新华制药
XINHUA PHARM.



# ESG REPORT 2025

## Environmental, Social and Governance Report

Shandong Xinhua Pharmaceutical Company Limited

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# About this Report

This report is intended to disclose Shandong Xinhua Pharmaceutical Company Limited's management strategies, specific actions and key performance in environmental, social and corporate governance (ESG) aspects in 2025, so as to respond to the extensive concerns of stakeholders, including shareholders, employees, regulatory authorities, customers, partners and the general public, regarding the Company's sustainable development and information transparency.

## Report Scope and Boundaries

This report covers the relevant practices of Shandong Xinhua Pharmaceutical Company Limited and its affiliated subsidiaries during the period from January 1, 2025 to December 31, 2025. To enhance the comparability and completeness of the report, certain contents may be traced back to or extended from prior and subsequent fiscal years.

## Information Source

All information and data disclosed in this report are derived from official documents, publicly available information and internal materials of Shandong Xinhua Pharmaceutical Company Limited and its affiliated subsidiaries. The financial data involved are sourced from the Company's published 2025 annual results announcement, and the basic monetary unit mentioned in this report is Renminbi (RMB).

## Compilation Basis

- Appendix C2 *Environmental, Social and Governance Reporting Guide* to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* issued by the Stock Exchange of Hong Kong Limited (the "SEHK")
- *Optimizing Climate-Related Information Disclosure under the Environmental, Social, and Governance Framework*
- *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.*
- *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")

This report is compiled in accordance with a systematic process to ensure the comprehensiveness, relevance and reliability of the disclosed contents. The specific procedures include: identification of key stakeholders, identification and prioritization of key ESG topics, determination of report scope and boundaries, collection of relevant materials and data, review and verification of data, and compilation and integration of the report.

## Addressing and Representation

| Full Name | Abbreviation |
|---|---|
| Shandong Xinhua Pharmaceutical Company Limited | Xinhua Pharmaceutical, the Company, we, and us |
| Xinhua Pharmaceutical (Shouguang) Co., Ltd. | Shouguang |
| Shandong Zibo Xincat Pharmaceutical Co., Ltd. | Xincat Pharmaceutical |
| Shandong Xinhua Wanbo Chemical Co., Ltd. | Wanbo Chemical |
| Shandong Xinhua Medical Trade Co., Ltd. | Xinhua Medical Trade |

## Report Access

The electronic version of this report is available for download and review on the Company's official website (www.xhzy.com), the SEHK website (www.hkex.com.hk) and the CNINFO website (www.cninfo.com.cn). This report is compiled in both Chinese and English versions. In the event of any discrepancy between the Chinese and English texts, the Chinese text shall prevail.

# About Xinhua Pharmaceutical

## Company Profile

Founded in 1943, Xinhua Pharmaceutical has evolved into a globally significant production and export base for antipyretic and analgesic drugs. It holds a pivotal position in China's domestic markets for cardiovascular and cerebrovascular drugs, anti-infectives, central nervous system drugs, and steroid hormones, and is successfully listed on both the A-share and H-share markets. The Company has established stable cooperative relationships with over 200 multinational enterprises including Roche and Bayer, and has consistently ranked among the top five active pharmaceutical ingredient (API) export enterprises and top ten preparation export enterprises in China. By virtue of its sustained contributions to quality, internationalization, scientific and technological innovation, and social responsibility, the Company has been awarded numerous national and provincial honors, including the National May Day Labor Award, the National Quality Management Award, the title of National Green Factory and Green Supply Chain Enterprise, Shandong Provincial High-end Brand Cultivation Enterprise, and Shandong Provincial Science and Technology Leading Enterprise. It has also been listed on the Shandong Provincial "Honest Lushang" Brand Image List as a five-star enterprise.

## Corporate Culture

Xinhua Pharmaceutical's corporate culture is deeply rooted in its red history, originating from the Jiaodong Anti-Japanese Base Area in 1943. This unique red gene has shaped the Company's corporate mission of "Protecting Health and Benefiting Society". It has also given rise to the Company's dual-life quality philosophy: The product quality relates to the Company's development, the drug quality relates to the people's life.

In terms of talent development and employee care, the Company regards "Building a Xinhua Filled with Humanistic Spirit" as one of its core development visions. It advocates the talent philosophy of "selecting talents with virtue and morality to ensure each talent has his/her own merit and makes the best use of it". The Company has constructed a comprehensive talent training system by setting up six major platforms including a national enterprise technology center, an academician workstation, and a postdoctoral research station.

At the governance level, Xinhua Pharmaceutical takes strengthening Party building as the core mechanism for inheriting its red gene and pooling synergies for development. It has innovatively launched the "Party Building +" integration model to drive the in-depth integration of Party building with production and operation.




## Development Strategy

The Company adheres to the implementation of the integrated development strategy of "APIs + Preparations" and continuously advances its internationalization process. Focusing on the four core pillars of quality, internationalization, technology, and responsibility, the Company strives to build distinctive features of professional development.

## Main Business

The Company has formed four major business segments including chemical APIs, pharmaceutical preparations, pharmaceutical intermediates, and commercial logistics. It currently operates 5 industrial parks and 13 subsidiaries, and owns 26 products that rank first in market share or exclusive varieties, including aspirin and ibuprofen.

**Xinhua Pharmaceutical Business Segments**

| Chemical Active Pharmaceutical Ingredients (APIs) | Pharmaceutical Preparations | Medical Intermediates | Pharmaceutical Commerce |
|---|---|---|---|
| The Company, serving as a globally significant production and export base for antipyretic analgesics, has foundational business products including caffeine, ibuprofen, levodopa, aspirin, etc. and has a sales network covering the world. | The Company possesses pharmaceutical preparations in rich dosage forms including tablets, injections, and capsules.Key products include the full ibuprofen series, Jiening (Aspirin Enteric-coated Sustained-release Tablets), etc., leveraging the integration strategy to ensure supply chain security. | As the front end of the industrial chain, main products include DK, pyrazolone, etc. | It encompasses drug wholesale, retail, and e-commerce businesses. The Company collaborates with major e-commerce platforms and has established a marketing network covering multiple endpoints. |



# Annual Key Performance

## Management Philosophy

Number of employees trained: **1,208**

Number of anti-corruption reporting incidents: **0**

Confirmed data security incidents: **0**

**Performance-based and Scientific Process**

## Business Philosophy

Total number of suppliers: **737**

Number of suppliers conducting ESG impact assessment: **244**

Comprehensive average customer satisfaction score: **99.68** points (out of 100 points)

**"Win-Win" with a Farsight**

## Development Philosophy

Number of patents granted: **48**

R&D investment amount: RMB **379.73** million

Number of R&D personnel: **844**

**Achieving Innovative Development through Four Driving Forces**

## Quality Philosophy

Number of quality training sessions: **74**

**No** product recall incidents

Products that need to be recalled due to environmental, safety, and health issues among the products sold or delivered: **0%**

**Product Quality Relates to the Company's Development, Drug Quality Relates to People's Life**

## Safety Philosophy

Investment in work safety: RMB **12.58** million

Number of safety drills: **832**

Percentage of employees who have participated in a safety drill: **96.50%**

Percentage of employees exposed to occupational health hazards who have received an occupational disease examination: **100%**

**Safety Secures Employees' Happiness and is the Basis of Enterprise Performance**

## Environmental Philosophy

Total investment in environmental protection: RMB **88.9** million

Investment in energy-saving technical renovations for environmental protection: RMB **7.06** million

Number of environmental training sessions conducted: **9**

Clean energy consumption: **5,946.85** tons of standard coal

Clean energy usage percentage: **7.65%**

**Environmental Protection is the Lifeline of Xinhua's Survival and Development**

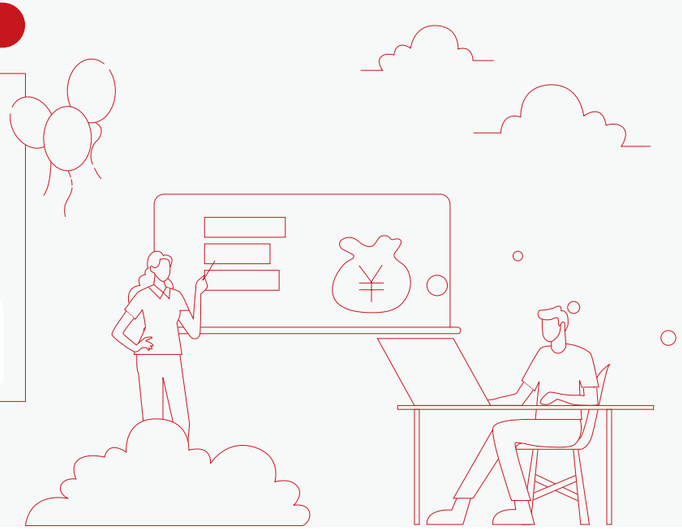
## Talent Philosophy

Total number of employees: **7,240**

Percentage of female employee: **43.62%**

Average employee training hours: **26.3** hours

**Selecting Talents with Virtue and Morality to Ensure Each Talent Has His Own Merit and Makes the Best Use of It**



# External Honors and Recognitions

## Summary of Honors and Awards Received by Xinhua Pharmaceutical in 2025




The 10th Shandong Provincial Governor Quality Award




2024 Shandong Provincial Outstanding Unit in Talent Work




2025 Shandong Enterprise ESG Excellent Case




2025 TOP 20 China Pharmaceutical Preparations CDMO Ranking




2025 TOP 101 China Pharmaceutical Industry




2025 TOP 30 China API Business




5th Shandong Provincial Excellent Corporate Culture Achievement




2025 Annual AI Product Innovation Award in the Pharmaceutical Industry




Shandong Provincial Science and Technology Award

Passed the re-inspection as an Advanced (Provincial) Smart Factory in June 2025

Won the First Prize and Best Application Award at the 9th Shandong Provincial Science and Technology Workers Innovation Competition in November 2025

# Sustainable Development Governance

Xinhua Pharmaceutical deeply integrates sustainable development into its corporate strategy and daily operations, thereby better managing relevant risks, seizing development opportunities, driving the Company to create value in economic, social and environmental fields, and ultimately achieving continuous improvement of its comprehensive capabilities.

## Statement of the Board of Directors

This report has been reviewed by the Board of Directors of Xinhua Pharmaceutical, which confirms that its contents are true, accurate and complete, without any false records, misleading statements or material omissions. Based on the Board's responsibilities for the supervision and management of ESG-related matters during the reporting period, the Board hereby makes the following statement:

Xinhua Pharmaceutical always places sustainable development at the core of its corporate strategy. While pursuing steady growth in operating performance, the Company systematically integrates green and low-carbon operations, employee well-being care and social value contribution into its corporate development plan. The Company actively fulfills its corporate social responsibilities, responds to the expectations of various stakeholders, and continuously enhances the its sustainable development capabilities.

Xinhua Pharmaceutical's ESG Working Group formulates implementation plans related to ESG work. The Strategic Development Committee supervises and inspects the implementation of ESG work, puts forward guiding opinions in a timely manner, and provides advisory suggestions to the Board of Directors. By continuously improving the ESG governance structure and management mechanisms, the Board of Directors strengthens its participation in and supervision over ESG matters as well as actively explores ESG practice paths and long-term value, constantly strengthening the quality and transparency of ESG information disclosure.

## ESG Governance Structure

The Company's Board of Directors, as the supreme governing body for ESG matters, is fully responsible for the supervision and decision-making of ESG-related strategies, objectives and risks. During the reporting period, the Company revised the *Working Rules of the Strategic Development Committee* and added the function of overall ESG management, thus forming a three-tier ESG governance structure of "Board of Directors - Strategic Development Committee - ESG Working Group". The Strategic Development Committee is responsible for researching the Company's ESG-related plans, objectives, systems and major issues, reviewing ESG-related reports, and reporting to the Board of Directors.

The Company's ESG Working Group is coordinated by the Board Office, and each department and business unit designates an ESG Contact Person. They jointly undertake specific work including the management of sustainable development-related matters, collection, statistics and analysis of ESG data, coordination of the compilation of ESG reports, and communication with investors and research institutions on ESG topics, ultimately forming a closed loop of ESG management.




ESG Governance Structure of Xinhua Pharmaceutical

The Company's sustained investment and practices in the field of sustainable development have been recognized by external authoritative institutions. During the reporting period, the Company was rated A in the Wind ESG Rating, A in the Sino-Securities ESG Rating and AApi in the Lvfa ESG Rating. These ratings reflect the positive evaluations of the capital market and professional institutions on the Company's systematic promotion of environmental, social and governance work over the long term.



# ESG Risk and Opportunity Management

The Company fully integrates the management of environmental, social and governance (ESG) related risks and opportunities into its overall risk management system, and regards it as a critical foundation for supporting the enterprise's sustainable development. Under the supervision and guidance of the Board of Directors, the Company systematically identifies and sorts out internal and external ESG risks and opportunities, prudently assesses their potential impacts on operations, stakeholders and long-term value, and prioritizes them based on their likelihood of occurrence and potential financial, operational and reputational impacts.

Based on the assessment results, the Company formulates and implements corresponding management strategies and response measures, allocates resources rationally, controls relevant risks and seizes development opportunities through systematic management actions. It actively aligns with the United Nations Sustainable Development Goals (SDGs), and collaborates with stakeholders to create long-term sustainable value.

**Identification**

Based on its operations, and integrating external trends, industry benchmarks, and stakeholder communication, the Company systematically identifies ESG-related risks and opportunities that may impact operations or long-term value.

**Assessment**

Conduct qualitative and quantitative analyses on identified ESG issues. Prioritize them based on the potential degree of impact on the Company's finances, operations, and reputation, as well as their probability of occurrence.

**Strategy Formulation**

Based on the assessment results, formulate differentiated response strategies for issues of different priorities, including risk mitigation measures and opportunity realization plans, and incorporate them into relevant business plans.

**ESG Risk and Opportunity Identification and Management Process**

**Execution**

Decompose the formulated strategies and measures into specific actions, clarify responsible departments and resource guarantees, and promote implementation through the Company's existing governance structure and management system.

