimination list of environmental protection pre-treatment facilities. After implementing the optimization and elimination measures, No. 2 Branch reduced a total of 5 organized exhaust gas emission outlets.

Wastewater treatment

The Company has collaborated in the disposal of sewage resources in the park, efficiently improving its sewage treatment capacity. The pre-treated production wastewater is directed to collection tanks in respective workshops and sampled for environmental protection monitoring. Once the Company's internal control standards for discharge are met, it is uniformly transferred to the wastewater treatment systems in No. 1 Branch and No. 2 Branch for biochemical treatment before being discharged to a thirdparty water purification facility. Domestic sewage generated by the Company is temporarily stored in septic tanks and, together with cleaning wastewater, soft water preparation wastewater, and blowdown water from natural gas steam boilers, is treated at the onsite wastewater treatment station before being discharged into the sewage pipeline network. The process employs aerobic treatment, avoiding fugitive CH₄ and other greenhouse gas emissions.

Additionally, online monitoring facilities are installed at both main discharge outlets, operated by certified third-party providers. Real-time wastewater discharge monitoring data is uploaded to the Shandong Provincial Environmental Automatic Monitoring and Supervision System for public disclosure.

Wastewater treatment	Unit	2022	2023	2024
Total wastewater discharged	Tons	1,841,902	1,970,132	2,147,375
Chemical oxygen demand (COD)	Tons	391.90	484.75	388.76
Ammonia nitrogen	Tons	14.79	25.31	21.12

Efficient use of resources

The Company manages energy in strict accordance with the ISO 50001:2018 energy management systems, establishes an energy management structure, and implements an accountability system for energy conservation goals. It decomposes energy use costsaving goals to major production units in a scientific manner according to requirements in its annual production and operation work plan. It also requests each unit to sign a statement of responsibility for energy conservation goals, clarify target indicators, and detail management requirements and work measures.

Energy management

The Company develops and implements supporting energy management systems such as Energy Operation Control Procedures and Energy Management Plans Management Procedures. The implementation of relevant systems is reviewed monthly in accordance with the energy assessment methods. In addition, the Company organizes quarterly energy-saving special inspections, reports any problems found for rectification, and conducts serious assessments. During the reporting period, the Company obtained ISO 50001 energy management system certification, successfully securing the certificate.

Energy goals and achievement status

In response to the requirements for green upgrades in key industries outlined in the Zibo City 14th Five-Year Plan for Energy Conservation and Emission Reduction Implementation, the Company set provincial goals to achieve a 11% cumulative reduction in water consumption per RMB 10,000 of industrial added value and a 17% cumulative reduction in energy consumption per unit of added value compared to 2020. During the reporting period, the Company accomplished a 20.51% cumulative reduction in energy consumption per industrial added value and a 16.38% cumulative decrease in water consumption per industrial added value compared to 2020.

Resource Utilization of Xinhua Pharmaceutical

Resource utilization	Unit	2022	2023	2024
Steam	10,000 tons	46.61	45.23	45.20
Power consumption	100 million kWh	2.01	2.19	2.12
Circulating water	10,000 m ³	9,656.08	9,153.14	9,228.23
Tap water	10,000 m ³	338.29	360.43	286.90
Comprehensive energy consumption density	Ton(s) of standard coal/output per RMB 10,000	0.148	0.154	0.162
Water consumption density	m³/output per RMB 10,000	7.28	7.42	5.95
Packaging materials used for finished products	Tons	8,898	10,178	11,380

Stringent Governance and Compliance

Focus on Innovation

Protecting the Earth

To achieve the Company's energy-saving goal for 2024, we have taken a series of steps and measures



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



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



The Company carried out energy-saving technology improvement projects, energy system optimization projects, surplus energy recovery and utilization projects, and equipment capacity upgrading and transformation projects in 2024, the Environmental Protection Management Department, the Mechanical Power Department and other professional departments are responsible for organizing the implementation of the projects, which improved the energy utilization efficiency of production facilities and promoted the achievement of the energy conservation target.

Water Resource Management

In accordance with the National Water Conservation Action Plan and the Shandong Province's Implementation Plan for the National Water Conservation Action, the Company has appointed its Deputy General Manager as the Water Manager, incorporating water resource management into the scope of energy management. Clear responsibilities have been defined for the Company, departments, and production units.

The Company and its subsidiaries have strengthened the maintenance of water-consuming equipment and facilities, actively introduced advanced water-saving technologies and processes, and continued to invest in water recycling projects to reduce freshwater consumption and consistently improve water use efficiency.

Recycling process hot water

In 2024, the Company modified the steam condensate discharge pipeline of the production line in Workshop 202, recovering approximately 3 tons of steam condensate daily. The process water is heated via a heat exchanger to save steam, and after cooling, the condensate undergoes water treatment before being reused in the steam generator. This initiative achieves annual savings of 125 tons of steam and 1,100 m³ of water.

Backwash water recycling project for No. 1 Branch

In 2024, the Company transported all backwash water from the pure water system on the new line in No. 1 Branch via pipelines to the north cooling circulating water tank as supplementary water, enabling daily recycling of 50~80 m³ of backwash water. This reduces the annual freshwater consumption by approximately 21,500 m³.

Air conditioning unit energy recovery retrofit project

In 2024, the Company conducted energy recovery retrofit for the three air conditioning units (JK1-1, JK1-7, JK2-7) in Workshop 202XY. The project utilized heat pipe device to recover heat from hot air in front of the surface cooler, which can be used to regulate temperature behind the surface cooler, and recover cold energy from dehumidified air behind the surface cooler to pre-cool the hot air in front of the surface cooler. This closedloop energy recycling system achieved annual savings of 20,700 kWh of electricity and 155 tons of steam.



To align with process heating demands, the Company conducted waste heat recovery retrofit for the oil-free screw compressor in Workshop 301. Adiabatic compression waste heat was recovered to generate process hot water. From July to the end of 2024, the project recovered 229,300 kWh of heat for process hot water production and reduced steam consumption by 305 tons.





The Company fully utilized the peak and valley electricity prices of the State Grid and independently developed an electricity time-sharing metering and billing system based on the energy metering system, which promoted production units to rationally organize production and adjust the operation of electrical equipment, reducing electricity costs by RMB 1.198 million throughout the year.





Protecting the Earth

Fighting climate change

As a state-owned enterprise, Xinhua Pharmaceutical actively responds to the national strategy of "peak carbon dioxide emissions and carbon neutrality", committing to advancing energy conservation and emission reduction management. The Company regards green and low-carbon development as a key element of its core competitiveness. It fully implements the national "peak carbon dioxide emissions and carbon neutrality" policies, promoting high-quality low-carbon transformation and development. In accordance with the Guidelines for the Preparation of Carbon Peaking Action Plans for Chinese State-owned Enterprises, the Company has formulated and issued the Carbon Peaking Action Plan of Shandong Xinhua Pharmaceutical Company Limited, clarifying its carbon peaking goals, roadmap, and implementation pathways. The carbon peaking strategy and objectives have been fully integrated into the Company's medium- and long-term development strategies and plans.

Governance

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

Strategies

The Company places high importance on the potential opportunities and risks posed by climate change. It identifies significant climate-related risks that may impact the company across various areas, including financial investments, raw material selection, process adjustments, production workflows, technology R&D, supply chain management, and markets. Targeted policies and measures are then formulated to address these risks.



	Countermeasures
ction e uch as fall, ratures. wer ment y chain nay apacity ng	 In response to the impact of major climate change, the Company has developed an <i>Emergency Plan for Extreme Abnormal Weather</i>. Different preventive measures based on the severity of extreme abnormal weather can be taken to ensure the normal operation of production and operation. At the same time, the Company organizes an annual emergency drill for the <i>Emergency Plan</i> to ensure its compliance and effectiveness. The Company provides early warning of extreme abnormal weather and releases daily weather forecast information through the internal LAN to overcome the adverse impact of climate change on production and operation.
ons ives, ards, sts for	 The Company closely monitors carbon emission policies and regulatory updates in its operational regions to respond appropriately.
ter, ue will on bon ned on for sts.	 The Company strictly complies with national environmental policies and regulations, and will continue to increase investment in environmental protection, and advance the upgrading and transformation of environmental protection facilities. The Company will actively carry out safety and environmental protection training and education, abide by internal control standards, further monitor key pollution discharge points, reduce environmental risks, and achieve standard emissions.
N &D gy or ologies s.	• The Company will thoroughly evaluate the feasibility and return on investment for new technologies or equipment, opting for mature technologies to minimize investment risks.
liary ls, been ch y tion sasters. traints ns, y's	 The Company will better monitor and analyze the market and arrange inventory and procurement cycles reasonably to reduce risks. The Company will actively organize product technology research to effectively reduce product costs.

Indicators and goals

Primary goals	Carbon peaking goal	Feature goal
Achieve carbon peaking for energy- related CO2 emissions by 2030 and carbon neutrality by 2060;	By 2030, reduce CO2 emissions per unit of output value by 30% compared to 2020 (20% when including subsidiaries);	By 2030, increase the proportion of non-fossil energy consumption in total energy use by 20% compared to 2020

Carbon emission management

The company collects data on production, processes, energy consumption, and carbon emissions over the past three years, determines corresponding accounting boundaries, methods, and data sources, and calculates and analyzes the Company's historical carbon emissions data. Based on carbon emission calculation data, the Company analyzes the historical trends, patterns and driving factors of the total carbon emissions of enterprises, and identifies key emission areas and sources.