**Monitoring and Improvement**

Establish key performance indicators for regular tracking and monitoring, and report progress to management and the Board of Directors.Continuously optimize management processes and actions through internal and external feedback and performance reviews.




| Type of Risk/ Opportunity | Impact of Risk/ Opportunity on External Stakeholders | Impact Direction | Time Horizon of Impact | Corporate Value Chain Link Causing Impact | External Stakeholders Affected | Response Measures |
|---|---|---|---|---|---|---|
| **Addressing Climate Change and Carbon Emission Management** | Risks of rising compliance costs for environmental protection and lagged transformation in production and business activities may occur. | Negative | Medium and long term | R&D, production | Natural environment | Continue to conduct greenhouse gas emission verification, implement cleaner production, and reduce energy consumption and emissions. |
| **Customer Service** | Poor service harms brand image; high-quality service enhances customer stickiness and word-of-mouth. | Neutral | Short, medium and long term | Sales | Customers and end consumers | Continuously improve the service network, and strengthen customer communication and relationship maintenance. |
| **R&D and Innovation** | It is a challenge to meet the product innovation demands of customers and end consumers. | Positive | Short, medium and long term | R&D | Customers and end consumers | Keep pace with market trends, upgrade existing products, and actively develop new products. |
| **Product Quality and Safety** | Substandard product quality or even safety incidents in products sold by the Company will endanger the lives and safety of customers and end consumers. | Negative | Short, medium and long term | Quality control throughout the entire process from R&D, procurement and production to circulation | Customers and end consumers | Establish and improve a full-chain product quality and safety management system; through technological upgrading, process optimization and employee empowerment, assign safety responsibilities to specific positions and systematically prevent quality risks; implement digital full-process monitoring and traceability from raw materials to finished products to ensure product compliance and reliability. |
| **Supply Chain Management** | Enhanced sustainable supply chain management can drive upstream suppliers to improve their ESG performance; a stable, efficient and green supply chain can mitigate long-term risks. | Positive | Long term | Supply chain | Upstream suppliers | Systematically integrate ESG evaluation criteria into supplier access and annual audits, implement responsible procurement, and build a sustainable supply chain with suppliers through regular ESG training and cooperation mechanisms. |

# Stakeholder communication

The Company attaches great importance to establishing long-term, stable and mutually trusting relationships with all stakeholders. To this end, the Company has established regular, multi-level communication channels to continuously identify stakeholders' ESG priorities and expectations.

| Stakeholders | Concerned Topics | Communication Channels |
|---|---|---|
| Government Departments | • Compliance with the relevant laws and regulations<br>• Quality and safety assurance for drug products<br>• Cooperation with government supervision for the healthy development of the industry<br>• Payment of taxes in accordance with the law and promotion of local economic development | • Government-enterprise seminars<br>• Supervision and inspection<br>• Work reports and research |
| Shareholder and Investor | • Protection of shareholders' legitimate rights and interests<br>• Understanding of the Company's operating performance, governance standards, and tight control of risks<br>• Prudent operation for the greatest return on investment<br>• Assurance of openness, fairness, and impartiality in the information disclosure | • General Meeting of Shareholders<br>• Company website<br>• Exchange meeting for investors and on-site inspection<br>• Disclosure of major business information and interim announcements,<br>• And regular release of financial data<br>• Interview, hotline, and e-mail<br>• Interactive Easy Platform of the Shenzhen Stock Exchange<br>• IR Connect of Hong Kong Stock Exchange |
| Employees | • Employee rights and benefits protection<br>• Career development<br>• Employee care and benefits<br>• Occupational health and safety | • Employee care<br>• Employee training<br>• Workers' Congress and Work Union<br>• Daily communication and feedback platform<br>• Employee satisfaction survey |
| Consumers and Customers | • Protection of consumers' rights and interests<br>• Compliance with business ethics<br>• Assurance of drug quality and safety<br>• High-quality after-sales service | • Product label and information disclosure<br>• Customer visit<br>• Consumer satisfaction survey<br>• Consumer complaints and opinions handling |
| Partners and Suppliers | • Maintenance of good and stable cooperation relationship<br>• Conducting business with integrity and ensuring drug compliance<br>• Timely communication and coordination with upstream and downstream partners for a win-win situation | • Regular communication<br>• Work meeting and correspondence over the phone<br>• Company website<br>• Supplier meeting |
| Local Communities | • Paying attention to the impact of production and operation on the local area<br>• Promotion of local economic development and support for vulnerable groups<br>• Dissemination of health information and assistance to sick people<br>• Strengthening recycling of product packaging and waste to reduce environmental pollution | • Participation in social welfare<br>• Regular provision of regional assistance<br>• Implementation of volunteer service<br>• Disclosure of environmental information |
| Media & Public | • Maintenance of open and transparent information disclosure<br>• Maintenance of good communication with the media | • Exchange activity<br>• News release<br>• Media interview<br>• Feature article<br>• Corporate website |
| Industry Peers and Associations | • Maintenance of fair competition among peers to promote the healthy development of the industry<br>• Realization of technology and experience sharing between companies | • Industry organization meeting<br>• Experience sharing session<br>• Field visit and exchange |

# Analysis on Material Topics

The ESG Working Group, based on the Company's overall development strategy, systematically integrates opinions from various internal departments and recommendations from internal and external experts. It also comprehensively references national policy guidelines for sustainable development, internationally mainstream ESG information disclosure standards, key focus areas of ESG ratings in the capital market, and the core demands of internal and external stakeholders to update and review the Company's ESG material topic library for the year.

**Step 1**

### Topic Library Update

Based on previous years' work, the topic library is updated by reviewing the Company's own strategies, business activities and the internal and external environment it is in, followed by a comprehensive analysis of laws and regulations, industry policies and external research reports while leveraging the existing stakeholder communication mechanism.

**Step 2**

### Stakeholder Research

To enhance the objectivity and comprehensiveness of topic assessment, we organize special research to collect multi-party opinions. In-depth interviews are conducted with the Company's senior management and heads of various business departments to gain a thorough understanding of the internal judgment on the importance of topics and key management priorities.

**Step 3**

### Results Analysis

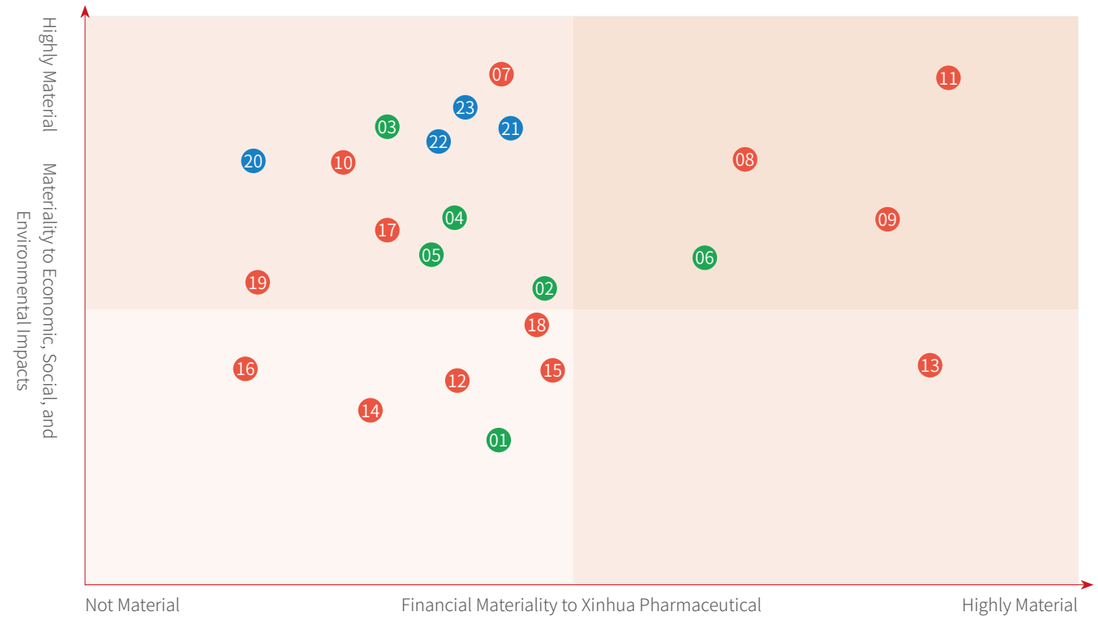
The collected research data is integrated and statistically analyzed to conduct a quantitative assessment of the attention each topic receives. By comparing external expectations with internal judgments, the topics are prioritized to clarify the core concerns of stakeholders.

**Step 4**

### Double Materiality Matrix Confirmation

Topics are assessed from two dimensions: "impacts on the Company's business operations, financial position, operating results, cash flow, etc." and "impacts on the economy, society and the environment". Based on the assessment results, the Double Materiality Matrix is established, and the material topics to be disclosed and responded to in the year and their priority levels are determined accordingly.

Analysis Process for Material Topics




**Environmental**

- 01 Use of water resources
- 02 Enhancing energy efficiency
- 03 Green and low-carbon development
- 04 Waste management
- 05 Pollutant prevention and control
- 06 Addressing climate change and carbon emission management

**Social**

- 07 Responsible marketing
- 08 Customer service
- 09 R&D and innovation
- 10 Information and data security
- 11 Product quality and safety
- 12 Intellectual property protection
- 13 Supply chain management
- 14 Inclusive health and accessibility
- 15 Employee career development
- 16 Employee care and benefits
- 17 Occupational health and safety
- 18 Employee rights and benefits protection
- 19 Public charity and volunteer services

**Governance**

- 20 Investor relations management
- 21 Business ethics and anti-corruption
- 22 Lawful and compliant operation
- 23 Internal control risk management

# 01

## Governance Empowerment

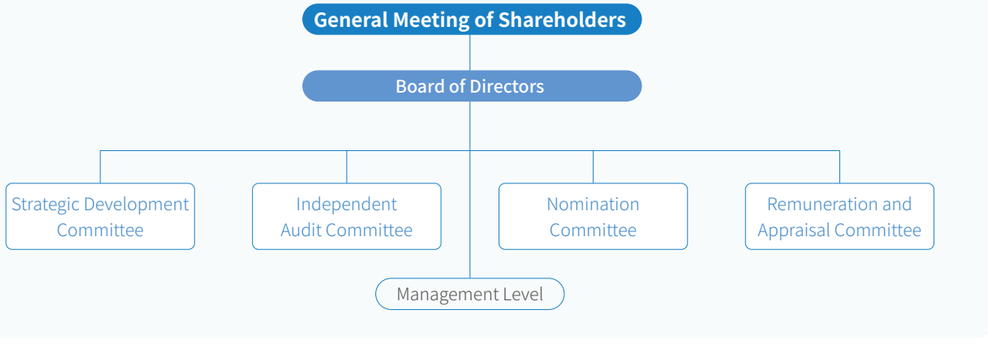
Compliance and Ethics Leading Development


- Corporate Governance 17
- Compliant Operation 20
- Business Ethics and Anti-Corruption 22
- Information Security Protection 25
- Party Building Leadership 27




# Corporate Governance

Xinhua Pharmaceutical has established and continuously improved a standardized corporate governance structure centered on the General Meeting of Shareholders, Board of Directors and Management in accordance with laws, regulations and regulatory requirements, including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Securities* of the Shenzhen Stock Exchange (SZSE) and the Stock Listing Rules of the SZSE.




Xinhua Pharmaceutical Governance Structure

## Operation of the Two Meetings

Guided by the principle of "performance-oriented and scientific processes", the Company continuously optimizes its internal governance and operation mechanisms to enhance decision-making quality. It strictly abides by the requirements of the *Articles of Association* and various internal control systems, and scientifically constructs an internal management system, providing institutional guarantees for the lawful, compliant, prudent and independent operation of the General Meeting of Shareholders, Board of Directors and Management, thereby effectively safeguarding the rights and interests of all shareholders and stakeholders.

The General Meeting of Shareholders is the Company's highest authority. Pursuant to the explicit provisions of the *Articles of Association* and the *Rules of Procedure for the General Meeting of Shareholders*, the General Meeting of Shareholders has clear powers and responsibilities and standardized procedures. It effectively ensures the efficiency, scientificity and compliance of its decision-making process, and guarantees that all shareholders, including minority shareholders, enjoy equal status and fully exercise their statutory rights.



First Extraordinary General Meeting of Shareholders of Xinhua Pharmaceutical in 2025

**During the Reporting Period**

The Company convened

**2** meetings of General Meeting of Shareholders

The Board of Directors, as the Company's core decision-making body, is responsible for setting strategic directions, formulating development goals and leading the implementation of the Company's business plans. To enhance the scientificity and professional efficiency of decision-making, the Board has established four special committees: Strategic Development Committee, Independent Audit Committee, Nomination Committee, as well as Remuneration and Appraisal Committee. Each committee operates in strict compliance with the *Company Law of the People's Republic of China*, the Securities *Law of the People's Republic of China* and the defined scope of authority and responsibility, performs its duties and provides professional advice to the Board, thereby effectively supporting the Board's decision-making efficiency.

**During the Reporting Period**

The Company held a total of **4** Audit Committee meetings and **2** Remuneration and Appraisal Committee meetings

The Company has formulated the *Independent Director Work System*, explicitly stipulating the selection procedures, performance powers and responsibilities, and supervision mechanisms for independent directors, ensuring that they can participate in the Company's decision-making and supervision independently and impartially, thus providing solid support for the Company's compliant operation and long-term development.

| Special Committee | Independent Director (count) | Non-independent Director (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 |

Appointment Status of Independent Directors in Each Special Committee



The 6th Meeting of the 11th Board of Directors of Xinhua Pharmaceutical

The Company regards the diversity of Board members as a core consideration in optimizing its governance structure. The selection of directors comprehensively takes into account multiple dimensions including age, educational background, professional skills, professional knowledge reserves and relevant work experience, ensuring that the collective knowledge background of the Board and the performance capabilities of the team match the Company's multi-dimensional operation and management needs, thus laying a solid foundation for the Board to enhance the overall scientific nature of decision-making and executive power.

The current members of the Board have accumulated profound experience in many key fields such as the development of the pharmaceutical industry, technological R&D practice, finance, banking and enterprise risk management, which strongly supports and empowers the Company's scientific decision-making and efficient operation.

**As of the End of the Reporting Period**

The Company's Board of Directors has **9** members including **4** independent directors And **1** female director

The Company's management team is the executor of all decisions of the Board, responsible for implementing the Company's development strategies, business objectives and annual plans approved by the Board. In accordance with the *Articles of Association* and the *Rules of Procedure of the General Manager*, the management team is specifically responsible for the Company's daily operation and management, organizing and promoting the implementation of the Board's resolutions, regularly reporting on work progress to the Board, and subjecting itself to relevant supervision.

## Investor Relations Management

The Company strictly abides by the *Investor Relations Management System* and the *Information Disclosure Management Measures*, and is committed to enhancing investors' understanding and recognition of the Company through high-quality information disclosure and proactive communication. It aims to foster a corporate culture that respects investors, and ultimately maximize corporate value and shareholder interests.

The Company has always placed the protection of investors' legitimate rights and interests, especially the interests of minority investors, in an important position in its work. We take the initiative to build and maintain close ties with public investors, institutions and the media, and actively carry out investor relations management work. By building a diversified and three-dimensional communication channel, the Company warmly receives investor visits and consultations, and leverages online interactive platforms, telephone hotlines, on-site research invitations and other methods to deepen two-way communication with the capital market, so as to consolidate the Company's reputation and development foundation in the capital market.

**Key Practices of the Company in Investor Relations Management in 2025**

- Through the Shenzhen Stock Exchange's "Interactive Easy" platform, the Company timely and accurately responded to 67 investor questions throughout the year, achieving a 100% response rate.
- Taking the annual report release as an opportunity, the Company organized management to hold successful on-site performance briefings in Hong Kong in April, while also conducting online communication activities. This addressed investor concerns directly and established an integrated "online + offline" communication model, effectively enhancing the confidence of investors and market participants.
- In May, the Company actively participated in the 2025 Shandong Region Listed Companies' Online Collective Investor Reception Day themed event and promptly announced records of related investor relations activities as required.
- During the year, two General Meetings of Shareholders were held, with minority shareholders actively participating in voting decisions. The actual number of minority shareholders participating in the votes for the two meetings reached 455 and 531 respectively, reflecting a good level of shareholder engagement.
- Closely integrating with themes like "Fraud Prevention", the Company actively carried out various forms of investor education and publicity activities. Through diverse methods such as investor education posters and videos, the Company helped improve investors' financial literacy and their ability to identify and prevent risks.



Investor Education Activity Co-hosted with CITIC Securities



# Compliant Operation

Based on the integrated development of risk management, internal control and compliance, Xinhua Pharmaceutical, in accordance with the institutional framework including the *Compliance Management System Construction Plan*, the *Basic Norms for Internal Control and the Risk and Opportunity Management Procedure*, has built and continuously improved a risk-oriented internal control system that centers on the prevention and control of major risks and focuses on compliance management and supervision. Adhering to the philosophy of "holistic design, phased implementation, benchmarking against industry leaders, and continuous optimization", the Company has gradually achieved the control objectives of "strengthening internal controls, mitigating risks, and promoting compliance".

## Comprehensive Risk Management

The Company conducts comprehensive risk management in accordance with the *Comprehensive Risk Management Measures* and the *Risk and Opportunity Management Procedure*. In 2025, the Company formulated and issued the 2025 *Comprehensive Risk Management Plan*, and established a comprehensive risk management leading group with the Chairman as the Group Leader and a corresponding working group to comprehensively lead the annual risk management work.

The Company organized all of its units to conduct the 2025 annual risk assessment, identifying a total of 138 risk items and determining 10 company-level major risks including investment decision-making risks, environmental protection risks and product quality risks.

For each major risk, the Company organized the responsible units to formulate specific risk management strategies, solutions and early warning indexes, and compiled the *2025 Major Risk Emergency Response Plan of Xinhua Pharmaceutical* and the *2025 Major Risk Early Warning Index List of Xinhua Pharmaceutical*. For example, in response to investment decision-making risks, the control measures clearly stipulate the strict implementation of the *Investment Management Standards of Xinhua Pharmaceutical*; in response to environmental protection risks, the early warning indexes and emergency response plan are formulated in accordance with regulatory requirements such as emergency response to heavily polluted weather and pollutant discharge permits.

## Construction and Evaluation of the Internal Control System

The Company complied with the *Basic Norms of Enterprise Internal Control* and supporting guidelines, and established a sound internal control system. The core objectives of internal control are to reasonably ensure the legality and compliance of operation and management, the safety of assets, the truthfulness and completeness of financial reports and relevant information, improve operational efficiency and effectiveness, and promote the achievement of development strategies.

**Key Performance**

During the reporting period, the Company completed a group-wide annual internal control evaluation and passed the external audit, covering

**1,725** control points

**No**

material or significant deficiencies in internal control over financial reporting were identified

**And no**

material deficiencies in internal control over non-financial reporting were found

## Compliance Management System

In accordance with the *Compliance Management Measures (Trial)*, the Company has built a three-line defense system. Through the *Major Business Decision Compliance Review Measures*, the Company has made compliance review a necessary pre-procedure for major business decisions to ensure decision-making in accordance with the law.

**The "Three-line Defense" of Compliance Management at Xinhua Pharmaceutical**

**First Line of Defense**
Compliance Management Leading Group, Working Group, and Business Departments

**Second Line of Defense**
Compliance Management Lead Department and Legal Counsel

**Third Line of Defense**
Discipline Inspection and Audit Departments

In 2025, in accordance with the *Compliance Management System Construction Plan* and the requirements of the "Three Lists", the Company organized all departments to refine the *List of Compliance Responsibilities for Key Positions*, and required personnel in key positions to sign the *Compliance Commitment Letter*, so as to strengthen the compliance responsibilities of all employees.






# Business Ethics and Anti-Corruption

Xinhua Pharmaceutical strictly abides by 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 anti-bribery, anti-fraud, anti-money laundering and other key areas of business ethics.

## Anti-Corruption

To establish a systematic integrity management system, the Company has built an internal institutional framework including the *Measures for the Implementation of Responsibility System for the Construction of Clean and Honest Party Conduct and Government* and the *Provisions on the Integrity and Self-Discipline of Party Members and Leaders*. A dedicated office under the Committee for Discipline Inspection, has been set up to oversee and advance the Company's anti-corruption work in an all-round way, providing a solid guarantee for fostering a sound and upright business environment and achieving sustainable development.

### Internal Integrity Education and Cultural Development

In 2025, the Company continued to advance integrity warning education and strengthen the ideological defense line for all employees, with the main activities carried out as follows:

From January 5 to 8 and January 12 to 14, all Party branches were organized to watch the anti-corruption documentaries *Fighting Corruption for the People* and *Upright Qilu—Shandong's 2024 Campaign for Upholding Discipline and Combating Corruption*.

On March 14, the annual Conference on the Construction of Clean and Honest Party Conduct and Government & Warning Education was held, attended by more than 150 participants including the Company's directors, senior management, and middle management at and above the level of Assistant Manager.



2025 Annual Conference on the Construction of Clean and Honest Party Conduct and Government & Warning Education

On March 20, a themed Party Day activity was carried out among all Party members of the Company. Through case studies, warning education was conducted to interpret morality, discipline, laws and responsibilities with real cases, reminding Party cadres to take warning and perform their duties in accordance with rules and discipline.

On March 21, an integrity talk meeting was held for 8 newly promoted middle management personnel, who were organized to engage in group learning of the *Regulations on the Punishment of Staff in State-Owned Enterprises* and watch the warning education film *Shoulder the Heavy Responsibility—A Warning Record of Disciplinary and Illegal Cases Involving Young Cadres*.



Integrity Talk for Newly Promoted Middle Management Personnel

## Whistleblowing Mechanism

In thorough implementation of the requirements for comprehensively and strictly governing the Party, the Company has established diversified information whistleblowing channels. In light of the actual operation of the Company, it has publicly released a whistleblowing hotline and mailing address, requiring all employees and actively encouraging third parties to whistleblow or reflect any improper conduct related to the Company that they discover. For all reported issues verified to be true, the Company's Committee for Discipline Inspection will impose serious penalties in accordance with relevant provisions. The Company's whistleblowing acceptance and verification process adheres to strict procedural and confidentiality principles:

**Acceptance and Handling Process**

All whistleblowing reports shall be submitted in person by the whistleblower via a report letter or other designated means. After receiving and reviewing the report, the Chairman of the Audit Committee initiates the relevant investigation and handling procedures.

**Whistleblower Protection Mechanism**

To effectively safeguard the legitimate rights and interests of whistleblowers and foster a fair and honest internal environment, the Company has formulated and implemented the *Whistleblower Protection Policy*. This policy clearly stipulates that the whistleblower's personal information (including name, contact information, home address, etc.) and the content of the whistleblowing report are strictly confidential, and all whistleblowing materials are managed in accordance with confidential document standards. The Company undertakes to take all necessary measures to fully protect the legitimate rights and interests and personal safety of whistleblowers, and ensure that whistleblowing materials are never transferred to the reported department or individual. All staff involved in the acceptance and verification of reported information must strictly abide by confidentiality discipline to prevent the disclosure of the whistleblower's identity.

**Reporting Channels**

| Whistleblowing Hotline | Mailing Recipient | Mailing Address | Whistleblowing Box |
|---|---|---|---|
| 2196302, 2196304 | Committee for Discipline Inspection of Shandong Xinhua Pharmaceutical Company Limited | No. 1, Lutai Avenue, High-tech Zone, Zibo | Headquarters, No. 1 Branch, and No. 2 Branch |

## Anti-Unfair Competition

The Company has formulated and issued the *Code of Business Ethics*, the *Measures for Fair Competition Management* and the *Internal Audit Management System*, which explicitly prohibit commercial bribery and all forms of unfair competition acts, and set forth strict ethical standards and codes of conduct for key business activities such as marketing promotion, information disclosure and customer relationship maintenance. The Company also organizes and conducts anti-unfair competition review work. Through comprehensive risk assessment and review, the compliance and effectiveness of the Company's current anti-monopoly and fair competition management work have been verified.

The Company has established a regular learning mechanism, actively participates in special training organized by competent authorities, and closely follows the latest regulatory developments and policy interpretations. Meanwhile, it has deeply embedded anti-unfair competition review into core business processes. The legal department conducts special compliance reviews on contracts involving key commercial clauses, with a focus on verifying the existence of potential risky clauses such as abuse of market dominant position and exclusive transactions, so as to safeguard the fairness and legality of commercial cooperation from the source.



Case

### Special Compliance Training for a Fair Market

In November 2025, the Company organized relevant legal and compliance personnel to participate in the compliance training on preventing commercial bribery in the municipal medical and health field, which was held by the Zibo Municipal Administration for Market Regulation. The training focused on the study of the *Compliance Guidelines for Pharmaceutical Enterprises on Preventing Commercial Bribery Risks* issued by the State Administration for Market Regulation, clarifying the legal boundaries of commercial bribery acts, common risk points in business links and specific prevention and control measures. This training has further consolidated employees' awareness of law-based operation and their ability to identify and prevent risks, helping the Company implement the anti-unfair competition system and actively foster a fair competitive market environment.



Special Compliance Training on Commercial Bribery

## Supplier Integrity Management

The Company actively promotes the signing of the *Mutual Integrity Commitment for Business Engagement* with suppliers, defining the integrity and self-discipline responsibilities of both parties in business interactions. The Company aims to build a fair, transparent and honest foundation for cooperation together with suppliers. In 2025, the Company organized one special exchange and training session on integrity and business ethics systems for core suppliers in total.

**Equal Treatment for Small and Medium-Sized Enterprises**

The Company adheres to the principle of equal treatment for small and medium-sized enterprises (SMEs) and ensures that cooperation with suppliers complies with the requirements of laws and regulations. During the reporting period, the Company had no overdue payments to SMEs.



# Information Security Protection

Xinhua Pharmaceutical fully recognizes the critical importance of information security and strictly complies with the requirements of laws and regulations such as the *Data Security Law of the People's Republic of China*. We have established a comprehensive institutional system covering management, technology and operations, including the *Information Network Security Management Measures, Data Security Management Regulations, Network Equipment Management Regulations* and *Information System User Authorization Management Measures*. This system is designed to ensure the reliability, stability and security of the Company's information systems and fully protect the data security of the Company and its customers.

The Company has set up a dedicated Cyber Security Working Group responsible for building an all-round cyber security protection system. Meanwhile, we regularly entrust independent third-party institutions to conduct a comprehensive risk assessment of information systems and security mechanisms, and continuously improve the information security risk management system based on the assessment results.

## Information Management System Development

The Company has continuously refined the *Information System Emergency Response Procedures*, defining the response mechanisms, standard processing flows and specific measures for various emergencies. This ensures that contingency plans can be activated quickly and effectively in the event of sudden security incidents, safeguarding business continuity. In addition, we have built a dedicated team of 14 data security officers, all with professional backgrounds in information security or data governance. Their core responsibilities include data security control, risk identification and assessment, employee security awareness training, and emergency response and disposal.

**During the reporting period**

The Company obtained a Data Management Capability Maturity Assessment Certificate with a maturity level of Steady Grade.




Xinhua Pharmaceutical's Data Management Capability Maturity Level Certificate



## Security Protection and Operations

To continuously enhance protection capabilities, the Company has introduced security managed services from a professional third-party institution, which provides 7*24 cloud-based security monitoring, assists in the analysis and disposal of security incidents, and conducts real-time detection of internal networked terminals to ensure the safe operation of key information assets.

**Perimeter Security Hardening**

The Company conducted a comprehensive inspection of perimeter security devices including firewalls, Intrusion Prevention Systems (IPS) and Virtual Private Networks (VPN). We focused on verifying the rationality and effectiveness of device policy configurations and ensuring real-time updates of virus databases and threat signature libraries to effectively fend off emerging cyber threats. Meanwhile, we standardized VPN access permission management, defined user access scopes and enabled a strong password policy to further enhance the security of external access.

**Cyber Security Control**

The Company adopted a zero trust security architecture to strengthen secure access control for mobile office (e.g., mobile OA) and business systems (e.g., pharmacy retail stores). A total of 23 unsafe network port mappings were closed, effectively reducing the potential attack surface.

**Annual Special Initiatives**

The Company conducted 2 special data security inspections, 3 information system risk vulnerability scans and 1 information security emergency drill. Through regular technical testing and practical drills, we effectively verified and improved the overall defense capability.

Xinhua Pharmaceutical's 2025 Security Protection and Operation Initiatives

## Awareness and Capacity Building

The Company regularly organizes information security and privacy protection training for all employees to enhance their daily risk prevention awareness and standard operations. In 2025, in response to information security challenges related to cutting-edge fields such as "Artificial Intelligence Technology Application", the Company organized 3 special training sessions, covering a total of 430 person-times with a cumulative training duration of 30 hours. This ensures that employees can keep pace with technological development and apply new technologies in a secure manner.




Xinhua Pharmaceutical's Artificial Intelligence Technology Application Training

# Party Building Leadership

In 2025, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company's Party Committee centered on the theme of the "Year of Value-Oriented Party Building Enhancement", continued to deepen the construction of the "Five-Principles" Value-Oriented Party Building Work System, and promoted the deep integration of Party building and business operations, providing strong political and organizational guarantees for the Company's high-quality development.

## Organizational Development and Political Guidance

The Company has established dedicated ideological and political work departments, including the Party Committee Office, Party-Mass Work Department, Party Committee Cadre Management Department, and Office for the Committee for Discipline Inspection, and leads mass organizations such as the Trade Union, Communist Youth League, and Science and Technology Association. All secondary units are equipped with full-time or part-time Party (general) branch secretaries and Party building liaisons.

**As of the End of the Reporting Period**

Xinhua Pharmaceutical has **55** Party organizations in total, including **1** Party Committee and **4** General Party Branches, and **49** Party Branches with **1,208** Party members

In 2025, the Company's Party Committee strictly implemented the "First Agenda" System and the Party Committee Theoretical Learning Center Group Learning System, organizing 12 center group study sessions and convening 18 Party Committee meetings throughout the year, deliberating on over 100 major matters. In accordance with the *Implementation Measures for the "Three Important and One Large" Decision-Making System* (Three Important and One Large: Major Decision, Significant Personnel Appointment, Important Project Arrangement, and Large-amount Fund Operation), the Party Committee ensured the effective play of its leading role. Through centralized training, innovative breakthrough brainstorming sessions, and seminars on the 15th Five-Year Plan, the Company ensured the full implementation of the Central Committee's decisions and arrangements as well as the requirements of higher-level Party committees.

## Party Building Branding and Challenges Tackling

The Company's Party Committee has continuously advanced Party building brand construction. Since 2017, it has followed a brand creation path of "Three Stages, Four Steps, Five Initiatives". It has established more than 40 distinctive Party building brands at the branch level, including the Party Committee's four-color brand "Red Gene, Responsible Xinhua".

In 2025, the Company innovated the "Party Building +" integration model and implemented regular Party building challenges tackling. Through mechanisms such as the "1+3N" Work Method (one key Party member leading N Party members and N employees to solve N practical problems), the Company launched 73 Party building tackling projects throughout the year. Meanwhile, the Company actively explored the "industrial chain" Party building alliance. The Party Committee carried out joint Party building activities with the Party Committee of Zibo Municipal Ecology and Environment Bureau, while 10 Party branches established internal and external "industrial chain" alliances to facilitate business cooperation.

**Delivering Practical Benefits for Employees and Building a Happy Enterprise**

In 2025, the Company extensively carried out a campaign themed on "I Serve the People", focusing on solving practical issues. Throughout the year, 100 heartwarming projects were completed, including cafeteria upgrades and commute optimization. Approximately RMB 5 million was invested in the "Three Deliveries and Two Assists" program (festival warmth delivery, summer cooling delivery, grassroots entertainment delivery, autumn education assist, and hardship assist), while around RMB 20 million was allocated for employee meal subsidies. The Company consistently gathered grassroots feedback through team leader forums and employee representative symposiums, while implementing leadership grassroots liaison points and a night shift duty system.



## Party Member Education and Work Style Development

In 2025, the Company's Party Committee conducted Party member education at different levels, completed high-quality study and education on thoroughly implementing the spirit of the eight-point austerity rules of the Central Committee, and held special democratic life meetings and organizational life meetings. At the same time, the Company released a series of Party building publicity video materials, including videos such as *Inheriting the Red Gene, Building Value-Oriented Party Building, My Branch and I,* and I Give a Lecture on Party Lessons. Internally, the Company collected 44 innovative Party building practice cases. The Company's Party building brand and 1 grassroots branch case were published and promoted in State-owned Enterprise Party Building Research.

**Educational Training**

The Company formulated and implemented the *Centralized Training Program for All Party Members*, organizing Party members to deeply study the spirit of the 20th National Congress of the Communist Party of China through special training, centralized training, online training and 58 thematic presentations. The Company also held the 38th training course for Party membership candidates, with 35 new Party members developed throughout the year. Additionally, the Company deepened awareness education by organizing employees in key positions to watch warning education videos such as *Breaking the Ice - A Warning Record of the Serial Corruption Case in Shuifa Group*.



The 38th Training Course for Party Membership Candidates of Xinhua Pharmaceutical

**Development Mechanism**

The Company established the "Three Displays, Four Comparisons, Five Leading" Party member competition mechanism for excellence, and implemented the "Master One Skill, Learn Two Skills, Study Three Skills" Party member capacity improvement project. 221 Party member responsibility areas and 121 Party member pioneer posts were set up to guide Party members in playing a vanguard and exemplary role. The "Dual Training" project was implemented, focusing on training Party members into backbone personnel and developing backbone personnel into Party members.

**Publicity & Commendation**

The Company holds an annual publicity, ideology, and culture work conference to commend the advanced units and outstanding correspondents in publicity work from the previous year.




Xinhua Pharmaceutical's Ideological and Cultural Work Conference

## Honor System

The Company's Party Committee has established a systematic honor incentive system, including a commendation framework for "Ten Model Workers, Six Top Ten Awards, Ten Golden-Collar Workers, and One Hundred Outstanding Frontline Employees", and continuously carries out the selection and recognition activities for "Moral Models", with a cumulative total of 87 models in five categories recognized.