Greenhouse gas emissions	Unit	2022	2023	2024
Scope 1 greenhouse gas emissions	tCO ₂ e	14,098	18,956	22,056
Scope 2 greenhouse gas emissions	tCO ₂ e	244,370	241,687	285,577
Greenhouse gas emissions in total	tCO ₂ e	258,468	260,643	307,633

Carbon verification

Xinhua Pharmaceutical conducts ongoing carbon emission verification at the corporate level. During the reporting period, the Company collaborated with third-party professional institutions to verify and form a report on the greenhouse gas emissions data of its headquarters, No. 1 Branch, and No. 2 Branch in 2023, following standards such as the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, the Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals (ISO 14064-1), the Greenhouse Gases - Part 2: Specification with Guidance at the Project Level for Quantification, Monitoring and Reporting of Greenhouse Gas Emission Reductions or Removal Enhancements (ISO 14064-2), and the Greenhouse Gases - Part 3: Specification with Guidance for the Verification and Validation of Greenhouse Gas Statements (ISO 14064-3). This effort helps identify emission sources, quantify emissions across production stages, and lay the groundwork for setting realistic reduction targets and strategies.

Notes: (1) The accounting boundary covers carbon emissions generated from Xinhua Pharmaceutical's production and operational activities;

(2) Scope 1 direct carbon emissions include the combustion of fossil fuels such as gasoline, diesel, and natural gas. Scope 2 indirect carbon emissions include the net purchased and used electricity and heat;

(3) For the calculation process, the electricity emission factor adopts the provincial average CO₂ emission factor for Shandong Province (0.6838 tCO₂/MWh) as per the Announcement of 2021 Power CO₂ Emission Factors for the Guangdong Region Released by the Ministry of Ecology and Environment and the National Bureau of Statistics. For fossil fuel combustion emissions and net purchased heat-related emissions, the calculation uses emission factors from the Greenhouse Gas Emission Calculation Methods and Reporting Guides for Chemical Production Enterprises in China (Trial).

Product carbon footprint assessment

Protecting the Earth

During the reporting period, the Company conducted a "cradle-to-gate" lifecycle carbon footprint assessment for products including ibuprofen, caffeine, levodopa, analgin, aspirin, and violuric acid from Shouguang Company, covering raw and auxiliary materials, energy extraction, and production stages. Relevant carbon disclosure certificates were obtained.



Clean energy utilization

The Company continuously strengthens energy-saving management and explores multiple energy-saving pathways. By adopting nuclear, solar, wind, and biomass energy, it optimizes its energy mix, significantly increasing the share of renewable energy to achieve source-level carbon reduction. Currently, solar photovoltaic (PV) power is the primary clean energy source of the Company. Distributed PV systems with a total capacity of 1.8 MW have been installed on idle rooftop areas of the production plants and warehouses at its headquarters, No. 1 Branch, and No. 2 Branch.



supporting the company's green transformation.

Ecological and environmental protection

In 2024, No. 2 Branch conducted environmental impact assessment for high-end specialty API technical upgrade project involving 30 products. According to the Zhangdian Eastern Chemical Zone Industrial Development Plan and the "Zhangdian Three Zones and Three Lines Demarcation", the project falls outside ecological protection redlines and does not occupy permanent farmland, complying with ecological requirements. Based on engineering analyses and surrounding environmental characteristics, the project was rated as Level 1 for atmospheric impact, Level 3B for surface water, Level 1 for groundwater, and Level 1 for soil impact during the operational period.

Carbon Footprint Certificates of Xinhua Pharmaceutical

Additionally, in 2024, the Company gained access to the State Grid's green power procurement platform and planned to purchase 100,000 kWh of green electricity monthly starting December 2024. This initiative will further boost the use of renewable energy,



O4 Working with Employees to Establish a Harmonious Work

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Protection of employees' rights and interests

The Company strictly adheres to national laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the Peoples Republic of China, prioritizing occupational health and work safety. The Company upholds the respect and protection of human rights, prohibits the use of child labor and forced labor, and strictly forbids inhumane treatment of employees, including sexual harassment, corporal punishment, mental coercion, or verbal abuse. During the reporting period, the Company continued to strengthen its social responsibility, fully mobilizing the enthusiasm and creativity of employees while safeguarding both corporate interests and employees' legitimate rights.

Legal employment

The Company has established the Talent Recruitment Management System, adhering to principles that promote the rational allocation and development of human resources, respect the autonomy of employers in hiring, and protect employees' freedom to choose careers or positions. Recruitment primarily targets fresh graduates from higher education institutions, internal candidates, and experienced professionals from the broader job market.

The Company insists on fair, equitable, and transparent hiring practices, opposes discriminatory recruitment, strictly prohibits the employment of child or forced labor, and forbids hiring, whether directly or through agencies, prison inmates, victims of human trafficking, or individuals working to repay debts. For candidates meeting recruitment standards, the Company strictly follows national legal procedures for contract signing, modification, and renewal, promptly files labor employment records, and lawfully handles contract rescission and termination.

To better protect workers' interests, assume greater ethical labor responsibilities, and drive continuous improvements in labor ethics, the Company has formulated and implemented the Labor and Ethics Management Code, Child Laborer Rescue and Juvenile Laborer Protection, Special Provisions on Labor Protection for Female Employees, and Social Responsibility Management Manual, in compliance with relevant laws and standards.

During the reporting period The Company hired 590 new employees, all full-time. with a 100% labor contract signing rate

Prohibition of child labor and protection of minors

In accordance with national laws, the Company defines individuals under 16 as child laborers and those aged 16 to 18 as minor workers. To effectively prevent child labor and protect minors, the Company rigorously enforces the Labor Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Minors, and has established the Labor and Ethics Management Code, explicitly prohibiting child labor while permitting the conditional employment of minors aged 16 to 18. During recruitment, the Company verifies candidates' identification documents to ensure the accuracy of reported ages.

Additionally, to address cases of accidental hiring of child laborers under 16 and minor workers, the Company has formulated the Child Laborer Rescue and Juvenile Laborer Protection, ensuring their physical and mental well-being and providing special protection for minor workers.

Anti-discrimination

The Company strictly prohibits discrimination, treats all employees equally, and maintains impartiality in external recruitment. The Labor and Ethics Management Code clearly outlines anti-discrimination policies:



Prohibition of forced labor

The Company strictly adheres to the Labor Law of the Peoples Republic of China and has established the Labor and Ethics Management Code to prevent any occurrence of forced labor. The Company has implemented the following regulations:

- freedom, corporal punishment, intimidation, verbal abuse, wage deductions, or non-monetary wage payments. Violators will be dealt with in accordance with laws, regulations, and Company regulations.
- household registration documents, or other certificates of the hired individuals. It is also forbidden to collect property from or require guarantees from hired individuals.
- to legal requirements for overtime compensation. Meanwhile, employees retain the right to refuse overtime work, and any form of coercion or indirect pressure to work overtime is strictly prohibited.
- Employees have the right to terminate their labor contracts. During the probation period, employees may terminate the contract by notifying the Company three days in advance; after the probation period, a written notice must be submitted 30 days in advance. The Company is required to issue a certificate of contract termination and handle the transfer of personnel files, pension insurance relations, and other procedures in accordance with regulations. The Company is strictly prohibited from withholding terminated employees' files, certificates, or other relevant documents.
- For employees terminating their labor contracts, the Company ensures timely settlement of all due wages and other payments.



Stringent Governance and Compliance







Employee of employees by age (unit: persons)





Employee turnover

Emp	loyee Turnover Rate	2022	2023	2024
Employee turnover	Male	1.53%	1.60%	1.55%
rate by gender	Female	0.67%	2.04%	1.52%
	Number of employees aged 30 and below	1.00%	1.77%	2.21%
Employee turnover	Number of employees aged 31 to 40	1.10%	1.10%	0.60%
rate by age	Number of employees aged 41 to 50	0.10%	0.66%	0.25%
	Number of employees aged 51 and above	0.00%	0.11%	0.01%
	Employees in mainland China	2.2%	3.65%	3.07%
Employee turnover rate by work area	Employees in Hong Kong, Macao and Taiwan	0.0%	0.0%	0.0%
	Employees in other countries	0.0%	0.0%	0.0%



During the reporting period

The Company recorded:







Confirmed incidents of forced labor;



onfirmed incidents of child labor.



Compensation System

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

Furthermore, in compliance with the *Notice of the Shandong Provincial Government on Adjusting the Minimum Wage Standards*, the Company has raised its minimum wage and sick leave pay standards, effective from October 1, 2023. During the reporting period, the Company implemented the updated wage standards accordingly.

Democratic Management

The Company values democratic management, featuring a democratic management work system centered on workers' congress and the meeting of heads of staff representatives to safeguard employee rights and ensure open communication channels. Additionally, the Company has built key communication channels between management and employees, maintaining a longstanding practice of holding employee-management earnest talks. Employees, demonstrating a strong sense of responsibility for enterprise development, have actively contributed numerous valuable opinions and suggestions, reflecting their collective voice and driving continuous improvement across all aspects of the Company's operations. Meanwhile, the Company has developed several systems to encourage employees' participation in the Company's management and to provide incentives to motivate employees to take the initiative to participate. These systems include the *Notice on Encouraging Reasonable Proposals from the Mass and the Activity of "Identifying Hidden Hazards, Keeping Employees Safe, and Helping Businesses Thrive"*, the Measures for the Administration of the Competition of Operator Experts, and the Management and Evaluation Measures for the 7S/CTPM Lean Management Competition.