**External Honors** In 2025, the Company's Party building work received multiple provincial-level honors, including:

The Party Branch Committee of Xinhua Pharmaceutical (GaoMi) Co., Ltd. was awarded "Advanced Grassroots Party Organization of Shandong Provincial Enterprises";

The park where the Party Branch Committee of Shandong Xinhua Health Technology Co., Ltd. is located was awarded "Shandong Province Demonstration Park (Base) of Party Building in the Live Streaming E-commerce Industry";

The Party building achievement *Construction and Practice of Red Corporate Culture with Responsibility at Its Core* won the second prize for Outstanding Corporate Culture Achievements in Shandong Province;

The Party lesson work *Telling Red Stories, Inheriting Red Genes – The Red Development History of Xinhua Pharmaceutical* was awarded an Outstanding Party Lesson Work in Shandong Province's Party Member Education Television Films.

During the year, another 17 Party branches were rated as Five-Star Party Branches of Hualu Group, and 3 newly applied Party branches were rated as Hualu Excellent Party Branches.

# 02

## Health for All

Empowering Healthcare Access Through Innovation


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# Product R&D and Technological Innovation

Adhering to the R&D philosophy of "continuous improvement, surpassing limits, and pursuing excellence", Xinhua Pharmaceutical focuses on clinical needs and cutting-edge trends, making sustained and systematic investments in the fields of drug research and technological innovation, committed to providing higher-quality pharmaceutical solutions for global health endeavors.

## Governance

The Company has established an organizational structure and management system with clear responsibilities and efficient collaboration to ensure the standardization, foresight, and effectiveness of its R&D activities. The Company systematically promotes innovation work in accordance with the *Scientific Innovation Management Measures*. The Technology Management Department serves as the comprehensive administrative department for scientific and technological innovation, responsible for coordinating technology planning, project management, and platform construction. The Research Institute, as the core implementing entity for R&D, focuses on cutting-edge technology exploration and new product development. Various production units, relevant functional departments, and subsidiaries collaborate on scientific and technological innovation according to their respective responsibilities, jointly building a company-wide innovation network.

To systematically ensure the quality and efficiency of innovation projects, the Company implements the *Measures for the Administration of Whole Life Cycle Incentive of Scientific and Technological Innovation* and has established a project lifecycle management system led by the Scientific and Technological Innovation Review Committee. This system covers all key stages of a project, including initiation, review, implementation, acceptance, and achievement transformation. Through a standardized and institutionalized management mechanism, it effectively accelerates the R&D and launch process of new products, continuously drives technological breakthroughs in key areas, and injects technological momentum into the Company's high-quality development.

**Measures for the Administration of Whole Life Cycle Incentive of Scientific and Technological Innovation**

Main Responsibility: It serves as the highest decision-making and leading body for the review of science and technology innovation projects. The Company's General Manager acts as the Committee Director, and the Deputy General Manager in charge acts as the Executive Director.

**Office of the Science and Technology Innovation Review Committee**

Main Responsibility: Functionally attached to the Technology Management Department, it acts as the daily management body for project reviews and is responsible for organizing project applications, professional reviews, evaluations, and achievement registration.

**Relevant Professional Departments**

Main Responsibility: Participate in professional reviews and provide professional review opinions.

**Human Resources Department**

Main Responsibility: Collaborate with the Technology Management Department to manage the Company's expert pool members (covering R&D, production, sales, management, and other fields). Be responsible for implementing assessments and rewards according to the assessment and reward measures.

**Finance and Assets Department**

Main Responsibility: Be responsible for reviewing financial data involved in projects.

Organizational Structure for Full Lifecycle Management of Scientific and Technological Innovation Projects

## Strategy

**R&D Strategy**

The Company adheres to the implementation of the "Comprehensive R&D Strategy" plan, focusing on the four major industrial fields of small molecule chemical drugs, biological macromolecular drugs, animal and plant health products, and healthy consumer goods. It maintains a steady increase in R&D investment and continuously strengthens its in-house R&D capabilities, forming an R&D structure characterized by "one main body with multiple wings, and a focus on three generic drugs for every one innovative drug".

Under the guidance of the "Comprehensive R&D Strategy", the Company comprehensively reviews various risks and opportunities that may affect product R&D and technological innovation, deeply analyzes their potential impacts, and provides a reference basis for formulating precise response strategies.

| Risk Type | Risk Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period[1] |
|---|---|---|---|---|
| Risk of Insufficient Product R&D Efficiency and R&D Progress not Meeting Expectations | R&D delays will directly lead to a delay in product launch, missing the optimal market window. At the same time, due to the untimely transformation of R&D achievements, it may further cause market share to be seized by competing products, and product sales to fall short of expectations. | Low | This may lead to increased R&D costs, with revenue growth below target. | Short, medium and long term |
| Risk of Intellectual Property Infringement | If an intellectual property infringement dispute occurs, it may interrupt or delay the product launch process. | Low | This may incur legal costs and potential compensation. | Short, medium and long term |
| Risk of Insufficient IP Portfolio | If there are omissions in the patent protection of core technologies, it may lead to product imitation by competitors, weakening the Company's market competitiveness. | Low | R&D investment may be difficult to effectively transform, resulting in loss of expected returns. | Medium and long term |
| Risk of Intellectual Property Loss | If the Company lacks a standardized patent application process internally, it may lead to delays in the application timing for key technologies, allowing competitors or other institutions to complete patent registration first, resulting in substantial loss of intellectual property. | Low | This may lead to the inability to transform previous R&D investments into protected assets, resulting in loss of expected returns. | Short, medium and long term |

Xinhua Pharmaceutical's R&D Innovation Risk List

[1]Considering the characteristics of the pharmaceutical industry—lengthy R&D cycles, capital intensity, and stringent regulation—the Company has adopted the following definitions for time impact periods:
Short-term (within 1 year): Operations and compliance response period. Medium-term (1-5 years): Strategy and investment transition period. Long-term (over 5 years): Resilience building and transformation period.

| Opportunity Type | Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| Opportunity for Product Structure Upgrading and International Layout | Leveraging the advantages of active pharmaceutical ingredients (APIs), we will expand into the high-end formulation sector while actively entering the innovative and biologics markets. Through systematic patent strategies, we will build international competitive barriers, enhance global market coverage, and increase sales scale. | Low | In the short term, the Company will face R&D investment pressure, but in the medium to long term, it will improve profit stability and gain an innovation premium in the capital market. | Short, medium and long term |
| Opportunity from Approval and Market Access Policies | Actively utilizing accelerated approval mechanisms such as regulatory "green channels", we will promote the inclusion of core products in the national reimbursement list, systematically enhancing market accessibility and commercial competitiveness. | Low | This will shorten the investment return cycle and increase sales revenue and profit levels. | Short, medium and long term |
| Building Differentiated Competitive Barriers | In a highly homogeneous market, we will establish intellectual property-driven competitive barriers by patenting core technologies and trademarking brand value, thereby improving product and service recognition and customer acceptance. | Low | This will enhance profitability and consolidate and expand market share. | Medium and long term |

Xinhua Pharmaceutical's R&D Innovation Opportunity List





# Impact, Risk, and Opportunity Management

The Company has established a risk management system that runs through all aspects of R&D and innovation, committed to achieving dynamic and forward-looking risk control.



### Risk Identification

The Company's risk identification covers the entire R&D chain. Patent searches and infringement possibility investigations are conducted before project initiation, during development, and after R&D to avoid ineffective R&D or infringement.

### Risk Assessment and Classification

After identifying risks, the Company conducts assessment and classification. The method typically used is based on the two dimensions of "probability of damage occurrence" and "severity of damage consequences".

### Formulation and Implementation of Control Measures

For different levels of risk, the Company implements different control measures by executing existing standard procedures and regulations.

Product R&D and Technological Innovation Risk Identification, Assessment, and Management Process

In seizing opportunities, the Company follows a clear strategy, systematically building and proactively capturing growth opportunities through open innovation, enhanced intelligence analysis, and policy-market synergy.

### Guiding R&DInnovationDirection with the"Grand Strategy"

The Company firmly implements the "Grand R&D Strategy", aiming to build an R&D system that progresses from generic drugs to innovative drugs. It identifies cardiovascular, cerebrovascular, and nervous systems as key focus areas, providing a strategic framework for subsequent opportunity identification.

### Systematically Identifying, Assessing and Seizing Policy and Market Opportunities

The Company establishes a regular monitoring and analysis mechanism to track industrial policies and market demand dynamics. It systematically identifies, assesses, and transforms R&D and innovation opportunities arising from these trends.

### Building an Open Industry-Academia-Research Collaborative Innovation Platform

The Company actively builds innovation consortia with universities and research institutions such as Shenyang Pharmaceutical University and China Pharmaceutical University. This efficiently connects with top external intellectual resources, further identifies technological frontiers and market opportunities, and rapidly transforms identified opportunities into substantive R&D innovation actions.

Product R&D and Technological Innovation Opportunity Identification, Assessment, and Management Process

Deepen research on topic selection and project initiation, and increase efforts in API development.

Systematically plan and rationally utilize the resources of the former Wanbo Chemical site to effectively solve the current bottleneck of insufficient space.

**Enhancing API Sector R&D Capabilities**

Advance the capacity building for production conversion in API workshops, supplement API QCR personnel, improve production sites and equipment configurations, and formulate targeted transfer strategies based on the characteristics of different varieties to enhance transfer efficiency, providing solid support for subsequent serialized product layout.

Based on optimizing and mobilizing internal production conversion capabilities, actively expand external cooperation to jointly develop mature varieties, shorten R&D cycles, and accelerate project implementation.

### Industry-Academia-Research Cooperation

- Strengthen cooperation with domestic research institutes or universities possessing strong biotechnology R&D capabilities, and continue to investigate and plan for future advantageous bio-pharmaceutical intermediates and specialty APIs.

### Pilot Scale Capacity Building

- Advance the renovation of pilot production lines to meet the needs of multiple product categories.
- Establish a specialized biotechnology pilot team to accelerate the R&D and conversion of related products.

Strengthening Biotechnology R&D Capabilities

Case

### Standardizing Innovative Drug Development through Communication with External Experts

In 2025, Xinhua Pharmaceutical further optimized its working mechanisms in the innovative drug development process, continuously strengthened regular communication with relevant national authorities and renowned domestic experts in related fields, and thoroughly solicited professional opinions and suggestions from multiple stakeholders. Through communication with external experts, the Company significantly enhanced the scientific rigor of its R&D strategies while ensuring compliance, laying a solid foundation for the steady advancement of innovative drugs.

### Allocation Objective

Ensure R&D projects progress according to plan within the budget.

### Key Challenges

Overall R&D funding is tight;

Capital occupation rate for MAH projects is relatively high.

### Core Strategies

Strengthen the whole-process control of the budget;

Formulate differentiated fund payment plans to ensure the continuous operation of projects under development.

Rational Allocation of R&D Project Funds



### Identifying Risks, Accelerating Processes

In response to continuously evolving MAH regulations and policies, varieties that may be affected are identified in advance. The process for changing the drug applicant or Marketing Authorization Holder is accelerated to systematically reduce compliance and operational risks arising from policy uncertainty.

### Obtaining Information, Adjusting Flexibly

Policy information is proactively obtained through multiple channels to ensure the earliest possible grasp of regulatory trends. R&D and registration strategies are adjusted accordingly in a timely and flexible manner based on this information, ensuring projects continuously meet regulatory requirements.

Dynamic Policy Response and Strategy Adjustment Mechanism

## Incentive Mechanism for Pharmaceutical R&D and Technological Innovation Achievements

The Company has established an achievement incentive mechanism covering the entire cycle from R&D to industrialization. By implementing a series of systems including the *Measures for the Administration of Awards for Achievements in the Scientific Research Stage, Measures for Reward and Evaluation of Project Production, Measures for the Administration of Awards for Scientific and Technological Progress, International Registration Incentive Assessment Measures, and Major Innovation Outcome Assessment and Incentive Measures*, it precisely incentivizes key nodes and core outputs throughout the innovation chain, fully mobilizing the enthusiasm and creativity of R&D, production, and operational personnel.

## Intellectual Property Management

The Company has established an intellectual property compliance management system compliant with the GB/T 29490-2023 standard, formulated and implemented institutional documents such as the *Measures for the Administration of Patent and Measures for the Administration of Trademarks*, systematically standardizing relevant management processes and continuously strengthening the protection and utilization capabilities of innovation achievements.

On this basis, the Company systematically organizes and categorizes various technological achievements, builds a technical knowledge base, and achieves the accumulation and management of R&D assets. Through scientific planning of IP portfolio, the Company transforms technological achievements into intellectual property assets, effectively protecting the competitive advantages of R&D outcomes, thereby providing solid support for building and consolidating the Company's core competitiveness.




Intellectual Property Compliance Management System Certificate

| Forward-looking Patent Portfolio Construction | Regularized Intellectual Property Risk Prevention and Control | Systematic Intellectual Property Training System |
|---|---|---|
| Conduct forward-looking patent layout around core technologies, building a "core patent + peripheral patent" integrated protection system that comprehensively covers key nodes and application scenarios of technological R&D. | Establish a regularized intellectual property risk investigation mechanism, regularly conduct infringement early warning analysis for products, technologies, and cooperative projects. In cross-border business, proactively conduct intellectual property research in target markets to effectively avoid overseas infringement disputes. | Regularly organize specialized intellectual property training for R&D, management, and frontline employees, focusing on interpreting the latest national intellectual property policies and management requirements, systematically enhancing the awareness of intellectual property protection and risk prevention among all employees. |

Key Measures for Intellectual Property Protection

## Industry Collaboration

The Company is committed to building an open and collaborative innovation ecosystem, actively establishing multi-level strategic partnerships with renowned domestic and international universities, industry-leading enterprises, and hospitals to jointly promote the deep industry-university-research integration, as well as the transformation of innovative achievements.

Case

### University-Enterprise Co-built R&D Platform Focusing on Frontier Areas

In 2025, Xinhua Pharmaceutical partnered with China Pharmaceutical University to jointly establish the "Joint Innovation Research Center for Dependence Drugs". The center focuses on the R&D of special drugs with significant clinical value and social responsibility requirements, aiming to conduct related cutting-edge technology research and transformation studies. This collaboration marks a further deepening of the Company's strategic layout in cutting-edge therapeutic fields, strengthens the collaborative innovation capabilities of industry, university, and research, and provides an important platform for promoting standardized R&D and production of special drugs.



The Company and China Pharmaceutical University Jointly Establish the Joint Innovation Research Center for Dependence Drugs

Case

### Conducting Multi-Level International Cooperation to Strengthen Comprehensive Global Market Competitiveness

In 2025, Xinhua Pharmaceutical made significant progress in deepening international cooperation. The Company continued its long-term entrusted production project with Merck Healthcare, signifying that its production capabilities in high-standard and regulated markets have gained recognition from a world-leading pharmaceutical company. Meanwhile, the Company reached a cooperation agreement with Hong Kong Orange Infinity Investment Group Limited to jointly explore emerging business models and market channels such as cross-border e-commerce for health products. These collaborations reflect the Company's diversified international cooperation strategy and inject new momentum into optimizing its business structure.

Case

### Leveraging "Chain Leader" Role to Drive Industrial Chain Synergy

As a "chain leader" enterprise in Shandong's pharmaceutical industry, the Company took the initiative to build an industry collaboration platform in 2025. By organizing provincial-level industrial chain matchmaking events, it effectively connected upstream and downstream enterprises and research institutions. It also led the establishment of the Zibo Pharmaceutical Industry Craftsman Academy, pooling resource advantages to cultivate highly skilled and urgently needed talent for the province, supporting the higher-quality development of the Company and the pharmaceutical industry. In 2025, the academy was selected as one of the key craftsmanship academies supported by the Shandong Federation of Trade Unions.



Zibo Pharmaceutical Industry Craftsman Academy

Case

### Forming an Innovation Consortium to Integrate Industry, University, Research, and Medical Resources

In 2025, Xinhua Pharmaceutical, together with eight institutions including the Chinese Academy of Medical Sciences, Shenyang Pharmaceutical University, and Xuanwu Hospital of Capital Medical University, jointly established the "Shandong Provincial Innovation Consortium for Neurodegenerative Drug R&D". This initiative strengthens the Company's R&D layout and resource integration capabilities in the field of major disease treatment and provides important platform support for building the innovation ecosystem of the regional biomedical industry.