The Company provides employees with diverse forms of participation in management



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Report of the special working committee of the workers' congress, submission of systems related to the workers' interests for discussion and voting by the workers' representatives, democratic appraisal of the leaders by the workers' congress, and making the leaders report on their duties to the workers' representatives

Employees participate in seven special committees, including the Fund Review Committee, the Committee of Female Employees, and the Wage and Welfare Committee

The workers' representatives serve as members of the Board of Supervisors

7S management, CTPM management, lean production activities, etc.

Comments on leaders' debriefing reports, suggestion boxes, reasonable proposals once a month, etc.

 $\ensuremath{\mathsf{Pre-shift}}$ and post-shift meetings, a "safety audit card" for each person, and reasonable proposals

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The fourth plenary meeting of the 25th Workers' Congress of Xinhua Pharmaceutical

In January 2024, Xinhua Pharmaceutical completed the organizational work related to the fourth meeting of the 25th Workers' Congress, upholding and improving the democratic management system with the workers' congress as its basic form. The Congress, themed on fully implementing the spirit of the 20th CPC National Congress and subsequent plenary sessions under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for the New Era, focused on making persistent efforts to overcome difficulties, seize market opportunities, enhance development momentum, accelerate innovation breakthroughs, strengthen core competitiveness, and drive the Company's high-quality development to new heights.

This Workers' Congress deliberated and approved several documents, including the report on the implementation of the 2023 Collective Contract of Shandong Xinhua Pharmaceutical Company Limited, the wage collective bargaining agreement of Shandong Xinhua Pharmaceutical Company Limited, the resolution on the comprehensive working hours system, the revised Employee Reward and Disciplinary Regulations, and the special agreement on occupational safety and health.



On-site photo of the fourth meeting of the 25th Workers' Congress

Complaint for labor rights and interests

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

Employees of the Company, regardless of ethnicity, race, gender, religious belief or job position, enjoy the freedom to join and organize trade unions in accordance with the law.

> Freedom of association

The Company signs the Collective Contract after reaching consensus with employee union representatives and obtaining approval from the workers' congress.

The Company guarantees that union members' wages and benefits will not be affected when participating in union-organized activities.

The Company and the trade union conduct annual collective wage negotiations covering compensation systems, payment methods, and income levels, culminating in the signing of the Wage Collective Bargaining Agreement upon mutual agreement.

Talent growth and development

The Company adheres to the principle of "selecting talents based on their moralities and abilities" and vigorously advocates an atmosphere of "respecting knowledge, talent, and creativity". It is committed to unlocking and harnessing the potential of diverse talents, positioning human resource development as a strategic priority for enterprise growth. The Company fosters a humanistic environment that "recognizes strengths, accommodates differences, and leverages individual capabilities". By implementing competitive and dynamic mechanisms, it establishes an "open, just, and fair" platform for talent competition and advancement. In terms of the selection and appointment of talents, the Company follows the principle of "providing equal opportunities and selecting and appointing talents based on their abilities, rather than sticking to one pattern". Furthermore, the Company places high importance on talent cultivation. Guided by the philosophy of "learning makes me progress", it actively conducts diversified training programs to strengthen employees' multi-directional development. It provides ample opportunities for innovative talents to grow and establishes multi-tiered development paths and promotion platforms for employees, empowering all of them to achieve self-fulfillment.

Talent incentives and promotion

Talent incentives

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

In 2024, the Company issued the Implementation Measures for Economic Responsibility System 2024, which adheres to the principle of stimulating organizational vitality and enhancing efficiency through performance evaluation, with value creation as the measurement standard. The measures also include emphasizing performance orientation, optimizing the evaluation process to ensure timeliness and fairness, maintaining stable operations, and facilitating the implementation of corporate strategies and objectives, thereby propelling the Company's high-quality development to new heights.

Employee promotion

The Company values employees' career development planning and is committed to providing just and fair career advancement opportunities for them. We have established dual career paths in both "professional" and "management" tracks, enabling employees to choose suitable development directions based on their interests and capabilities. We fully recognize the value created by every employee in their respective positions, encourage continuous learning and improvement, and provide equal career development opportunities for all staff members. To encourage diversified career development among our employees, we regularly publish internal job postings that enable staff members to participate in internal competitions based on their individual career plans and professional competencies. Employees who meet the position requirements and successfully pass interviews may proceed with internal transfers in accordance with the Company's established internal mobility procedures. At the same time, we provide relevant training resources to facilitate smooth transitions into new positions. Additionally, both employees and departments may initiate internal transfer applications based on actual job demands.

Xinhua Pharmaceutical implements a "mentoring system" for new employee development, which is designed to help new hires quickly adapt to job requirements while enhancing their professional competencies and occupational qualities through knowledge transfer and skills coaching between experienced staff and newcomers. The program features carefully selected mentors who possess strong technical expertise and a strong sense of responsibility, coupled with personalized development plans that incorporate various coaching methods such as on-the-spot teaching, case study, and project practice, so as to ensure new employees grow in practices. Beyond this, the periodic evaluation and incentive mechanism further guarantee the effectiveness of the mentoring system. This system not only shortens the onboarding cycle for new employees and reduces training costs, but also significantly enhances staff engagement and team cohesion while facilitating the inheritance of enterprise culture. Through the mentoring system, Xinhua Pharmaceutical has successfully established an efficient talent pipeline that provides robust talent guarantee for the enterprise's sustainable development. Simultaneously, it has created extensive career development platforms for employees, achieving a mutually beneficial outcome for both the enterprise and its workforce.
Stringent Governance and Compliance

By

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Ceremony to commend outstanding mentors and apprentices in 2023 & launch new pairings for 2024

On October 10, 2024, the Wanbo Chemical Trade Union under the Company hosted the "ceremony to commend outstanding mentors and apprentices in 2023 & launch new pairings for 2024". Wanbo Chemical awarded certificates and bonuses to eight exemplary mentor-apprentice pairs in 2023, commending their dedication to collaborative learning and encouraging them to sustain their leadership. The event proceeded with the formal signing ceremony for the 2024 mentor-apprentice pairings. The event achieved remarkable outcomes, effectively driving the Company's high-quality development.



On-site view of the mentor-apprentice pairing ceremony

Female employee development

The Company provides equal career development opportunities for female employees, actively encouraging their participation in managerial position competitions to fully utilize their talents. To support their professional growth, the Company offers courses tailored to female employee career development needs, including professional skill training, management capability advancement, among others.

Learning tour for female employees in Pingyin

In April 2024, nearly 40 female staff representatives from the trade union and production planning committee participated in an immersive learning tour to Pingyin under the organization of the Company. This learning initiative has facilitated female employees' work and enhanced women's committee members' overall qualities, enabling them to exchange professional knowledge, practical experience, and skills during the tour.



Group photo of participants during the Pingyin tour

Employee Training

The Company pays attention to the combination of training content and actual needs to make talent cultivation customized, delicate, and practical. The Company has formulated the *Management Regulations on Employee Education and Training* to strengthen customized cultivation. Through the talent review, the Company identifies excellent young cadres and versatile talents who are urgently needed and worthy of cultivation. According to their majors, experience, characteristics of personality, personal willingness, and organizational needs, the Company develops the "Five-Sphere" customized cultivation plan for them. By assigning growth mentors, drawing dedicated learning maps, following up on key programs, rotating positions within the Company, and honing skills outside the Company, the experience of cadres is expanded. In addition, the Company incorporates vocational training into employee labor contract terms, specifying that employees must receive necessary job-related training and actively participate in company-organized training programs to enhance their professional skills.

	Employee Training	Unit	2022	2023	2024
Total n	umber of employees trained	Persons	6,781	7,104	7,296
Emplo	yee training coverage rate	%	100	100	100
Total t	raining hours	Hours	155,963	181,862	189,696
Averag	e training hours per employee	Hours	23	26	26
Total n	umber of training sessions per year	Time(s)	2,378	3,365	3,335
Total i	nvestment in employee training	RMB'0,000	92.6	182	186
	Percentage of male employees trained	%	100	100	100
By	Percentage of female employees trained	%	100	100	100
gender	Per capita training time for male employees	Hours	23	26	26
	Per capita training time for female employees	Hours	23	26	26
	Training proportion of primary-level employees	%	100	100	100
	Training proportion of middle management	%	100	100	100
By	Training proportion of senior management	%	100	100	100
evel	Per capita training duration for primary-level employees	Hours	23	26	26
	Per capita training duration for middle management	Hours	23	26	26
	Per capita training duration for senior management	Hours	23	26	26

Stringent Governance and Compliance

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

In 2024, the Company continued to prioritize the development of a learning-oriented organization, the integration of internal and external training resources, the enhancement of internal trainer teams, and the improvement of foundational training initiatives.



The Company provides systematic training to foster talent development at all levels. It establishes a talent training pool through talent review and develops a "five-sphere" systematic training plan for them based on their job qualifications, knowledge and skill level, personal characteristics, work experience, organization, and personal needs. This helps bring talents from different echelons into the "Four Eagles" growth system in a planned way, enabling targeted cultivation based on one person one archive, regular assessment, dynamic management and adjustment to ensure their rapid and comprehensive growth. In 2024, the number of talents trained by the "Four Eagles" Program reached 181.



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



The Company provides practical training to cultivate versatile talents. It actively explores the establishment of a tutorial system and a cross-disciplinary and cross-departmental regular exchange mode for key and difficult tasks and projects, to enhance the relevance of education and training. The Company establishes a compound talent pool and formulates a training plan for such talents.

Leadership training

In March 2024, the Company invited external trainers to conduct a specialized training program titled Six-Capability Development and Training for Newly Promoted Leaders for mid-level leaders promoted within the past four years. The training focused on six key dimensions including Role Competency, Cohesion, Management Capability, Communication Capability, Leadership, and Execution Capability. Participants widely praised the training for its effectiveness and acknowledged its significant value in enhancing their future work performance.





On-site training for Six-Capability Development and Training for Newly Promoted Leaders

Guarantee of health and safety

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

Key performa	nce				
Occupat	ional health and safety indicator	Unit	2022	2023	2024
Occupational	Number of employees in positions with occupational disease risks	Persons	2,888	2,983	2,951
disease examination for employees	Number of employees receiving occupational disease examinations	Persons	2,914	2,983	2,951
~	Total duration of occupational health and work safety training	Hours	193	201	247
Health and safety	Times of safety drills conducted (fire, toxic gas leaks, etc.)	Times	798	832	821
training and drills	Percentage of employees covered by safety drills	%	94.37	95.65	95.50
	Investment in work safety	RMB'0,000	2,105	1,981	1,645
(¥)	Investment in employee work injury insurance	RMB'0,000	377.45	392.75	438.17
Investment in	Investment in employee work safety liability insurance	RMB'0,000	34.92	34.92	36.77
work safety	Employee work injury insurance coverage rate	%	100	100	100
	Coverage rate of employee production liability insurance	%	100	100	100
	Number of work-related injuries (minor and above)	Persons	5	4	3
Work-related injury	Number of work-related deaths	Persons	0	0	0
	Lost days due to work injury	Day	363	780	360
	Incidence of occupational disease	%	0	0	0

Occupational health & work safety objectives and plans

Occupational health and safety objectives of Xinhua Pharmaceutical in 2024



Occupational health and safety management plan of Xinhua Pharmaceutical in 2024



Occupational health and work safety management systems

The company fully identifies and strictly adheres to national and local laws and regulations concerning occupational health and work safety, providing employees with a work environment and conditions that comply with health and safety standards to ensure their physical well-being. Through comprehensive assessment of legal requirements related to occupational health and work safety management, the Company has established a sound Occupational Health and Work Safety Management System, which includes over ten systems such as the Management Standards for Occupational Health Monitoring, the Management Standards for "Three Simultaneities" of Occupational Disease Protection Facilities in Construction Projects, the Control Management Standards for Occupational Hazards, among others.

List of occupational health and work safety management systems of the Company:

Management Standards for Occupational Health Monitoring

Management Standards for "Three Simultaneities" of Occupational Disease Protection Facilities in Construction Projects

> Control Management Standards for Occupational Disease Hazards

Emergency Rescue and Management System for Occupational Disease Hazards

> Reporting System for Occupational Disease Hazards

Occupational Health Education and Training System

Occupational Hazard Protection Facility Maintenance and Inspection System

Management System for Occupational Hazard Warning Signs and Installation

Occupational Hazard Notification System

In addition, the Company incorporates labor protection provisions into employee employment contracts, explicitly requiring strict compliance with occupational safety and health laws and regulations. It implements special protections for female employees and minor workers as mandated by national regulations, establishes comprehensive occupational safety and health management systems, and provides employees with safety education, operational procedure training, along with necessary protective equipment and personal protective gear to continuously improve working conditions and minimize occupational hazards. For employees engaged in work involving occupational disease risks, the Company legally discloses potential occupational hazards and their consequences, implements protective measures, and conducts pre-employment, in-service, and post-employment occupational health examinations in accordance with regulations.



Occupational health and safety management measures

Xinhua Pharmaceutical continuously optimizes occupational health and safety protections for employees by increasing investment in rectification and management funds. This includes improving the working environment for frontline employees. strengthening occupational health monitoring, enhancing the supply and regular maintenance of personal protective equipment, and upgrading protective facilities. In terms of occupational health, the Company conducted outsourced tests on 1,035 occupational hazard factor monitoring points across the Company in 2024, with all results meeting regulatory requirements. High-toxicity substances were also tested, and control evaluation reports were issued. Employees underwent pre-employment, in-service, and post-employment occupational health examinations, including 71 post-employment examinations, 25 pre-employment examinations, and 2,855 in-service examinations. Examination results were promptly communicated to employees in writing. Each department established standardized occupational health monitoring files for every employee to ensure proper management.

During the reporting period

No new cases of occupational diseases or safety incidents occurred at Xinhua Pharmaceutical.



On-site occupational health examination

Job-specific

health protection

Provide employees with

appropriate protective

and first-aid supplies;

• Place warning signs in

• Maintain and upgrade

occupational disease

prevention facilities.

hazardous areas;

Shouguang identified hazard sources and made a management plan

In accordance with national laws and regulations and leveraging its production management experience, Shouguang under the Company systematically identified hazards and their locations. Based on this, Xinhua Shouguang formulated an occupational health and safety management plan with corresponding budget allocations, which specifies implementing risk management and issue resolution across multiple dimensions, including plant measures, management measures, education and training, personal protective equipment, and emergency response. During the reporting period, Shouguang invested RMB 7.338 million in occupational health and safety management initiatives.

Major hazard sources Major modification projects • Trial production and equipment startup/shutdown Sulfonation positions • Eight special operations Cracking positions • Sodium cyanide tank field Chlorination positions Monomethylamine tank field

Xincat Pharmaceutical under the Company formulated the Work Plan for Safety Inspection and Hazard Identification and Management and established a work system for hazard identification and management. The plan clearly defines responsibilities across all levels from leadership to departments and from work teams to individual employees, so as to ensure thorough implementation of hazard identifications. By leveraging an intelligent inspection system, Xincat Pharmaceutical effectively executed inspection tasks at all levels, translating hazard identification into tangible safety improvements and achieving essential safety.

The intelligent inspection system is configured with over 100 inspection tasks and more than 350 checkpoints, enabling comprehensive risk control. During the reporting period, company-level hazard identification discovered 92 hidden hazards, all of which were rectified, resulting in a 100% hazard rectification rate.

Work safety initiatives

Xinhua Pharmaceutical conscientiously implements the guiding principles of General Secretary Xi Jinping on work safety, adheres to the concept of safe development, and actively promotes the reform and innovation of work safety education and training in accordance with the requirements of "extensive learning, comprehensive training, and rigorous assessment". Building upon routine safety training and education, the Company has conducted targeted training programs for all employees to meet the needs of relocation efforts. These programs cover safety policies and objectives, hazardous chemicals, emergency management, occupational health, the dual prevention system, process safety, equipment safety, fire safety, environmental safety, and safety warning education. These initiatives have strengthened the foundation of work safety, ensured work safety, and advanced high-quality development.

In line with the objectives of the 2024 safety policy and based on a comprehensive analysis of training needs, the Company formulated and issued the 2024 Employee Safety Education and Training Plan to all departments. The plan aims to provide at least one safety training session annually for all employees, thereby enhancing the overall safety awareness and competence across the Company. During the reporting period, the Company implemented all the safety education training plans, ensuring 100% coverage of all employees. Throughout the year, the Company emphasized practical operation and skill training and assessment, employing diverse training methods such as in-person instruction, e-learning, practical guidance, interactive teaching, and simulation drills. These efforts were designed to strengthen employees', especially younger workers', proper safety operation capabilities and emergency response skills, while also optimizing professional safety management training for functional managers.

Occupational health management plan



Occupational health status monitoring

- Pre-employment physical examination: Conduct preemployment physical examinations for employees who will be exposed to occupational disease hazards;
- In-service physical examination: Regularly conduct occupational health examinations for employees in their positions;
- Post-employment physical examination: Employees must undergo a post-employment physical examination before transferring or resigning.

In terms of work safety, the Company strictly complies with national laws and regulations and focuses on comprehensive hazard identification. It has formulated work safety management plans and established a system for identifying and addressing potential hazards.

- Liquid chlorine tank field
- Liquid ammonia tank field
- Diazotization positions
- Hydrogenation positions
- Anaerobic tank system

Xincat Pharmaceutical strengthens hazard identification and occupational health management efforts

Stringent Governance and Compliance

First safety training session of the year

On February 19, 2024, Xinhua Pharmaceutical organized a company-level first safety training session of the year, attended by 77 key personnel, including production unit leaders, safety officers, and leaders from other units. The training covered accident case studies, reflections on safety practices, and preoperation safety requirements. Attendees were instructed to promptly conduct internal training within their respective units. This session deepened employees' understanding of startup safety, enhanced their professional knowledge and safety management capabilities, and further clarified safety management responsibilities, achieving significant training outcomes.



Site of Meeting

Safety emergency management mechanism

To fully implement the safety principle of "safety first, prevention foremost, and comprehensive governance" and to strengthen emergency rescue operations for work safety accidents while standardizing emergency management, the Company has formulated the Work Safety Accident Emergency Plan in accordance with relevant regulations such as the Management Measures for Work Safety Accident Emergency Plans and the Guidelines for the Preparation of Work Safety Accident Emergency Plans for Production and Business Units. All subordinate units are required to strictly implement this plan and conduct regular drills to continuously improve employees' emergency response capabilities as well as the company's emergency rescue capabilities.

Emergency rescue scenarios

The Company addresses various work safety accidents that may cause significant damage during production processes, including but not limited to fire and explosion, poisoning and asphyxiation, electric shock, burns and scalds, mechanical injuries, container explosions, falls from heights, struck-by-object incidents, vehicle-related injuries, drowning, leaks, noise, dust, and high-temperature hazards, as well as emergency rescues for neighboring units.