## Scientific Ethics Standards

Xinhua Pharmaceutical adheres to a people-oriented philosophy, strictly complies with scientific ethics standards, and rigorously follows the *Good Clinical Practice* (GCP) guidelines in clinical trials. The Company has established a comprehensive quality control system covering trial design, execution, monitoring, and data management to ensure all bioequivalence studies meet GCP requirements. By strengthening ethical review mechanisms and ongoing quality oversight, the Company ensures the authenticity, integrity, and compliance of trial data while fully safeguarding participants' rights and safety. This provides solid evidence for drug development that combines scientific rigor with ethical credibility.

Before trial initiation, the Company collaborates with partners to develop detailed and feasible trial protocols. All projects are submitted to the ethics committee for comprehensive review, including the full set of documents such as the trial protocol, informed consent forms, and investigator brochures, ensuring participants are fully informed and voluntarily participate.

To enhance quality control and participant safety, the Company has established dedicated clinical trial management and research teams, implemented full-process supervision and on-site audits, and created internal cross-departmental communication mechanisms. During the trial, safety monitoring is continuously carried out, timely reporting of adverse events and linkage with pharmacovigilance are implemented, effectively fulfilling the sponsor's responsibility for safety supervision.

In the document and data management phase, the Company prepares a complete *Investigator's Brochure* in accordance with legal requirements and has established a document preservation system that complies with GCP standards, ensuring that all trial-related materials are preserved completely and long-term, supporting the authenticity and traceability of clinical data and compliance for registration applications.

## R&D Pipeline and Progress

Xinhua Pharmaceutical's R&D pipeline covers innovative drugs, new formulation products, health foods, functional foods, medical devices, biotechnology products, psychotropic and narcotic drugs, active pharmaceutical ingredients (APIs), and products for consistency evaluation, totaling over 200 items. During the reporting period, the Company obtained a total of 47 drug approvals, including 37 approvals for new formulation products, 5 approvals for new API products, and 5 approvals for products passing consistency evaluation. At the same time, the Company completed 19 registration applications for new products and consistency evaluation products, and completed 22 production validation projects. Progress in innovative drug R&D accelerated, and projects for health foods, functional foods, medical devices, biotechnology products, and psychotropic and narcotic drugs all advanced steadily as planned.

## R&D Innovation Achievements

The Company focuses on twelve major R&D directions: digestive system drugs, pain control drugs, cardiovascular and cerebrovascular drugs, anti-infective drugs, antimetabolites, nervous system drugs, polymer materials, nutrition and health products, biological antibodies, psychotropic and narcotic drugs, animal health products, and others. During the reporting period, the Company initiated over 40 new projects.

**OAB-14 Neurological Drug – OAB-14**

**In June 2025,** the Company's independently developed (with Chinese invention patent and PCT applications filed) small molecule Class 1 innovative drug OAB-14, developed in collaboration with Shenyang Pharmaceutical University, completed enrollment of the first patient for its Phase II clinical trial in China at Xuanwu Hospital, Capital Medical University.

**Category II Psychotropic Substance – Pentazocine Injection**

**In March 2025,** the Company obtained the approval documentation for Pentazocine Injection.

**LXH-1211 Cardiovascular and Cerebrovascular Innovative Drug – LXH-1211**

**In September 2025,** the Company received the Drug Clinical Trial Approval Notice for the Class 1 innovative drug LXH-1211, jointly developed with Central South University.

**Anti-infective (Antiviral) Drug – Oseltamivir Phosphate for Oral Suspension**

**In December 2025,** the Company obtained the registration approval documentation for Oseltamivir Phosphate for Oral Suspension. This product is the Company's first successfully approved oral anti-influenza generic drug, marking a substantial breakthrough "from zero to one" in the Company's oral anti-influenza treatment product line.

Key R&D Achievements During the Reporting Period

## Indices and Goals

During the reporting period, adhering to its core mission of "Xinhua Focusing on Health Responsibility", the Company steadfastly implemented the "Comprehensive R&D Strategy" to promote the transition from generic drugs to innovative drugs. The indices and goals are set as follows:

| Goals | 2025 Achievement |
| --- | --- |
| Adhere to the core mission of "Xinhua Focusing on Health Responsibility" and steadfastly implement the "Comprehensive R&D Strategy" to promote the transition from generic drugs to innovative drugs.<br>• OAB-14, a drug for Alzheimer's disease, is successfully promoted to Phase II clinical trial;<br>• LXH-2301, a drug for hyperuricemia, completes Phase III pre-trial study;<br>• LXH-1211, a drug for pulmonary arterial hypertension, initiates Phase I clinical trial;<br>• LXH-2103 and LXH-2104 complete non-clinical studies. | Achieved |
| Adhere to the core mission of "Xinhua Focusing on Health Responsibility", accelerate technological innovation, and enhance core competitiveness through product upgrading and technological breakthroughs.<br>• Obtain more than 10 approvals for new formulation products;<br>• Obtain 3-5 approvals for new API products;<br>• Obtain 4 approvals for products passing consistency evaluation. | Achieved |

### During the reporting period

The Company's R&D expenditure was RMB **379.73** million with **844** R&D personnel. The Company filed **75** patent applications and was granted **48** patents and obtained **47** registration approvals. The Company had **104** patents under examination and held **390** trademarks.

# Product Accessibility

Upholding the sustainable development philosophy of "Patient-Centric, Quality-First, and Responsibility as Mission", the Company is committed to improving healthcare accessibility and promoting universal health. Through systematic strategic planning and pragmatic actions, the Company continues to expand the accessibility of high-quality medicines across domestic and international healthcare settings, benefiting a broader patient population.

## Domestic Market

The Company systematically advances the accessibility of high-quality drugs through multi-dimensional measures such as expanding product coverage and actively participating in price reductions via VBP. This provides strong support for the implementation of the "Healthy China" strategy and the execution of the national graded diagnosis and treatment system, reflecting the state-owned pharmaceutical enterprise's sense of responsibility and professional expertise in serving the national healthcare reform landscape.

During the reporting period, the Company successfully achieved market access for 22 new products, including 20 formulations and 2 health products, covering 11 therapeutic areas such as cardiovascular and cerebrovascular diseases, digestive system, anti-infectives, and antipyretic analgesics and anti-inflammatories. The sales network covers the whole country.

**Drug Listing on Procurement Platforms**

During the reporting period, the Company successfully completed the provincial-level medical procurement platform listing applications for 33 high-quality innovative and generic drugs, including Valsartan and Amlodipine Tablets, Empagliflozin Tablets, and Lactulose Oral Solution, involving 58 drug specifications. The Company accumulated a total of 535 new listing records, achieving full coverage across 31 provinces, autonomous regions, and municipalities directly under the central government, further enriching the clinical drug options available at grassroots and regional medical institutions.

**Volume-Based Procurement (VBP)**

The Company adheres to a proactive, prudent, scientific, and pragmatic VBP strategy, achieving 100% full participation coverage for products meeting the application conditions, with a bid-winning rate consistently ranking among the highest in the industry. The products involved cover multiple major disease treatment areas, encompassing numerous key varieties with urgent clinical needs, wide patient populations, and strict quality and safety requirements, forming a relatively comprehensive product coverage system. Simultaneously, the Company actively responds to national initiatives, further reducing the prices of key products during participation in VBP, effectively alleviating the financial burden on patients.

As of the end of the reporting period, the Company had successfully completed eight rounds of VBP tasks, winning bids for a total of 22 core varieties and 28 specifications. A total of 136 drugs were included in the National Reimbursement Drug List (NRDL), including 61 Category A drugs and 75 Category B drugs, covering multiple therapeutic areas such as anti-infectives, cardiovascular and cerebrovascular diseases, digestive system, nervous system, and vitamins and mineral supplements. Furthermore, leveraging the eleventh round of national VBP, the Company actively promoted high-quality generic drugs such as Desloratadine Oral Solution and Cobamamide Capsules to enter public medical institutions at all levels, further enhancing the accessibility of essential medications at the grassroots level.

| Product Name | Product Description | Pricing Details |
|---|---|---|
| Sevelamer Carbonate Tablets | For the treatment of hyperphosphatemia in chronic kidney disease patients. | Price reduction of 88% after being included in the national volume-based procurement (VBP) program. |
| Aminophyiline Injection | Indicated for relieving wheezing symptoms in bronchial asthma, chronic asthmatic bronchitis, chronic obstructive pulmonary disease, etc. | Price reduction of 98% for the 10ml:0.25g specification, and 90% for the 2ml:0.25g specification, following VBP inclusion. |
| Naloxone Hydrochloride Injection | Opioid receptor antagonist: (1) Used post-operatively with opioid composite anesthetics to antagonize opioid-induced respiratory depression and promote patient awakening. (2) Used for opioid overdose, to completely or partially reverse opioid-induced respiratory depression. (3) Used for the rescue of acute ethanol intoxication. (4) Used for the diagnosis of acute opioid overdose. | Price reduction of 82% for both the 1ml:0.4mg and 1ml:1mg specifications after VBP inclusion. |

Examples of Domestic Pricing for Some Products of Xinhua Pharmaceutical

## Overseas Markets

The Company adheres to the international development path of "One Body, Two Wings, Dual-Driven" with the mission of building an international Xinhua. It leverages domestic and international markets and resources to achieve leapfrog development in CDMO business and overseas promotion of proprietary formulations, continuously improving the accessibility of high-quality medicines in emerging markets.

In terms of market entry, the Company adopts a combined strategy of "trade cooperation + localized distribution", establishing exclusive agency relationships with high-quality local distributors in markets such as Africa and Southeast Asia. By leveraging their sales networks covering pharmacies and primary healthcare institutions, the Company achieves effective market coverage for its products.

During the reporting period, the Company focused on expanding its presence in markets along the "Belt and Road" initiative and other emerging markets. Relying on core products such as antipyretic and analgesic formulations, renal medications, antibiotic injections, and opioid receptor antagonists, it actively explored target markets including the Philippines, New Zealand, Hungary, Central and South America, and the Middle East.

**Focusing on Core Strategic Products**

Drive market penetration for core products that have obtained approval numbers (including Ibuprofen Tablets, Sevelamer Carbonate Tablets, Atorvastatin Calcium Tablets, etc.).

Expand the OTC product line targeting the US market.

Build a softgel product cluster (including Ibuprofen Softgels, EPA Softgels, etc.).

Continuously expand the injectable product portfolio.

**Effervescent Tablet Production Zone Construction**

Establish a specialized effervescent tablet production zone, aiming to become a market leader in the effervescent tablet field.

**Health Supplement CMO Business Development**

Actively explore the health supplement Contract Manufacturing Organization (CMO) business.

Continuously explore market opportunities, aiming for business breakthroughs and forming new growth drivers.

Emerging Market Expansion Strategy

In expanding overseas markets, the Company fully considers local economic development levels and market realities, adopting reasonable pricing strategies to alleviate the medication burden on local patients.

| Product Type | Fair Pricing Strategy |
|---|---|
| Antipyretic and Analgesic Entrusted Products (Ibuprofen Tablets, Ibuprofen Capsules) | To improve product affordability for foreign customers, the price reduction range is 1.5-2%. |

Examples of Overseas Pricing for Some Products of Xinhua Pharmaceutical

# Digitalization Construction

The Company continues to advance its "Four Driving Forces" strategy, achieving a comprehensive transformation from traditional manufacturing to modern intelligent manufacturing.

Through ongoing intelligent manufacturing initiatives, the Company has achieved continuous and automated operations across the entire pharmaceutical production process and key steps of active pharmaceutical ingredients, significantly improving production efficiency and product stability. Simultaneously, the Company has implemented remote intelligent control in equipment operation, power supply, energy supply, and other areas, effectively reducing resource consumption while ensuring operational reliability and comprehensively enhancing production management coordination.

During the reporting period, the Company's "High-End Preparation Smart Factory" was successively recognized as "Basic-Level Smart Factory of Zibo City" and "Advanced-Level Smart Factory of Shandong Province", demonstrating industry-leading digital and intelligent practices.



# 03

## Commitment to Quality

Building Product Value Through Responsibility


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- Building a Sustainable Supply Chain 55
- Delivering High-Quality Services 59

# Product Safety and Quality

Xinhua Pharmaceutical adheres to the quality philosophy that "the product quality relates to the Company's development, the drug quality relates to the people's life." It prioritizes compliant and lawful operations, strictly complying with regulatory and standard requirements of markets and institutions such as China, the United States, the European Union, and the World Health Organization (WHO). The Company has established and continuously improves a scientific, modern, professional, and systematic Total Quality Management system, integrating risk management concepts throughout the entire process of drug R&D, production, and distribution. Through routine annual self-inspections of the quality management system and Good Manufacturing Practice (GMP) compliance, it ensures continuous alignment with internal and external requirements, maintains a robust and efficient management system, and safeguards public medication safety through concrete actions.

## Governance

The Company regards drug quality as its core and has established a "Responsibility + QMS model" that spans the entire pharmaceutical industry chain. This model is based on full lifecycle management covering R&D, production, and distribution, with dedicated quality management departments (including functions such as quality assurance, quality testing, and pharmacovigilance) implementing unified quality control for products such as APIs, formulations, food additives, and pharmaceutical intermediates. The system strictly adheres to domestic and international regulatory requirements, deeply integrates into all key business activities, and ensures continuous compliance and effective operation through end-to-end monitoring, thereby safeguarding medication safety.

To ensure the effective implementation of this management model, the Company has established a quality management organizational structure with clear authorities and responsibilities. It is staffed with full-time personnel including the person in charge of the enterprise, the person in charge of quality, and the person in charge of production, supported by positions such as Quality Director, Department Manager, Quality Engineer, and Workshop Quality Officer, with clearly defined responsibilities at each level. Through step-by-step implementation and whole-process supervision, this structure achieves closed-loop control over drug quality throughout the entire process from R&D to distribution.

**During the reporting period**

The Company obtained **8** authoritative certifications, including ISO9001 Quality Management System, FSSC22000 Food Safety System, Work Safety Standardization, Intellectual Property Management System, Energy Management System, Measurement Management System, Integration of Informatization and Industrialization Management System, and Environmental Management System.

Building on this foundation, all of the Company's production sites continuously comply with Good Manufacturing Practice (GMP) requirements. Furthermore, by virtue of its excellent quality control, the Company continues to gain recognition from stringent international regulatory authorities. Among these, **3** sites have passed a cumulative total of **10** FDA on-site inspections (all completed with zero observations), **2** sites have passed a cumulative total of **6** inspections by the European Directorate for the Quality of Medicines (EDQM), and **2** sites have passed a cumulative total of **5** audits by the UK's Medicines and Healthcare products Regulatory Agency (MHRA), ensuring product quality stably meets the requirements of the world's most stringent regulated markets.