Tiered response to safety accidents

Based on the severity of the incident, scope of impact, and the Company's capability to control the situation, emergency responses are categorized into Level I, Level II, and Level III.



Emergency organizational structure

The Company adopts a "hierarchical + specialized" model to build an emergency organizational structure, with the emergency rescue command as the core. It includes a general commander and deputy general commanders who coordinate decision-making. The onsite command center is responsible for formulating on-site action plans, real-time assessment, and command. The emergency office is in charge of emergency duty, information coordination, situation reporting, plan drills, and implementation of command instructions. At the professional execution level, there are 8 teams covering key areas such as technical support (expert technical group), emergency rescue (firefighting, repair teams), order control (public security, evacuation teams), logistics support (ambulance, information team), and environmental monitoring, forming a closed loop of "assessment-disposal-support". This structure emphasizes flat command, dynamic response, and comprehensive division of labor. It is designed to address the risk characteristics of the pharmaceutical and chemical industry, ensuring quick coordination and professional handling in case of emergencies, and minimizing casualties, environmental damage, and production losses.



Emergency organizational structure



Emergency response procedure for safety accidents

The Company's emergency command center organizes experts to assess accidents based on their nature, severity, scope of impact, and controllability. For easily controllable accidents, the responsible parties are notified to implement on-site handling procedures. For accidents that cannot be immediately eliminated but can be controlled, specialized emergency plans are activated. For rapidly developing accidents with potential escalation trends, the decision to implement comprehensive emergency plans is made immediately. Depending on the situation's development, decisions may be made to request external rescue support.

Emergency response procedure for safety accidents



Safety emergency emergency drills

Since 2013, Xinhua Pharmaceutical has consistently organized the Youth Worker Safety Emergency Skills Competition to enhance the safety awareness of young employees. The Company is committed to the development of safety skills training bases. Remarkably, during the reporting period, it organized training programs combining theoretical learning and hands-on guidance for over 649 young employees. To support this initiative, the Company established an online simulation learning platform containing 1,067 test questions, covering guidance for practical skills such as fire extinguishing, air respirator usage, and cardiopulmonary resuscitation (CPR). Additionally, the Company actively encouraged employees to engage in online learning, quizzes, and computer-based theoretical exams, supplemented by practical assessments. These measures have not only equipped employees with comprehensive operational skills but also significantly improved their emergency response capabilities and adaptability in unexpected situations.





Meanwhile, fire safety remains a critical priority. The Company has urged all departments to actively respond to the call of the Provincial Emergency Management Office by continuously implementing the "Weekly Mini-Drill" initiative. Through intensifying practical drills on emergency plans and on-site response plans, employees' ability to handle emergencies has been effectively strengthened. During the reporting period, the Company conducted 16 company-level emergency drills, along with 821 workshoplevel and team-level drills, involving 17,011 employee participations, accounting for 95.5% of the workforce.





Scenes of Youth Worker Safety Emergency Skills Competition

Employee care and activities

Employee welfare system

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

Welfare system of Xinhua Pharmaceutical



Employee care activities

Staff Activities

Xinhua Pharmaceutical consistently prioritizes employee cultural and sports activities, adhering to the philosophy of "caring for and empowering employees". Through continuous innovation in activity formats and content enrichment, the Company strives to foster a positive, united, and harmonious work environment. In 2024, the Company meticulously organized a series of diverse employee activities, creating platforms for self-expression and enhanced interaction for employees, effectively boosting their sense of belonging and happiness.

The Company actively advocates the "happy work, healthy life" philosophy, hosting sports events such as table tennis and basketball games during the reporting period. Employees enthusiastically participated and released the passion on the field, showcasing teamwork and perseverance, while enriching their leisure time and strengthening team cohesion.



Employee table tennis game

Singles' Networking Event

The Company paid special attention to single employees by organizing "singles' social events", helping them expand their social circles and find life companionship by building bridges for them to know each other. This reflects the Company's holistic care for employees.

Employee satisfaction

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

Conducting recreational and sports activities to promote the philosophy of "happy work, healthy life"



Employee basketball game



Singles' Networking Event

Stringent Governance and Compliance

Cool summer, always care

Amid the scorching summer of 2024, Xinhua Pharmaceutical prioritized employee well-being with its "summer cooling" activity, delivering cooling relief and heartfelt care to staff across all operational positions. The Company meticulously prepared cooling beverages, heatstroke prevention medications, and practical cooling supplies to ensure employees maintain health and vitality during extreme heat conditions. It also optimized working conditions for frontline production employees by adding ventilation equipment, adjusting schedules, and avoiding outdoor tasks during peak heat. This initiative not only conveyed corporate warmth and care but also reinforced team cohesiveness. It embodied the people-centric and employee care culture of Xinhua Pharmaceutical, thereby motivating employees to engage in their work with greater enthusiasm.



Summer cooling activity

Wanbo Chemical hosts farewell party for retired employees

On November 8, 2024, Wanbo Chemical under the Company held a farewell party for employees retiring in 2023–2024. All of them gathered to share memories and camaraderie. The Party branch secretary of Wanbo Chemical delivered an enthusiastic speech on behalf of the company, expressing gratitude to the retiring employees for their years of dedication in treating the factory as their home and demonstrating professional commitment. He extended warm wishes for them to enjoy a wonderful and joyful retirement ("sunset years"), while presenting commemorative gifts to honor their service.



Scene of the farewell party

Creating warm birthday and holiday atmospheres for employees

In 2024, Xincat Pharmaceutical under the Company continued its heartwarming "Employee Birthday Celebrations", offering sincere blessings and thoughtful gifts to each birthday person, making them feel the warmth of the corporate family.





Employee Birthday Celebrations

Care for female employees

Xinhua Pharmaceutical has always regarded female employees as a vital force in the Company's development. Upholding the "peopleoriented" philosophy, the Company integrates the protection of female employees' rights and care into its corporate culture, striving to create a safe, equitable, and supportive workplace environment for them. In strict compliance with national laws and regulations, the Company has formulated the Special Provisions on Labor Protection for Female Employees and signed the Special Collective Contract for Protecting the Rights and Interests of Female Employees with the trade union, ensuring the legitimate rights and interests of female employees in terms of compensation, career development, maternity protection, and other aspects at the institutional level.

The Company regularly organizes training sessions for female employees on laws and regulations, including the Labor Law, the Law on the Protection of Women's Rights and Interests, and the Special Provisions on Labor Protection for Female Employees, to enhance their legal awareness and ability to safeguard their rights. It provides periodic health checkups and lectures on women's health to promote their physical and mental well-being. It also organizes a variety of recreational and sports activities, such as sports meets, book clubs, and social gatherings, to enrich their leisure time and improve their sense of happiness. Additionally, the Company utilizes internal platforms like its website and WeChat official account to disseminate care culture for female employees through engaging content such as graphics and videos, fostering a positive and supportive atmosphere.

Law popularizing month event for female employees

In March 2024, the Company organized a Law Popularizing Month event for female employees. Through large-scale events on Women's Day, internal bulletin boards, and female employee forums, the Company extensively promoted laws and regulations protecting women's rights. This initiative fostered a culture of legal learning among female employees and unclogged channels for them to voice rights concerns, strengthening their legal awareness of learning, knowing, abiding by, and utilizing the law. In 2024, the Company conducted three publicity sessions for protection of various rights and interests to enhance female employees' legal awareness and self-protection capabilities.

"Marching Toward Happiness" Women's Day

To celebrate Women's Day, enrich the cultural and recreational lives of female employees, enhance their cohesion, and boost their morale as "half of the sky", the Company and its subsidiaries organized a series of activities on March 8, 2024. Nearly 1,500 female employees participated, with over 100 performing a group dance titled Marching Toward Happiness. Additionally, 44 teams competed in drum-and-ball games, more than 1,000 took part in ring-tossing, and all employees joined the wellness walk activity.

"Rose & Books" themed reading and experience-sharing event

In December 2024, the Company hosted the "Rose & Books" themed reading and experience-sharing event for female employees. The event showcased outstanding achievements and practices, fostering a positive trend of reading enthusiasm among female staff members.





Scene of law popularizing month event



Event highlight



Event highlight

Stringent Governance and Compliance

Focus on Innovation

Protecting the Earth

Care for employees with disabilities

Xinhua Pharmaceutical fully recognizes the important role of persons with disabilities as a special group in social development. Guided by the principles of humanistic care, equal employment, and co-creating and sharing, the Company actively provides job opportunities for persons with disabilities and creates a supportive work environment to help them realize their personal value. Meanwhile, to strengthen the employment management of employees with disabilities and safeguard their legitimate rights and interests, the Company has established the Employment Management System for Employees with Disabilities.





Periodic job evaluation

The Company conducts a comprehensive job evaluation every six months, with the human resources department collaborating with business unit supervisors to analyze the physical and psychological requirements of each position based on workflow, task difficulty, and skill requirements, forming job adaptation guidelines.



Personalized allocation and dynamic adjustment

The Company tailors positions for employees with disabilities based on their disability type, level, education, work experience, and interests. Furthermore, the Company features a dynamic adjustment mechanism that ensures timely reassessment and realignment when business expansion, process changes, or individual physical/skill conditions evolve. In addition, the Company offers specialized positions for disabled workers, such as providing remote work opportunities for those with full

or partial mobility limitations.

Skills training enhancement

The Company provides new or under-skilled disabled employees with basic skills training in office software, professional etiquette, and work safety protocols through blended online teaching and offline practice to ensure their proficiency. Meanwhile, the Company formulates annual professional skill enhancement training plans based on employees' positions and individual development aspirations.