ISO 9001 Quality Management System Certification



ISO 10012 Measurement Management System Certification

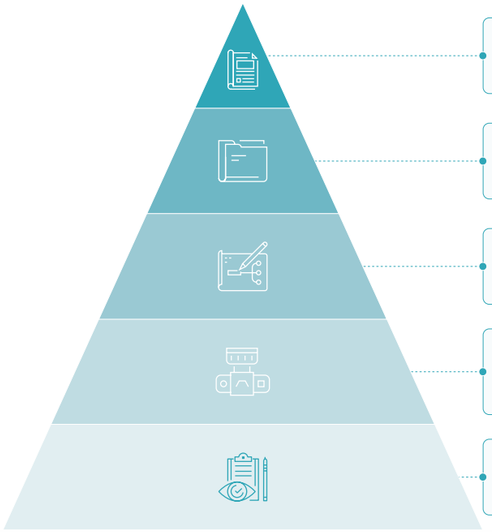


UK Medicines and Healthcare Products Regulatory Agency (MHRA) Audit Certification

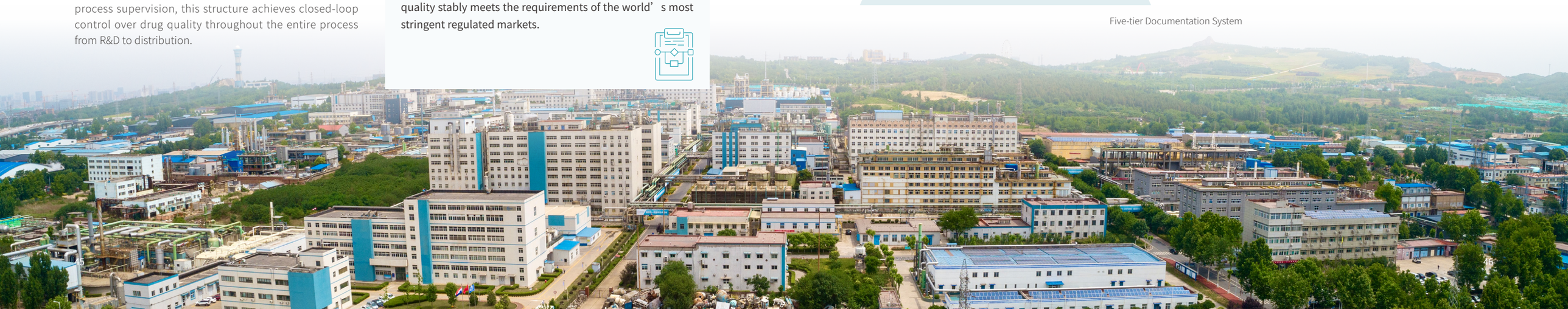


US FDA Audit Certification

The Company strictly adheres to domestic and international pharmaceutical regulatory laws and regulations, establishing an international quality management system that covers the entire product lifecycle and spans all relevant departments, while continuously optimizing and enhancing the system. By establishing a comprehensive five-tier management system, the Company ensures that all production and operational activities follow clear guidelines, with every step under control, effectively guaranteeing stable and reliable product quality.




Five-tier Documentation System



## Strategy

The Company regularly and systematically reviews potential risks and opportunities related to product quality and safety, analyzing their potential impacts to provide a basis for targeted response strategies.

| Risk Type | Risk/Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| Business Outsourcing Risk | Due to entrusting external laboratories for testing, facing risks related to compliance, inaccurate test results, test methods not meeting requirements, and report delays. | Low | Negative impact on annual profit target | Short term |
| Product Testing Related Risk | Due to non-compliant sampling, testing processes not meeting requirements, non-compliance in handling abnormal results and change management, insufficient analytical method validation, and lack of data integrity, etc. | Low | Negative impact on annual profit target | Short term |

Xinhua Pharmaceutical Product Quality and Safety Risk List

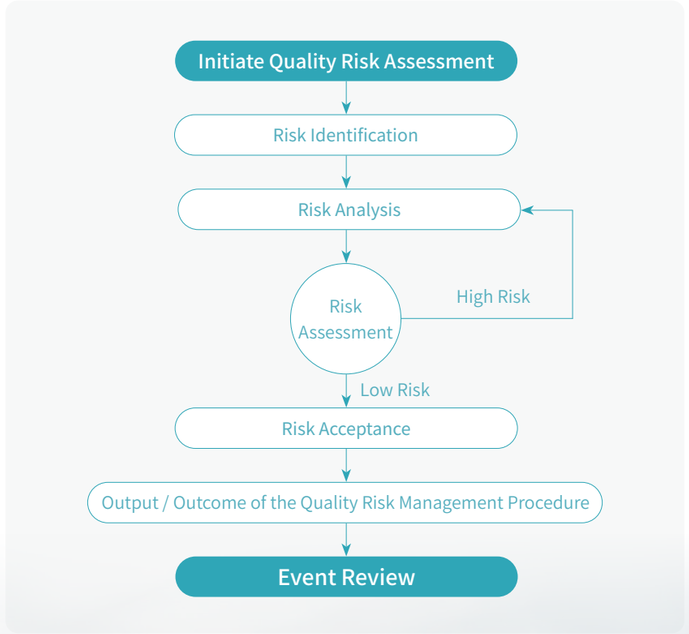
| Opportunity Type | Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| International Market Access Expansion | Leverage the compliant quality management system and multiple international certifications to further penetrate global high-standard regulated markets, expand the export share of API and formulation products, and consolidate global market competitiveness. | Formulations: high<br>APIs: low | Positive impact on operating revenue and overseas business profit margins | Formulations: long term<br>APIs: short term |
| Brand Value Enhancement | Strengthen brand image and enhance customer loyalty and industry influence through consistent quality and safety compliance practices and a record of zero major quality accidents and zero product recalls. | Formulations: high<br>APIs: low | Brand value enhancement or potential reduction in marketing costs | Formulations: long term<br>APIs: short term |

Xinhua Pharmaceutical Product Quality and Safety Opportunity List

## Impact, Risk, and Opportunity Management

The Company has established a systematic risk management framework, deeply integrating the concepts and methods of quality risk management into the full lifecycle management of pharmaceuticals. In accordance with the *Quality Risk Management Procedure*, the Company requires that all quality risk assessments must ultimately be linked to patient safety protection, and the rigor and form of management must be commensurate with the level of risk. This procedure guides professionals in scientifically analyzing the severity, likelihood of occurrence, and detectability of risks, thereby classifying risk levels and implementing a full-process management of risk identification, evaluation, control, communication, and review.

Meanwhile, through the *Risk and Opportunity Management Procedure*, the Company defines response strategies centered on risk avoidance, risk reduction, and risk acceptance. By integrating risk management with the internal control system, it systematically enhances the enterprise's ability to withstand risks and provides operational guidance for effectively incorporating, implementing, and evaluating relevant measures within the quality management system.




Risk Management Process



The Company has built an international quality management system covering the full lifecycle of pharmaceuticals and continuously improves product quality through the following seven initiatives.

### Building a Comprehensive Quality Management System

The Company has established a quality management system covering the entire lifecycle from new product transfer, registration inspection, production, to sales, referencing regulations from China, the USA, the EU, and the WHO. The quality department provides full process guidance and monitoring.

### Improving Quality Management Systems

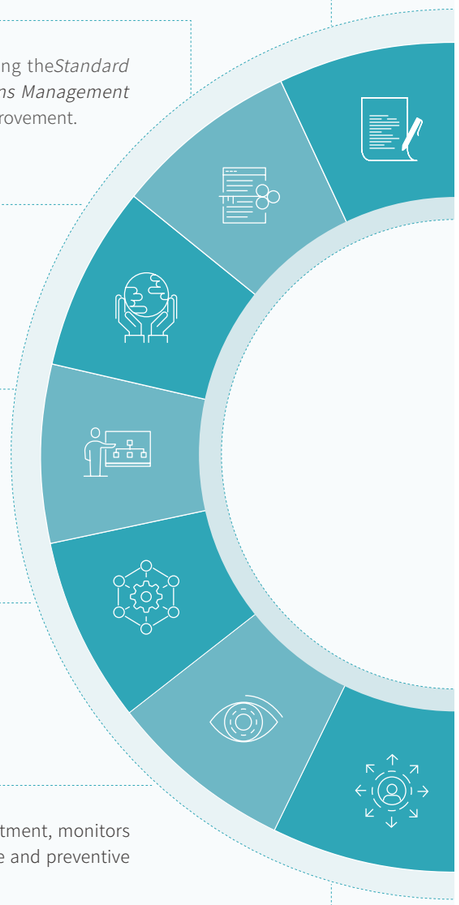
The Company systematically formulates several core management standards, including the*Standard Operating Procedure Management Procedureand* the*Corrective and Preventive Actions Management Procedure*, to regulate system operation and promote its continuous and upward spiral improvement.

### Implementing International Quality Standards

The Company actively promotes and coordinates the passage of multiple domestic and international standard certifications, including China GMP, US GMP, EU GMP, and ISO 9001, to obtain regulatory certificates and accelerate the internationalization of quality management.

### Strengthening Training and Talent Development

The Company conducts diversified training on domestic and international regulations, GMP, and internal procedures for various positions, emphasizing the combination of theory and practice to ensure employees master the latest requirements and firmly establish quality awareness.



### Technological Quality Improvement and Cooperation

The Company collaborates with universities to introduce advanced technologies, carries out technological quality improvement, and establishes special awards to incentivize innovation, responding to market demands and enhancing product quality.

### Strengthening On-Site Quality Supervision

The Company strengthens on-site supervision through the Quality Assurance (QA) department, monitors critical production processes and intermediate product quality, and formulates corrective and preventive actions to ensure continuous GMP compliance.

### Empowering Quality Management with Digitalization

The Company has introduced digital systems such as LIMS and MES to achieve full lifecycle management of R&D, production, quality, and logistics. It also strengthens data integrity management through systems like chromatographic data systems.



## Full-lifecycle Quality Management

The Company has established and continuously improved a full-lifecycle quality management mechanism covering drug R&D, procurement, production, testing, and post-market monitoring, strictly ensuring product quality and safety.

### System Coverage and Continuous Improvement

The Company strictly complies with regulations including ChineseDrug *Administration Law*, GMP, as well as requirements from the USA, EU, and WHO, establishing a systematic international quality management system. This system covers the entire process, including plant facilities, personnel, equipment, materials, production, and inspection/release. Through annual product quality reviews, system self-inspections, and continuous improvement mechanisms, the Company ensures the system operates effectively and continuously.

### Whole-Process Control and Supplier Management

The Company has obtained certifications including China GMP, ISO 9001, ISO14001 and others, and its production sites comply with the GMP requirements of multiple countries. The Company has established an independent quality management department, implements quality contract and assessment systems, and has built a full-chain management system covering supplier on-site audits, quality agreements, and performance ratings. This ensures material quality from the source and fully implements the primary responsibility of the pharmaceutical manufacturer.

### Expert Team and Professional Training

The Company has established an internal SME (Subject Matter Expert) team to systematically conduct full lifecycle knowledge management. Through a structured training system and targeted training plans, knowledge in key positions is precipitated, transferred, and replicated, providing personnel capability assurance for the continuous consistency of quality management.

### Corrective and Preventive Actions and Quality Culture Building

Referring to the FDA's "quality metrics", the Company has established a Corrective Action and Preventive Action (CAPA) system, using it as the core driving force for the continuous improvement of the quality management system. Through management reviews and customer satisfaction assessments, the Company continuously promotes the construction of a quality culture, laying the foundation for international development.

### Quality Inspection and Data Monitoring

The Company is equipped with internationally advanced testing instruments and professional personnel. It has established strict testing standards based on the Chinese, European, and United States Pharmacopoeias, implementing whole-process quality control over raw materials, auxiliary materials, packaging materials, process water, and finished products. Statistical Process Control (e.g., using Minitab software) is utilized for continuous monitoring and trend analysis of process and quality data, ensuring consistently reliable product quality.

Full-lifecycle Quality Management Initiatives

## Supervision and Assessment

The Company has established a systematic quality objective management and performance evaluation system, supervising and assessing the entire quality management process through the following two core mechanisms:

### Company-Wide Quality Target Management Contract System

The Company decomposes and implements overall quality goals level by level by signing*Quality Target Management Responsibility Contractswith* various business units. Based on these, each unit formulates internal contract methods and signs responsibility agreements down to all employees. The Company implements corresponding rewards and penalties based on regular assessment scores, ensuring quality targets are undertaken and covered by all employees.

### Quality Economic Responsibility Assessment System

This system combines "vertical hierarchical assessment" with "horizontal professional assessment". Vertical assessment transmits quality responsibility down the line from the company, workshops (departments), and teams to individuals. Horizontal assessment involves professional technical quality assessments conducted by the quality management department based on specific management methods. Both assessments**cover all employees**,forming a three-dimensional quality responsibility evaluation and incentive network.

## Quality Inspection

Quality inspection is a critical component of the Company's quality system. The Company has established comprehensive professional technical and management standards, equipped with pharmacopoeia resources covering multiple national standards such as the Chinese Pharmacopoeia, European Pharmacopoeia, and United States Pharmacopoeia. It clearly defines the entire chain of quality control activities, from sampling and testing of raw and auxiliary materials, packaging materials, and process water to finished products, including analytical method validation and transfer, product stability studies, covering the entire process of drug production and batch release.

The Company is equipped with internationally advanced testing instruments, and the testing personnel are adequately staffed and systematically trained to ensure that quality control capabilities meet requirements. The establishment of testing standards strictly adheres to the requirements of the Chinese, European, and United States Pharmacopoeias. At the same time, the Company uses information tools such as Chromatography Data Systems (CDS) and Laboratory Information Management Systems (LIMS) to efficiently manage testing data, improving overall laboratory efficiency and report timeliness while ensuring data integrity.

Furthermore, through statistical process control of quality data for materials, intermediate products, and finished products using Minitab software, the Company continuously monitors process trends and evaluates process capability, ensuring that product processes and quality remain consistently under control, thereby guaranteeing product reliability, safety, and effectiveness.

## Quality Management Training

To ensure the quality management system continuously complies with regulatory requirements and operates efficiently, the Company conducts regulatory identification and document optimization work, and organizes targeted training for all employees. The Company closely monitors domestic and international regulatory developments and has promptly organized a series of specialized training sessions, covering topics such as *Requirements and Case Studies for Supplier Quality Audits and Communication Strategies for CMO Contract Manufacturing Quality Incidents, Drug Quality Issues and Systems Engineering* and *FDA Warning Letter Case Analysis* led by US GMP experts, as well as interpretations of the *PIC/S and EU Annex on Computerized Systems*, to enhance the team's professional compliance and practical response capabilities.

At the same time, based on the need for continuous improvement of the system, the Company revises core management documents, including *Non-conforming Product Management Procedure, Quality Risk Management Procedure, Data Reliability Management Standard*, and *Management Standards for Technology Transfer of Pharmaceutical Preparations*, and organizes specialized training to ensure their effective implementation. Through annual training plans and targeted capability-building initiatives, the Company systematically enhances employees' quality awareness and professional skills.



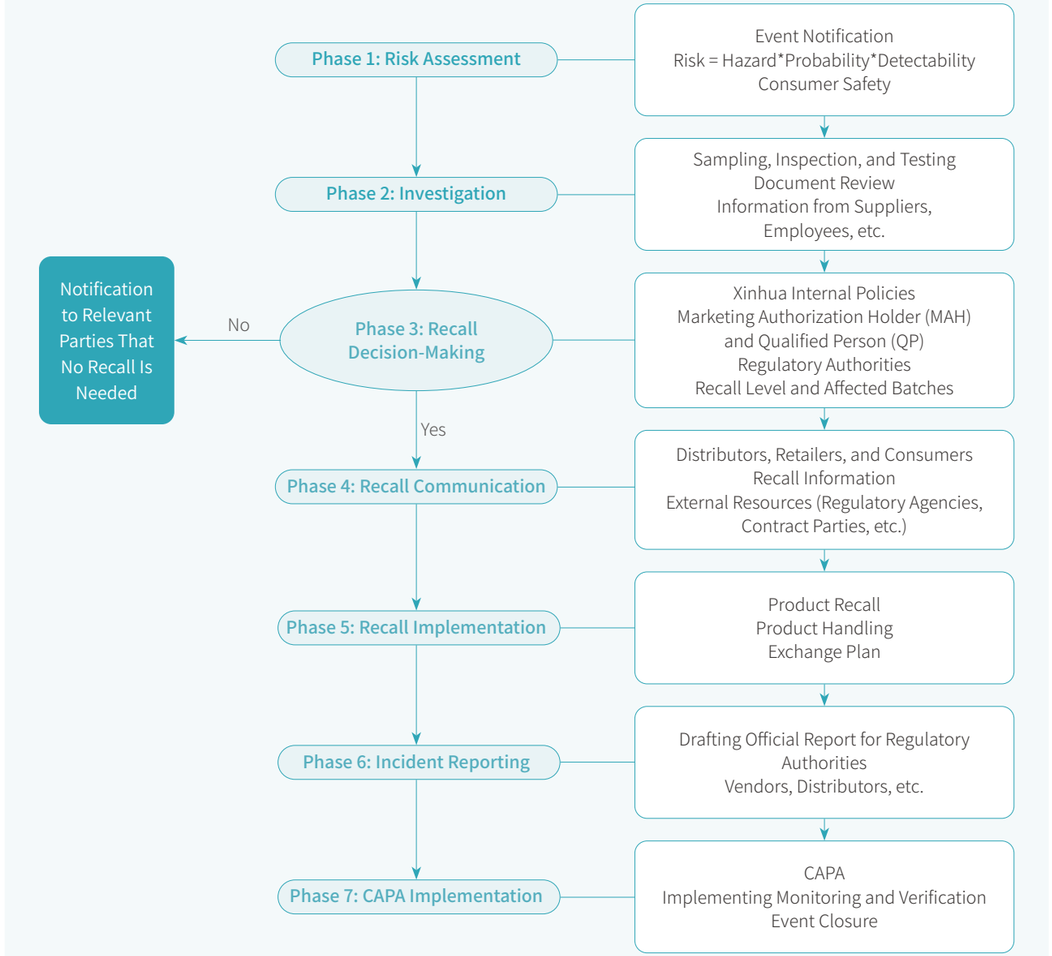
On-site Inspection System Experience Sharing and Deviation Management Training

## Product Recall Management

The Company has formulated and strictly implemented the *Management Standards for the Recall of Preparation Drugs*, which clearly specifies the procedures and management requirements for risk control and hazard elimination when pharmaceutical preparations must be recalled due to quality issues or other safety risks, and establishes recall management provisions covering both products manufactured under contract and products manufactured for third parties.