Salary protection

The Company implements equal pay for equal work, strictly enforcing the policy of equal compensation between employees with disabilities and other staff. Based on position value assessments, it ensures the income level of employees with disabilities meets or exceeds the local minimum living standard. In addition to full payment of statutory five insurances, the Company provides supplementary commercial accident insurance for employees with disabilities, offering multiple protection for their work and daily lives.

The Company continuously improves office accessibility based on employees with disabilities' actual needs. This includes widening corridors for wheelchair access, installing barrier-free elevators with voice prompt functions, and establishing regular inspection systems for barrier-free environments with designated personnel conducting weekly inspections on accessibility facilities and auxiliary equipment and providing timely maintenance and replacements upon identifying failure or damage to ensure normal optimal conditions.

Barrier-free work environment construction

Diversified communication and rapid feedback mechanisms

The Company establishes multiple communication channels, facilitating communication between management and employees with disabilities. The Company has "Barrier-Free Communication Days", where leading team members engage directly with disabled employees at the primary level, conducting face-toface exchanges to listen to their concerns and provide solutions. Additionally, the Company implements a rapid response mechanism for feedback. The HR department is responsible for collecting and sorting issues and suggestions raised by employees with disabilities, followed by investigation and verification within 24 hours.



O5 Contributing to the society and Exhibiting Responsible Demeanor

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Participation in public welfare undertakings

For years, Xinhua Pharmaceutical has remained steadfast in its mission to "protect health and benefit society". Beyond its contributions to medicine supply and industry advancement, the Company actively engages in charitable endeavors and takes the social responsibilities as a responsible enterprise. Through its "student aid" program, the Company provides financial support to impoverished students to help them complete their education and promote educational equity. It organizes employees to participate in "community volunteer services", offering health consultations and free clinical treatments to local residents, thereby spreading warmth and care. Additionally, Xinhua Pharmaceutical encourages staff to join "voluntary blood donation" initiatives, supporting life-saving efforts through concrete actions. Through concrete actions, Xinhua Pharmaceutical fulfills its responsibility and commitment as a pharmaceutical enterprise with social conscience, striving to achieve a win-win scenario of social benefits and enterprise development. This approach has established the Company's image as one imbued with humanistic care.

Golden autumn student aid

On August 16, 2024, the Company's Party committee and trade union continued their golden autumn student aid program, a key initiative to support employees' welfare, now in its 14th consecutive year. To date, the program has disbursed RMB 715,000 in scholarships, benefiting 226 students. This year, the Company presented RMB 53,000 in financial aid and academic transition gifts to 13 student representatives. During the exchange, he encouraged the students to cherish their time, aspire to lofty goals, maintain gratitude, and strive for personal growth to ultimately contribute back to society. The Company's trade union also prepared university enrollment gifts for 90 children of Xinhua employees admitted to colleges, demonstrating the Company's attention to and support for education of employees' children.

Community volunteer services

In 2024, the Xinda Pharmaceutical Party branch actively organized community volunteer service activity, putting social responsibility into practice and promoting the volunteer spirit of "dedication, friendship, mutual aid, and progress". By engaging deeply with local communities, Party members not only provided tangible assistance to residents but also conveyed warmth and care, strengthening community cohesion. This activity reflects Xinda Pharmaceutical Party branch's commitment to serving society and giving back to the community, demonstrating the Company's profound understanding and active fulfillment of corporate social responsibility. Through volunteer services, the Party branch has bridged the gap between the enterprise and the community, fostering a positive social image. Moreover, it has inspired more employees to participate in public welfare undertakings, collectively contributing to a more harmonious and prosperous society.



"Passion for Xinhua, Guarding Health" Free Blood Donation Month Activity

In 2024, Xinhua Pharmaceutical conducted the "Passion for Xinhua, Guarding Health" free blood donation month activity. Each Party branch organized the event flexibly, either arranging blood donation vehicles to enter the park or encouraging employees to donate blood at nearby locations. The blood donation activity received enthusiastic responses from a large number of employees, with a total of 247 participants and a total blood donation amount of 90,200 milliliters. In addition, the Company's labor union provided consolation gifts to each blood donor, adding warmth to the summer city with kindness.



Public charity donations



Boosting rural revitalization

Xinhua Pharmaceutical actively responds to the national rural revitalization strategy by integrating ESG concepts into enterprise development. Guided by the principles of "industrial empowerment, health assistance, educational support, and environmental protection", the Company is committed to promoting comprehensive rural development across economic, healthcare, educational, and ecological dimensions. Leveraging its strength on pharmaceutical and health industry, Xinhua Pharmaceutical works to promote rural industrial development, enhance rural medical levels, support rural education cause, and improve the rural ecological environment, ultimately contributing to common prosperity. Xinhua Pharmaceutical actively responds to the assistance activities by implementing agricultural support programs, thereby concretely fulfilling its corporate social responsibilities and contributing sustainable, long-term solutions to rural revitalization efforts.

In 2024, Xinhua Pharmaceutical actively participated in the municipal assistance activities by facilitating the purchase of 525 *jin* (263 kilograms) of tea from Shizhu Tujia Autonomous County, Chongqing, with a total expenditure of RMB 52,500. This concrete action demonstrated the Company's commitment to rural revitalization and consumption-based poverty alleviation. Through procuring local specialty agricultural products, the Company has not only helped farmers expand sales channels and increase incomes, but also promoted the sustainable development of local characteristic industries, thereby boosting rural economic revitalization. This initiative demonstrates Xinhua Pharmaceutical's commitment to fulfilling social responsibilities and advancing common prosperity, while effectively carrying forward the value of consumption-based poverty alleviation and inspiring broader societal engagement in supporting rural revitalization efforts.



Series of Public Welfare Activities Empowering "Implementing Million Disability Reduction, Supporting Rural Health" Grandly Initiated

On November 26, 2024, in order to implement the *National Health Commission's Comprehensive Plan to Strengthen the Prevention and Treatment of Stroke and Reduce a Million New Cases of Disabilities*, Xinhua Pharmaceutical, as the initiator of the Cardiovascular and Cerebrovascular Health Special Fund of Shandong Rural Revitalization Foundation, joined hands with the Shandong Stroke Society and Haiyang People's Hospital to hold the launching meeting of the series of public welfare activities themed "Implementing Million Disability Reduction, Supporting Rural Health" in Haiyang, Yantai. More than 400 people participated in the event. This event focuses on rural health and specifically targets the prevention and control of stroke, which holds significant meaning. Xinhua Pharmaceutical shoulders the irrefutable responsibility. On the same day, Xinhua Medical Trade donated medical supplies for free clinics to the first event of the series of activities themed "Implementing Million Disability Reduction, Supporting Rural Health", the "Entering Haiyang" event.



Launching Meeting of the Series of Public Welfare Activities Themed "Implementing Million Disability Reduction, Supporting Rural Health"

Promoting common prosperity of the industry

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

Industry exchange activities

The 22nd CPHI Shanghai was held at the Shanghai New International Expo Center from June 19 to 21, 2024. As a premier global pharmaceutical industry event, CPHI Shanghai brought together pharmaceutical enterprises from around the world to showcase the latest industry trends and technological advancements. Xinhua Pharmaceutical successfully enhanced its brand recognition by demonstrating its strong CMO business capabilities, existing internationally marketed formulations, and future R&D pipeline. The participation provided valuable market feedback for the Company, laying a solid foundation for product optimization and international expansion, and further strengthening its competitiveness in the global pharmaceutical industry.

At the 2024 MISI Conference (China Pharmaceutical and Health Industry Symbiosis Conference), held from June 26 to 28, 2024, Xinhua Pharmaceutical was ranked 24th in the "2023 Top 100 Chinese Pharmaceutical Chemical Enterprises List" with its strong brand power, diverse product portfolio, and market influence. Additionally, through technological breakthroughs, Xinhua Pharmaceutical achieved integrated technology and manufacturing of high-purity pharmaceutical-grade fish oil raw materials. It launched the health products of Freyant brand series, including the "Kingbrother", which gained extensive market acclaim. Notably, the Freyant Kingbrother Fish Oil Soft Capsules were honored with the title of "2024 Most Valuable Single Product for Collaboration in Chinese Chain Pharmacies" for their exceptional quality.