If a recall event involving marketed products occurs, the Qualified Person shall take the lead in organizing the establishment of a recall team to conduct a risk assessment of adverse information that may endanger consumer safety, organize personnel from production and inspection as well as professionals with medical backgrounds to investigate potential drug safety hazards, determine the recall level and formulate a recall plan based on the investigation and assessment results, proactively maintain communication with regulatory authorities to ensure the efficient implementation of recall, prepare a recall report in a timely manner, and develop targeted corrective and preventive actions based on the investigation of recall causes to prevent the recurrence of similar issues.

To verify the effectiveness of the operation of the recall system, the Company regularly organizes product recall drills, with drill scenarios covering simulations during non-working hours, and when significant changes occur in the sales model or the quality management system, recall drills will be initiated simultaneously.




Product Recall Process

**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

The Company attaches great importance to safety monitoring and risk management throughout the entire lifecycle of pharmaceutical products. In order to systematically evaluate the safety, effectiveness, and quality controllability of marketed drugs and to continuously monitor, identify, evaluate, and control potential adverse reactions, the Company has established a comprehensive pharmacovigilance system in accordance with the *Drug Administration Law of the People's Republic of China*, the *Regulations on the Use of Drugs in Shandong Province*, and other applicable laws and regulations.

This system is centered on the *Pharmacovigilance System and Quality Management System*, supported by a series of institutional procedures covering organizational operation, objective management, training and education, internal audit management, delegated work, record and data management, corrective and preventive actions, and document management, with corresponding standard operating procedures (SOPs) clearly defined. In addition, the Company has also formulated the *Operating Procedures for Medical Safety Consultation and Complaint Handling* and *Operating Procedures for Suspected Adverse Drug Reaction Information Monitoring and Reporting* to further standardize the channels and procedures for adverse reaction information feedback and handling, aiming to continuously improve the level of drug safety supervision.

The Company's adverse drug reaction monitoring data mainly originate from two channels: first, official feedback data received through the direct reporting system of the National Center for ADR Monitoring; second, monitoring information collected independently by the Company, including reports from pharmaceutical distributors, medical institutions, and retail pharmacies, information received via telephone and complaints (including those from legal proceedings), as well as continuous tracking of relevant academic literature.

### During the reporting period

The Company conducted **5** specialized pharmacovigilance training sessions

Totaling **136** training hours

With **516** participant attendances

#### Successfully Passed the GVP Special Inspection by Drug Regulatory Authorities

In April 2025, the Shandong Provincial Center for Adverse Drug Reaction Monitoring organized an inspection team to conduct a three-day on-site special inspection of the *Good Pharmacovigilance Practice* (GVP) at the Company. The Company successfully passed the inspection. In addition to routine reviews, the inspection team carried out a detailed examination focusing on signal monitoring and risk control processes. The inspection concluded that the Company's pharmacovigilance system generally meets national regulatory requirements for Marketing Authorization Holders (MAHs) and complies with the *Good Pharmacovigilance Practice and the Pharmacovigilance Inspection Guidelines*.

#### Continuous Improvement of the Pharmacovigilance Management System and Procedures

During the reporting period, the Company systematically advanced the enhancement of its GVP system, and refined and optimized internal management procedures. Additionally, two key documents, the Pharmacovigilance Quality Objectives and Control Indicators Management System and the Operating Procedures for Drug Safety Literature Retrieval, were revised to further strengthen the standardization and effectiveness of system operation.

Highlights of Pharmacovigilance Work

## Indices and Goals

The Company has established clear and measurable quality performance indices and goals. Through regular monitoring, evaluation, and continuous improvement mechanisms, the Company steadily promotes the achievement of these goals, thereby providing strong assurance for the stability and reliability of product quality.

### During the reporting period

The Company conducted **198** quality training sessions

with a total of **11,704** participant attendances

| Index | Goals in 2025 | Achievement |
|---|---|---|
| Market Supervision Sampling Pass Rate | 100% | Achieved |
| Internal Quality Sampling Pass Rate | 100% | Achieved |
| Product Quality Stability Improvement Rate | 100% | Achieved |
| User Satisfaction Rate for Quality Complaint Handling | 100% | Achieved |
| Major Quality Accident | 0 | Achieved |



# Building a Sustainable Supply Chain

Xinhua Pharmaceutical ensures the stability and sustainable operation of its supply chain through a stringent supplier admission mechanism, tiered management, and regular audits. At the same time, the Company incorporates environmental, social, and governance (ESG) requirements into its supplier management processes, encouraging partners to enhance their sustainability capabilities. On this basis, the Company emphasizes two-way communication with suppliers, actively responds to their reasonable requests, and deepens collaborative cooperation, jointly building a mutually beneficial supply chain ecosystem.

## Governance

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. The Company has formulated 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 continuous quality supervision.

To continuously improve supply chain management, the Company has revised and implemented 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 forms a closed-loop management system covering the entire process of supplier selection, classification, evaluation, and assessment, ensuring standardized and transparent procurement activities as well as scientific and efficient supplier management.

## Strategy

The Company recognizes that building a fair, transparent, and integrity-driven supply chain is essential for ensuring business continuity and achieving sustainable development. Accordingly, based on continuous reviews of the supply chain, the Company regularly identifies and assesses risk exposures that may affect cooperation stability, compliant operation and efficiency, and analyzes potential impacts of these risks to support the development of forward-looking risk mitigation and response measures.

| Risk Type | Risk/Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| Supplier Admission and Compliance Risks | Suppliers may fail to meet the Company's standards and requirements in terms of quality, environmental (E), social (S), and governance (G) aspects during the admission stage, which may result in non-compliance, instability, or ethical issues at the source of the supply chain. | Low | Increased compliance costs (e.g., audit and rectification expenses) and rising procurement costs | Short term |
| Supply Chain Integrity and Ethical Risks | Suppliers may engage in unethical practices such as corruption or bribery in business dealings, which may expose the Company to legal risks, regulatory penalties, and reputational damage. | Low | Inflated procurement prices, resulting in hidden cost losses | Short term |
| Supply Chain Dependency and Disruption Risks | Excessive supplier concentration, unreasonable geographic distribution, or single point of failure may lead to unstable raw material supply, price fluctuation, or production disruption. | Low | Losses due to production shutdowns and compensation for order defaults | Short term |

Xinhua Pharmaceutical's Sustainable Supply Chain Risk List

## Impact, Risk, and Opportunity Management

The Company regards building a responsible and sustainable supply chain as a key management priority. By establishing and implementing stringent supplier admission, evaluation, audit, and communication mechanisms, the Company systematically manages supply chain quality, compliance, and ESG risks, and is committed to enhancing sustainability capabilities together with its partners.

### Supplier Admission

The Company implements strict risk control during the supplier admission stage. For changes involving new manufacturers of Class A materials, the Company strictly follows the supplier admission mechanism stipulated in the *Standards for Material Classification and Supplier Management*. The content covers key elements such as the completeness of supplier qualification documents, BSE/TSE risk control, consistency of production processes, impurity profile changes, use of organic solvents, and the applicability of existing quality standards. Following a comprehensive assessment, the Company conducts on-site audits for suppliers that meet the requirements, focusing on critical aspects such as quality management systems, production process control, and testing capabilities, to ensure that newly introduced suppliers can continuously meet the Company's quality requirements.

Potential suppliers shall meet or exceed the tier of existing suppliers

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



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 Selection Criteria

## Supplier ESG Management and Evaluation

The Company implements classified and dynamic management of suppliers in accordance with the *Standards for Material Classification and Supplier Management* and the *Management Standards for Preparation Suppliers*. Organized by the QA department, suppliers are subject to annual assessments based on risk evaluations covering major quality defects, environment, health and safety (EHS), social ethics, and business sustainability. At the same time, the Company conducts annual performance evaluations of suppliers based on supply quality, service responsiveness, and pricing. The evaluation results are reviewed by the competent quality department and serve as an important basis for retaining supplier qualifications.

Through the *Supplier Management System and Assessment Rules*, the Company conducts systematic evaluations of suppliers and continuously improves this mechanism with the aim of identifying strong and technologically advanced strategic partners. Suppliers that consistently fail to meet requirements will have their cooperation qualification revoked.

In addition, the Company integrates environmental requirements into supply chain management and encourages suppliers to prioritize environmentally friendly products. For suppliers of specific categories such as cartons for pharmaceutical preparations, the Company requires the provision of FSC (Forest Stewardship Council) certification. Suppliers without such certification are not eligible to become formal suppliers.

## Supplier audit

In accordance with the annual audit plan established by the QA department, the Company conducts regular on-site audits, document audits, or remote audits of suppliers, and strengthens continuous management through questionnaires, signing of quality agreements, and other methods. Suppliers that fail to meet the required standards will be required to undertake corrective actions or may have their supply qualification revoked depending on the circumstances. In supplier selection, under comparable conditions, the Company gives priority to partners that have obtained environmental management system certification, comply with safety and environmental protection management standards, and demonstrate strong performance in social responsibility.

Furthermore, the Company develops and implements the annual supplier visit and inspection plan. Combined with QA and preparation QA quality audit arrangements, the Company conducts on-site inspections and quality oversight of suppliers. During these visits, the Company communicates its corporate culture and safety philosophy to suppliers, promotes alignment of values, and includes specific clauses related to social responsibility in contracts, thereby promoting coordinated development and shared responsibility across the supply chain.

## Supplier Communication

The Company is committed to establishing transparent and trust-based long-term partnerships with suppliers. Through multiple channels such as on-site audits, regular email communications, questionnaire surveys, and document signing, the Company maintains routine communication with suppliers. To understand suppliers' operational performance and promote continuous improvement, the Company has signed the *Corporate Social Responsibility Commitment*, the *Stakeholder EHS Status Survey*, and the *Supplier Status Survey* with its suppliers.





# Indices and Goals

During the reporting period, the achievement of indices and goals related to the Company's sustainable supply chain is as follows.

### During the reporting period

Number of suppliers identified as having actual or potential significant negative social impacts during the reporting period

0

Percentage of procurement staff who completed internal sustainable procurement training

97%

### Number of Suppliers by Region (Unit: Number)



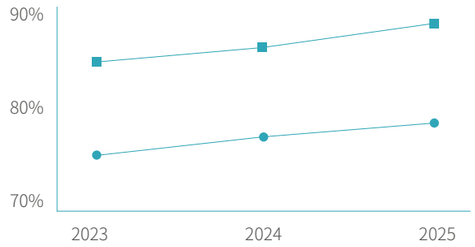

Shandong 331 | Hebei 9 | Jiangsu 49
Shanghai 29 | Zhejiang 16 | Others 195
Hong Kong, Macao and Taiwan, China, as well as overseas regions 3




Shandong 352 | Hebei 15 | Jiangsu 62
Shanghai 32 | Zhejiang 18 | Others 198
Hong Kong, Macao and Taiwan, China, as well as overseas regions 5




Shandong 357 | Hebei 16 | Jiangsu 65
Shanghai 33 | Zhejiang 24 | Others 237
Hong Kong, Macao, Taiwan, and overseas suppliers 5




Percentage of Suppliers Involved in Supplier Social Responsibility (ESG) TRAINING
Percentage of Suppliers that Have Signed the Supplier Code of Conduct

| Index | Goals in 2025 | Achievement |
|---|---|---|
| Percentage of Suppliers Involved in Supplier Social Responsibility (ESG) Training | Percentage of Suppliers Involved in Supplier Social Responsibility (ESG) Training: ⩾ 77% | Achieved |
| Percentage of Suppliers Signing the Supplier Code of Conduct | Percentage of Suppliers Signing the Supplier Code of Conduct: ⩾ 88% | Achieved |

# Delivering High-Quality Services

Xinhua Pharmaceutical consistently adheres to the "customer-centric" service philosophy, and regards the provision of professional and reliable full-lifecycle services as an important part of fulfilling its corporate social responsibility. Following the principles of "proactive service, prevention-first, and continuous improvement", the Company strives to ensure consistency, safety, and responsiveness in service quality across all stages, including customer procurement, product use, and after-sales support. Through these efforts, the Company aims to safeguard patient health and create sustainable value for its customers.

## Governance

The Company has developed a series of internal policies, including the *International Trade Department Sales Management Standards, Customer Complaint Handling Procedures*, and *Customer Satisfaction Survey Mechanism*, to systematically improve service processes, manage customer feedback, and monitor customer satisfaction, thereby promoting the overall enhancement of customer service quality and the continuous improvement of management standards. The Company has also established a multi-level and full-process customer service system designed to provide continuous and reliable service support through professional division of responsibilities and rapid response mechanisms. The system consists of the following three levels.

**Management-Level Engagement**

For strategic partners, the Company establishes a Customer Success Manager role. Cooperation is deepened through regular executive meetings and a demand alignment mechanism.

**Technical Support**

A dedicated team of technical engineers provides in-depth technical support for customers, including product application guidance and production process adaptation, addressing professional issues arising during product use.

**Frontline Support**

Customer service specialists provide online consultation and order follow-up services 12 hours a day, 7 days a week, ensuring timely responses to basic customer inquiries and needs.






## Strategy

The Company fully recognizes that excellent customer service is not only a direct reflection of corporate social responsibility but also a critical foundation for building long-term trust and achieving sustainable development. Therefore, the Company adopts a full-process monitoring approach to identify risks and opportunities related to customer service, and proactively implements corresponding measures to ensure the stability and reliability of the customer service system

| Risk Type | Risk/Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| Customer Complaints and Quality Incidents | Customer complaints arising from product quality, transportation, or service issues. If not handled properly or if the problem escalates, it may lead to customer loss, order cancellations, product recalls, reputational damage, and regulatory penalties | Low | Decline in sales revenue, resulting in compensation and recall costs. | Short term |
| Decrease in Customer Satisfaction | Failure to effectively understand and meet customer needs, or untimely and unprofessional service responses, may lead to reduced customer satisfaction and unstable partnerships, affecting long-term orders and strategic cooperation | Low | Lower contract renewal rates and order volumes, resulting in declining market share and profits | Short term |
| Marketing and Promotional Violations | Violations of regulations such as the *Advertising Law of the People's Republic of China* and the *Drug Administration Law of the People's Republic of China* in marketing and product promotion, including exaggerated claims, false advertising, or incorrect product labeling | Low | Fines and litigation costs, and in severe cases product delisting or market access bans | Short term |

Xinhua Pharmaceutical's Customer Service Management Risk List

| Opportunity Type | Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| Deepening Strategic Partnerships and Customer Loyalty | Establishing and strengthening long-term and in-depth strategic partnerships with key global customers, enhancing customer loyalty and procurement share, and achieving mutually beneficial outcomes | High | Long-term and stable orders and revenue sources | Long term |

Xinhua Pharmaceutical's Customer Service Management Opportunity List

## Impact, Risk, and Opportunity Management

To ensure the realization of customer value and maintain the security and controllability of the service system, the Company has implemented a series of management measures covering the entire service chain. These measures include differentiated customer classification management, continuous optimization of diversified communication channels, the establishment of a sound complaint response and closed-loop handling mechanism, regular customer satisfaction surveys, and responsible marketing practices based on integrity and compliance. These efforts aim to enhance the effectiveness of customer communication, improve service transparency and responsiveness, safeguard service quality, strengthen customer trust, and promote the sustainable and stable development of relationships between the Company and its customers.