Group photo of award-winning company representatives for "2024 Most Valuable Single Product for Collaboration in Chinese Chain Pharmacies"



Site of exhibition



Award certificate

List of Key Performance Indicators (KPIs)

Anti-corruption	Unit	2022	2023	2024
Number of employees receiving anti- corruption training	Persons	1,143	1,124	1,208
Hours of training received by employees	Hours	5,196	10,034	17,140
Number of Directors receiving anti- corruption training	Persons	4	4	4
Hours of training received by Directors	Hours	8	60	72
Number of management personnel receiving anti-corruption training	Persons	8	8	8
Number of anti-corruption reporting incidents	Pieces	0	0	0
Number of corruption proceedings concluded	Pieces	0	0	0

Technology research and development	Unit	2022	2023	2024
R&D investment	RMB'0,000	35,160	40,587	39,682
Number of R&D personnel	Persons	822	849	828

Applications for Patents	Unit	2022	2023	2024
Number of patents held	ltems	150	170	169
Number of newly applied patents in the year	Items	28	57	62

Complaints about products	Unit	2022	2023	2024
Number of complaints about products	ltems	23	25	22

Quality Training	Unit	2022	2023	2024
Number of quality training sessions	Items	59	60	34
Number of participants in quality training	Persons	900	955	1,197

Supplier Management		Unit	2022	2023	2024
Total number of suppliers		Nr	587	632	682
Shandong		Nr	316	331	352
	Hebei	Nr	9	9	15
	Jiangsu	Nr	52	49	62
Number of	Shanghai	Nr	29	29	32
suppliers by region	Zhejiang	Nr	15	16	18
	Hong Kong, Macao and Taiwan, China, as well as overseas regions	Nr	3	3	5
	Other regions	Nr	163	195	198
Total number of	new suppliers of the year	Nr	32	59	72
	pliers that have signed the Code of Conduct	%	80	85	87
	liers that have conducted pact assessments	Nr	198	216	233
Number of suppliers identified as having actual and potentially significant negative social impacts Number of supplier social responsibility (ESG) trainings		Nr	0	0	0
		Times	1	1	1
Percentage of suppliers involved in supplier social responsibility (ESG) training		%	75	75	77
	nal purchasers passing purchasing training	%	98	96	96.5

Environmental protection input	Unit	2022	2023	2024
Total annual investment in environmental protection	RMB'0,000	14,600	11,900	13,400
Annual investment in technology transformation for environmental protection and energy conservation	RMB'0,000	6,021	4,428	1,100
Annual training times on environmental protection	Times	41	38	10

Waste treatment	Unit	2022	2023	2024
Total domestic waste	Tons	2,850	2,790	2,580
Density of domestic waste	Ton(s)/output per RMB 10,000	0.006	0.006	0.005
Total general (non-hazardous) solid waste	Tons	54,956.49	55,802.17	58,022.64
General (non-hazardous) solid waste density	Ton(s)/output per RMB 10,000	0.118	0.115	0.120
Total hazardous solid waste	Tons	8,408.90	9,337.72	13,202.79
Density of hazardous solid waste	Ton(s)/output per RMB 10,000	0.018	0.019	0.027

Shandong Xinhua Pharmaceutical Company Limited

2024 Environmental, Social and Governance Report

Overview

Stringent Governance and Compliance

Focus on Innovation

Protecting the Earth

Exhaust gas treatment	Unit	2022	2023	2024
Total exhaust emission	Tons	23.83	28.19	26.84
Particulate	Tons	1.26	0.19	0.26
Nitrogen oxide	Tons	0.15	0.22	2.6
Sulfur dioxide	Tons	0.12	0.069	0.23
VOC emissions	Tons	22.30	27.71	23.74

Exhaust gas treatment	Unit	2022	2023	2024
Total wastewater discharged	Tons	1,841,902	1,970,132	2,147,375
Chemical oxygen demand (COD)	Tons	391.90	484.71	388.76
Ammonia nitrogen	Tons	14.79	25.31	21.12

Greenhouse gas emissions	Unit	2022	2023	2024
Scope 1 greenhouse gas emissions	tCO ₂ e	14,098	18,956	22,056
Scope 2 greenhouse gas emissions	tCO ₂ e	244,370	241,687	285,577
Total GHG emissions	tCO ₂ e	258,468	260,643	307,633
Greenhouse gas emission intensity	tCO ₂ /output per RMB 10,000	0.556	0.536	0.638

Resource utilization	Unit	2022	2023	2024
Total energy consumption	Ton of standard	68,954.86	74,700.98	78,120.77
Comprehensive energy consumption density	Ton(s) of standard coal/ output per RMB 10,000	0.148	0.154	0.162
Direct energy consumption	Ton of standard coal	6,682.64	6,879.73	6,788.28
Including: gasoline	Tons	0.93	1.09	1.98
Including: diesel oil	Tons	59.80	59.58	56.21
Including: natural gas	Cubic meter	4,957,999	5,070,732	5,004,277
Direct energy consumption intensity	Ton(s) of standard coal/ output per RMB 10,000	0.014	0.014	0.014
Indirect energy consumption	Ton of standard coal	62,272.22	67,821.24	71,332.49
Including: steam	10,000 tons	46.61	45.23	45.20
Including: electricity	100 million kWh	2.01	2.19	2.12
Indirect energy consumption intensity	Ton(s) of standard coal/ output per RMB 10,000	0.134	0.140	0.148
Total water consumption	10,000 m ³	9,994.37	9,513.57	9,517.28
Circulating water	10,000 m ³	9,656.08	9,153.14	9,228.23
Tap water	10,000 m ³	338.29	360.43	286.90
Water consumption density	m3/output per RMB 10,000	7.28	7.42	5.95
Packaging materials used for finished products	Tons	8,898	10,178	11,380

Emp	oloyment	Unit	2022	2023	2024
Total numl	per of employees	Persons	6,781	7,104	7,296
Number of	Male	Persons	3,973	4,123	4,189
employees by gender	Female	Persons	2,808	2,981	3,107
Number of employees by type	Labor contract system	Persons	6,781	7,104	7,296
of employment	Labor dispatch system	Persons	0	0	0
	Number of employees aged 51 and above	Persons	786	812	875
Number of	Number of employees aged 41 to 50	Persons	1,463	1,528	1,551
employees by age	Number of employees aged 31 to 40	Persons	1,951	2,061	2,104
	Number of employees aged 30 and below	Persons	2,581	2,703	2,766
	Employees in mainland China	Persons	6,775	7,096	7,290
Number of employees by work location	Employees in Hong Kong, Macao and Taiwan	Persons	0	0	0
WORK IOCALION	Employees in other countries	Persons	6	8	6
	PhD	Persons	19	22	21
Number of employees by	Master	Persons	358	445	501
educational background	Undergraduate	Persons	1,258	1,398	1,515
	Below bachelor's degree	Persons	5,146	5,239	5,259
	Total number of grassroots employees	Persons	6,627	6,936	7,124
	Total number of middle management employees	Persons	146	160	164
Number of employees by	employees Number of female middle management	Persons	20	22	28
level	employees Total number of senior management employees	Persons	8	8	8
	Number of female senior management employees	Persons	0	0	0
	Production personnel	Persons	3,733	3,922	4,060
	Sales personnel	Persons	920	895	946
Number of employees by job	Engineering and product developer	Persons	1,091	1,218	1,226
category	Quality supervision and testing personnel	Persons	579	621	639
	Other personnel	Persons	458	448	425
Number of employees by honorary title or designation	Senior Engineer	Persons	191	192	214
Minorit	y employees	Persons	181	183	186
Number of employees hired under labor contracts		%	100	100	100
Coverage rate of employee social security		%	100	100	100
Number of new employees			588	790	590

2024 Environmental, Social and Governance Report

Overview

Stringent Governance and Compliance

Employee turnover		Unit	2022	2023	2024
Total number o	f resigned employees	Persons	151	259	224
Total emplo	oyee turnover rate	%	2.20	3.65	3.07
Employee	Male	%	1.53	1.60	1.55
turnover rate Female	Female	%	0.67	2.04	1.52
Employee turnover rate by age	51 years old and above	%	0	0.11	0.01
	41~50	%	0.10	0.66	0.25
	31~40	%	1.10	1.10	0.60
	30 and under	%	1.00	1.77	2.21
	Employees in mainland China	%	2.20	3.65	3.07
Employee turnover rate by work area	Employees in Hong Kong, Macao and Taiwan	%	0	0	0
	Employees in other countries	%	0	0	0

Employee Training	Unit	2022	2023	2024
Total number of employees trained	Persons	6,781	7,104	7,296
Number of male employees trained	Persons	3,973	4,132	4,189
Number of female employees trained	Persons	2,808	2,981	3,107
Number of primary-level employees trained	Persons	6,627	6,936	7,124
Number of middle management employees trained	Persons	146	160	164
Number of senior management employees trained	Persons	8	8	8
Total hours of training received by employees	Hours	155,963	181,862	189,696
Average hours of training for employees	Hours	23	26	26
Total hours of training for male employees	Hours	91,379	105,779	108,940
Total hours of training for female employees	Hours	64,584	76,083	80,756
Total hours of training for primary-level employees	Hours	152,421	177,562	185,224
Total hours of training for middle management employees	Hours	3,358	4,096	4,264
Total hours of training for senior management employees	Hours	184	204	208

Occupati	onal health & safety	Unit	2022	2023	2024
	Total hours of training for senior management employees	Days	363	780	360
	Deaths related to work	Persons	0	0	0
	Number of work-related deaths	%	0	0	0
Employee health and	Number of employees in positions with occupational disease risks	Persons	2,888	2,983	2,951
safety	afety Number of employees that have received occupational disease examination	Persons	2,914	2,983	2,951
	Number of employees suffering from occupational diseases	Persons	0	0	0
	Investment in work safety	RMB'0,000	2,105	1,981	1,645
	Number of safety drills	Times	798	832	821
Security drills	Percentage of employees covered by safety drills	%	94.37	95.65	95.50

Note 1: The statistics of data for technology research and development, employee employment, employee turnover, and employee training performance are for Xinhua Pharmaceutical Group, while the statistics of the rest of the performance data are for Xinhua Pharmaceutical Headquarters.

Note 2: The total number of resigned employees includes those who have voluntarily resigned and those who have terminated their employment relationship with the Company due to layoffs, retirement, death, and other reasons.







Index to the Contents of the *Environmental, Social and Governance Reporting Guide* of SEHK

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

Scope, aspects and KPIs	Description and indicator	Location
A. Environmental		
Aspect A1	Emissions	
General disclosures	Exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non- hazardous waste: (a) policies; and (b) compliance with Laws and Regulations that have a significant impact on the issuer.	Enhancing emission governance, fighting climate change
KPI A1.1	Types of emissions and related emission data.	Enhancing emission governance, fighting climate change and Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.2	Total greenhouse gas emissions and, where applicable, intensity.	Fighting climate change and Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.3	Total amount and, where applicable, density of hazardous waste generated.	Enhancing emission governance, and Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.4	Total amount and, where applicable, density of non-hazardous waste generated.	Enhancing emission governance, and Appendix I: List of Key Performance Indicators (KPIs)
KPI A1.5	Description of emission reduction measures and results obtained.	Enhancing emission governance
KPI A1.6	Description of methods of handling hazardous and non- hazardous waste, measures to reduce generation, and results obtained.	Enhancing emission governance
Aspect A2	Resource utilization	
General disclosures	Policies relating to efficient use of resources, including energy, water, and other raw materials.	Efficient use of resources
KPI A2.1	Total direct and/or indirect energy consumption by type and intensity.	Efficient use of resources, and Appendix I: List of Key Performance Indicators (KPIs)
KPI A2.2	Total water consumption and intensity.	Efficient use of resources, and Appendix I: List of Key Performance Indicators (KPIs)
KPI A2.3	Description of energy use efficiency programs and results obtained.	Efficient use of resources
KPI A2.4	Description of any issues with access to suitable water sources and plans to improve water use efficiency and results obtained.	Efficient use of resources
KPI A2.5	Total amount of packaging materials used for finished products and, where applicable, amount per production unit.	Efficient use of resources, and Appendix I: List of Key Performance Indicators (KPIs)

Scope, aspects and KPIs	Description and indicator	Location
Aspect A3	Environment and natural resources	
General disclosures	Policies for minimizing the issuer's significant impact on the environment and natural resources.	Environmental Management System
KPI A3.1	Description of the significant impact of operational activities on the environment and natural resources and the actions taken to manage such impact.	Environmental Management System
Aspect A4	Climate Change	
General disclosures	Policies for identifying and addressing significant climate-related issues that have and may have an impact on the issuer.	Response to climate change
KPI A4.1	Description of significant climate-related issues that have had and may have an impact on the issuer and actions to address them.	Response to climate change
B. Social		
Aspect B1	Employment	
General disclosures	Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti- discrimination, and other benefits and welfare: (a) policies; and (b) compliance with Laws and Regulations that have a significant impact on the issuer.	Protection of employees' rights and interests
KPI B1.1	Total number of employees by gender, employment type, age group, and region.	Protection of employees' rights and interests, and Appendix I: Lis of Key Performance Indicators (KPIs)
KPI B1.2	Employee turnover rate by gender, age group and region.	Protection of employees' rights and interests, and Appendix I: Lis of Key Performance Indicators (KPIs)
Aspect B2	Health and safety	
General disclosures	Providing a safe working environment and protecting employees from occupational hazards: (a) policies; and (b) compliance with Laws and Regulations that have a significant impact on the issuer.	Guarantee of health and safety
KPI B2.1	Number and rate of work-related deaths in each of the past three years (including the reporting year).	Appendix I: List of Key Performance Indicators (KPIs)
KPI B2.2	Number of working days lost due to work-related injury.	Appendix I: List of Key Performance Indicators (KPIs)
KPI B2.3	Description of occupational health and safety measures adopted, and the related implementation and supervision methods.	Guarantee of health and safety
Aspect B3	Development and training	
General disclosures	Policies for improving employees' knowledge and skills for performing duties at work. Description of training activities.	Talent growth and development
KPI B3.1	Percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Talent growth and development and Appendix I: List of Key Performance Indicators (KPIs)
KPI B3.2	Average number of hours of training completed by each employee, by gender and employee category.	Talent growth and development and Appendix I: List of Key Performance Indicators (KPIs)

Protecting the Earth

Index to the Contents of *Self-Regulatory* Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange -Sustainability Report (For Trial Implementation)

Scope	lssue	Clause	Chapter
	Response to climate change	Articles 20 and 28	Response to climate change
	Pollutant emission	Articles 29 and 30	Enhancing emission governance
	Waste disposal	Article 31	Enhancing emission governance
	Ecosystem and biodiversity conservation	Article 32	Ecological environment protection
Environment	Environmental compliance management	Article 33	Environmental Management System
	Energy utilization	Articles 34 and 35	Efficient use of resources
	Utilization of water resources	Articles 34 and 36	Efficient use of resources
	Circular economy	Article 37	Enhancing emission governance, efficient use of resources and fighting climate change
	Rural revitalization	Articles 38 and 39	Promoting rural revitalization
	Social contribution	Articles 38 and 40	Participation in public welfare undertakings
	Innovation-driven Development	Articles 41 and 42	Scientific research and technological innovation
	Technology ethics	Articles 41 and 43	Scientific research and technological innovation
Social	Supply chain security	Article 45	Responsible supply chain
	Equal treatment of SMEs	Article 46	Responsible supply chain
	Product and service safety and quality	Article 47	Product quality and safety, and customer relationship management
	Data security and customer privacy protection	Article 48	Information Security
	Employee	Articles 49 and 50	Protection of employees' rights and interests, talent growth and development, guarantee of health and safety, and employee care and activities
	Due diligence	Article 52	Comprehensive risk management
Governance	Stakeholder Communication	Article 53	Stakeholder Communication
	Anti-commercial bribery and anti-corruption	Articles 54 and 55	Business Ethics
	Anti-unfair competition	Article 56	Business Ethics

Scope, aspects and KPIs	Description and indicator	Location
Aspect B4	Labor standards	
General disclosures	Preventing child and forced labor: (a) policies; and (b) compliance with Laws and Regulations that have a significant	Protection of employees' rights and interests
KPI B4.1	impact on the issuer. Description of measures to review employment practices to avoid child and forced labour.	Protection of employees' rights and interests
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Protection of employees' rights and interests
Aspect B5	Supply Chain Management	
General disclosures	Policies for managing environmental and social risks of the supply chain.	Responsible supply chain
KPI B5.1	Number of suppliers by region.	Responsible supply chain, and Appendix I: List of Key Performance Indicators (KPIs)
KPI B5.2	Description of supplier engagement practices, the number of suppliers to whom the practices are implemented, and how the practices are implemented and monitored.	Responsible supply chain
KPI B5.3	Description of practices for identifying environmental and social risks at each stage of the supplier, and how these are implemented and monitored.	Responsible supply chain
KPI B5.4	Description of practices to promote the use of environmentally friendly products and services in the selection of suppliers, and how these are implemented and monitored.	Responsible supply chain
Aspect B6	Product responsibility	
General disclosures	Health and safety, advertising, labeling, and privacy matters relating to products and services provided and methods of redress: (a) policies; and (b) compliance with Laws and Regulations that have a significant impact on the issuer.	Product quality and safety
KPI B6.1	Percentage of products recalled for safety and health reasons out of total products sold or shipped.	Product quality and safety
KPI B6.2	Number of complaints about products and services and how they are handled.	Customer relationship management
KPI B6.3	Description of practices related to the maintenance and protection of intellectual property.	Scientific research and technological innovation
KPI B6.4	Description of quality inspection processes and product recall procedures.	Product quality and safety
KPI B6.5	Description of consumer data and privacy policies, and how these are implemented and monitored.	Information Security
Aspect B7	Anti-corruption	
General disclosures	Bribery, extortion, fraud, and money laundering: (a) policies; and (b) compliance with Laws and Regulations that have a significant impact on the issuer.	Integrity and compliance
KPI B7.1	Number of corruption cases filed and concluded against the issuer or other employees during the reporting period and the outcome of the proceedings.	Integrity and compliance
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how these are implemented and monitored.	Integrity and compliance
KPI B7.3	Description of anti-corruption training provided to directors and employees.	Integrity and compliance, and Appendix I: List of Key Performance Indicators (KPIs)
Aspect B8	Social investment	
General disclosures	Policy 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.	Participation in public welfare undertakings, and boosting rural revitalization
KPI B8.1	Focused contribution area (e.g., education, environmental issues, labor needs, health, culture, and sports).	Participation in public welfare undertakings, and boosting rural revitalization
KPI B8.2	Resources (e.g., money or time) used in the focus area.	Participation in public welfare undertakings, and boosting rural revitalization

Reader Feedback Form

Dear Readers,

Thank you for taking the time to read this report. In order to provide you and other stakeholders with more complete, more professional, and more valuable ESG information, and to enhance the quality of our ESG reports, we sincerely invite you to assist in completing the relevant questions in the feedback form. Please do not hesitate to give us your comments.

1. Are you satisfied with Yes □	this report in general? Fair □	No 🗆				
2. Do you think this repo Yes □	ort reflects the significant Fair □	impact of Xinhua Pharmaceutical on social responsibility? No □				
3. Do you think the analysis of the stakeholders identified in this report and their relationship with Xinhua Pharmaceutical is accurate and comprehensive? Yes □ Fair □ No □						
	rmation provided in this re Fair 🗆					
5. Do you think the info Yes □	rmation provided in this re Fair 🗌	eport is readable? No □				
6. Is the overall design of Yes □	of this report satisfactory? Fair □	No 🗆				
7. Your other comments and recommendations on the Environmental, Social and Governance Report of Xinhua Pharmaceutical 2024 are welcome.						

You can inform us of your valuable comments by:

Address: Shandong Xinhua Pharmaceutical Company Limited, No. 1 Lutai Ave., Hi-tech Industry Development Zone, Zibo City, Shandong Province Tel.: 86-533-2196024 Fax: 86-533-2287508 E-mail: xhzy@xhzy.com



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