## Customer Classification Management

The International Trade Department implements a differentiated customer management strategy. Through comprehensive evaluation of multiple dimensions, including customer contribution value, cooperation stability, global market influence, credit status, and future growth potential, the Company systematically classifies its customers into high-value customers, regular customers, and satellite customers, enabling optimized allocation of resources and refined management of customer relationships.

| Customer Category | Customer Characteristics Description | Management Strategies |
|---|---|---|
| High-Value Customers (Approximately 40% of total customers) | The Company's core source of profits, with extensive cooperation, mostly located in Europe and North America. These customers possess strong global capabilities, solid credit records, and high loyalty. Their business involves the Company's major products and CMO projects. | Priority Support and Deepened Cooperation: Priority is given to maintaining market share through annual long-term contracts to stabilize cooperation. Differentiated services, such as preferential terms, special specifications, and high-quality products, are provided to enhance customer loyalty and expand the depth of cooperation. |
| Regular Customers (Approximately 40% of total customers) | Mainly distributed in countries such as Russia, Brazil, and Indonesia, representing the Company's potential customer base for future development. Sales are relatively stable but may be influenced by local policies, and credit conditions carry certain uncertainties. They are also the main target customers for competition among peer companies. | Potential Development and Prudent Operation: Customer upgrades are promoted through measures such as linking product supply chains and optimizing services. Dynamic credit assessments are implemented, and risk control clauses such as "30% advance payment plus 70% payment upon arrival at port" are adopted to ensure transaction security. |
| Satellite Customers (Approximately 20% of total customers) | Scattered customers in the business market, including some with poor credit or lower quality. These customers have low loyalty, are highly price-sensitive, and generally have weaker credit conditions, often serving as supplementary market participants. | Risk Control and Selective Conversion: 100% advance payment or payment by L/C is strictly enforced to control risks. Potential customers are identified and cultivated to transition into regular customers, while lower-quality customers are gradually phased out. |



## Customer Communication

The Company maintains close contact with customers through a diversified communication channel system to ensure efficient information transmission and timely problem resolution. Customer communication is primarily conducted across the following three levels.

### Daily Business Communication

Company business personnel conduct daily information transmission, problem-solving, and feedback collection via email, phone, instant messaging tools (QQ, WeChat), and video conferences to maintain stable customer relationships and responsiveness. For important or complex issues, the Company initiates cross-departmental video conferences to concentrate resources and efficiently advance projects.

### Professional Exhibitions and Customer Visits

The Company actively participates in global professional exhibitions such as CPHI China and CPHI Europe, and formulates regular customer visit plans. Through in-depth face-to-face communication, the Company consolidates cooperative relationships, demonstrates professional expertise, and resolves practical issues on-site.

### Diversified Promotion and Digital Reach

The Company leverages various platforms, including corporate letters, social media (Weibo), official public accounts, and utilizes e-commerce channels and big data tools, to proactively push product information, conduct customer insights, and achieve precise targeting. This shortens communication paths and enhances the overall efficiency and breadth of customer relationship management.

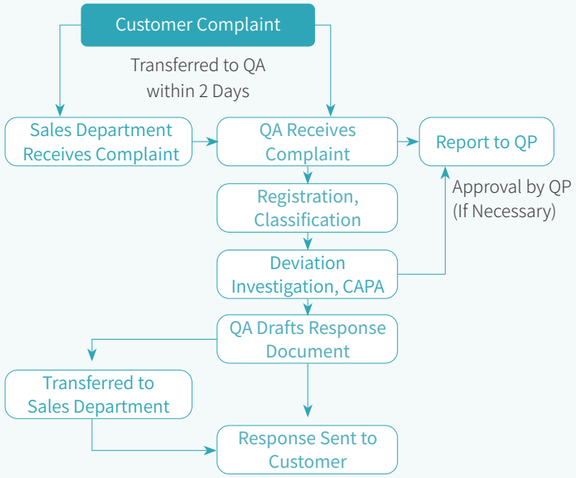


# Customer Complaint Handling

The Company has established the *Management Standards for Handling Customer Complaints and Returned Products of Preparations*, which systematically regulates the procedures and management requirements for handling customer complaints and returned products arising from quality or safety issues related to preparations. The standard defines the complete process from receiving and transmitting complaint information to classifying cases based on their potential risk to patient health.

When a potential safety risk is identified, the Company conducts a risk assessment on the relevant batches to determine whether they are affected and to identify necessary actions. Where required, the Company will initiate product recall procedures, promptly notify the relevant drug regulatory authorities, and complete the complaint investigation report within the prescribed time limit.

Every six months, the Company conducts a comprehensive review of related cases, covering the proportion of complaint categories, root cause analysis, and trend analysis, and evaluates completion status and effectiveness of corrective and preventive actions taken. In addition, the Company compiles statistics on repeated complaints as well as the number of complaints under investigation and those already closed. Through these reviews, the Company identifies key issues requiring attention, recurring risk points, and situations that may involve product recalls, and implements corresponding improvement measures based on the review conclusions.




Customer Complaint Handling Process

## Customer Satisfaction

To evaluate and enhance customer experience, the Company conducts regular customer surveys in accordance with the *Customer Satisfaction Survey Mechanism*. In 2025, the Domestic Trade Department completed an annual satisfaction survey targeting active pharmaceutical ingredient (API) customers. The survey covered three dimensions: product indicators, service indicators, and corporate image. The overall average score reached 99.68 out of 100. Among the responses, 89.2% of the questionnaires received full scores, indicating a high level of overall satisfaction.

The *Customer Satisfaction Survey Report* shows that customers highly recognize the Company's product quality, service responsiveness, and brand reputation. Based on feedback in the report regarding details such as product packaging and delivery timeliness, the Company will continue to optimize its services and further strengthen partnerships.

Case

### A 15-Year In-Depth Partnership with Marksans

Marksans, an important pharmaceutical company in India, began procuring ibuprofen API from Xinhua Pharmaceutical in 2011, and the cooperation has continued for fifteen years. Throughout this long-term partnership, Xinhua Pharmaceutical has earned deep trust from the customer through excellent and stable product quality and reliable supply capability. In 2025, such partnership witnessed a new milestone as Marksans significantly increased its annual procurement volume of Xinhua's ibuprofen. This not only reflects the customer's strong reliance on the Company's products but also demonstrates full recognition of Xinhua Pharmaceutical's supply chain capability and contract fulfillment capacity.



Case

### Becoming a Core Global Supplier of Aspirin API for HALEON

The globally leading pharmaceutical company HALEON completed the qualification of the Company's aspirin products in 2017 and approved Xinhua Pharmaceutical as a qualified supplier, with commercial procurement commencing in 2018. At the beginning of the cooperation, the annual procurement volume was only several dozen tons. Subsequently, based on continued recognition of the Company's product quality and services, the procurement scale has steadily increased. Xinhua Pharmaceutical has now become one of the largest suppliers of aspirin API to HALEON. HALEON has given high recognition to the Company's product quality and professional services, and the continuously expanding cooperation directly reflects the Company's international capabilities and customer trust.

## Responsible Marketing

In product promotion and brand building, the Company makes comprehensive use of diverse channels such as television media, professional publications, outdoor advertising, and new media to communicate the core advantages of its products in terms of efficacy, safety, applicability, processes, and quality, thereby enhancing brand awareness and corporate influence.

In all marketing activities, the Company consistently adheres to the principle of responsible marketing, strictly complies with national laws and regulations such as the *Advertising Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China, and the Drug Administration Law of the People's Republic of China*, upholds high standards of business conduct, and strictly prohibits any exaggerated or misleading promotion. At the same time, the Company continuously strengthens compliance training for sales personnel and implements rigorous review and management procedures for all external promotional materials to ensure that information is truthful, accurate, and compliant.

Case

### Innovative Communication and Targeted Outreach

In brand building and market promotion, Xinhua Pharmaceutical adapts to media trends, implements precise and diversified communication strategies tailored to different product characteristics and target audiences, and enhances brand awareness and influence through innovative approaches. Through new media health education and content operations, the brand Fuya'an under the Company has achieved more than 35 million exposures, effectively strengthening brand recognition and reaching its target audience. Also, the brand Youdijia has reached more than 700,000 sports community followers through participation in sports events and further enhanced brand exposure through an omni-channel communication matrix. These efforts demonstrate the Company's proactive innovation in communication approaches under the new market environment, enabling effective connection with target customers and continuously enhancing brand value.

# Indices and Goals

During the reporting period, the achievement of indices and goals related to the Company's customer service management is as follows.

**During the reporting period**

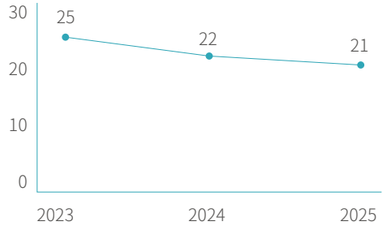
the Company recorded zero incidents of violations related to product and service information and labeling

zero incidents of violations of relevant marketing and promotion regulations

and a customer complaint handling satisfaction rate of

100%

Product Complaint (Unit: Case)




| Index | Goals in 2025 | Achievement |
|---|---|---|
| Customer Complaint Handling Satisfaction Rate | Above 95% | Achieved |

# 04

## Green Coexistence

Low-Carbon Practices and Environmental Responsibility


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- Resource Utilization and Circular Economy 79
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# Addressing Climate Change and Carbon Emission Management

Xinhua Pharmaceutical fully recognizes its responsibilities in addressing global climate change, actively responds to and comprehensively implements the national goals of "carbon peaking and carbon neutrality", promotes energy conservation, emission reduction, and green low-carbon transformation, and integrates climate action into its corporate strategy and operations. 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.* The plan clarifies the specific targets, timeline, and implementation pathways for achieving peak carbon emissions, and fully incorporates the strategic direction and requirements of carbon peaking into the Company's medium- and long-term strategic development planning.

## Governance

To advance the dual-carbon initiatives, the Company has established a Dual-carbon Development Strategy Leading Group to undertake the national overall goals of achieving carbon peaking before 2030 and carbon neutrality before 2060, study and formulate the guiding ideology, basic principles, strategic positioning, overall objectives and phased targets for the Company's low-carbon development in combination with the Company's own development positioning, scientifically assess the dual-carbon strategic situation faced by the Company, identify climate-related risks and opportunities, and explore systematic solutions for achieving the Company's carbon peaking and carbon neutrality goals.

**Management Level**

Directly led by the Company's General Manager, with core departments such as the Environmental Protection Management Department and the Mechanical Power Department jointly participating, the management level is specifically responsible for formulating and promoting the annual implementation plan, as well as implementing various environmental protection measures and energy-saving and consumption-reduction projects.

**Execution Level**

Environmental liaison positions have been established in each production workshop and main functional department. These roles are responsible for collecting daily operational data, conducting preliminary inspections of environmental and climate risks, and responding to emergency measures.

Xinhua Pharmaceutical's Climate Change Governance Structure

## Strategy

The Company systematically identifies and evaluates climate-related risks and opportunities that may have material impacts on the Company from key business links including financial investment, raw material procurement, production processes and market operations, and on this basis formulates targeted management strategies and specific response measures, while updating the *Risk Identification, Evaluation, and Control Register* on an annual basis. To enhance the Company's ability to respond to extreme climate events, an emergency response system covering multiple scenarios such as flood control, extreme cold weather and heavy pollution conditions has been established.



| Type of Risk/ Opportunity | Risk/Opportunity Description | Likelihood of Occurrence | Potential Financial Impact | Impact Period |
|---|---|---|---|---|
| Regulatory and Standard Risks | At both national and local levels, pollutant emission standards are continuously revised and tightened to strengthen ecological and environmental protection. | Medium | Insufficient tracking and interpretation of forward-looking documents such as draft regulations and consultation drafts may result in insufficient buffer time reserved for technological upgrades and process modifications. Production restrictions or output reductions mandated by emergency response measures during heavy pollution weather have impacted production schedules and order fulfillment. | Medium and long term |
| Environmental Accident Risk | Leakage or spill incidents resulting in environmental pollution. Pollutants may impact the wastewater treatment system or leak outside the plant boundary, causing a general or more severe environmental incident. | Medium | Administrative penalties, production restrictions, or shutdowns due to environmental pollution could trigger public concern and negative publicity. Production interruptions and order delays would cause significant economic losses. The company may face administrative fines, production suspension for remediation, or even criminal liability. Reputational damage could affect customer relationships and market position. | Short and medium term |
| Climate Change Risk | The increasing frequency and intensity of extreme weather events (e.g., short-duration heavy rainfall, snowstorms, freezing) due to global warming could exceed the original design protection standards of the plant's drainage, insulation, and building structures, directly threatening the safe operation of production units, warehouses, and utility facilities. | Low | The increasing frequency and intensity of extreme weather events (e.g., torrential rain, snowstorms, persistent high temperatures) could directly impact the company's production facilities, warehouses, and supporting infrastructure. This may cause unplanned shutdowns, disrupt production schedules, lead to delays in order delivery, and result in breach of contract compensation. | Long term |
| | In response to climate change, the national "carbon peaking and carbon neutrality" policy continues to tighten, leading to rising costs for carbon emissions trading. Additionally, potential trade barriers arising from cross-border carbon mechanisms such as the EU CBAM increase the company's compliance and operational costs. | Low | Risk of facing policy penalties or carbon tariff pressures. For example: the EU's Carbon Border Adjustment Mechanism (CBAM), formally approved via a simplified regulation in October 2025, will be implemented from January 1, 2026, requiring the purchase of CBAM certificates, initially covering cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. The EU plans to assess the possibility of extending its scope to organic chemicals, polymers, and other sectors by 2030. Furthermore, the *Opinions on Advancing Green and Low-Carbon Transition and Strengthening the National Carbon Market Construction* issued by the General Office of the CPC Central Committee and the General Office of the State Council in August 2025 aims for the national carbon emissions trading market to basically cover major emitting industries in the industrial sector by 2027, and to establish a nationally unified carbon market with comprehensive regulations, active trading, and strict supervision by 2030. | Short and medium term |
| Energy Conservation and Emission Reduction Risk | Core production equipment and systems have low energy efficiency, failing to meet national energy efficiency benchmark levels or requirements stipulated in the elimination catalog;<br>The energy management system is inadequate, lacking refined data monitoring and control; The implementation of energy-saving technology application and retrofit projects is delayed. | Low | The energy efficiency ratings of the equipment have fallen behind and no longer meet high-efficiency energy-saving standards. | Short and medium term |
| Reputation and Financing Opportunity | Stakeholders are increasingly focusing on corporate climate-related performance. Excellent ESG performance and proactive climate-related information disclosure can help enhance the company's reputation, attract responsible investors, and potentially secure access to more favorable green financing channels. | Medium | Reduction in financing costs, enhancement of brand value and customer loyalty, and creation of a favorable external environment for long-term development. | Long term |

Results of the 2025 Climate-Related Risk and Opportunity Identification for Xinhua Pharmaceutical

## Impact, Risk, and Opportunity Management

The Company adheres to the closed-loop management principles of identification, assessment, response, and monitoring to ensure climate resilience in its strategy and operations.




| Identification | Assessment | Response | Monitoring |
|---|---|---|---|
| The Company annually and systematically identifies climate-related risks and opportunities that are expected to impact its development. The identification process fully considers domestic and international policy trends, technological developments, and physical climate patterns. | The Company's "Dual Carbon" Development Strategy Leading Group is responsible for organizing the annual risk assessment and incorporates climate topics into the Risk Identification, Evaluation, and Control Register. For each risk, the Company analyzes it according to different scoring points, assessing its likelihood of occurrence, potential financial impact, and impact period. | For each identified risk, the Company has formulated relevant response measures. | The Company has established a regular monitoring and reporting mechanism. It supervises the implementation of systems through a combination of internal audits and external audits. |

Xinhua Pharmaceutical's Impact, Risk, and Opportunity Management Process

The Company has formulated corresponding response measures for the identified climate-related risks and opportunities.

| Type of Risk/Opportunity | Response Measures |
|---|---|
| Regulatory and Standard Risks | • Timely and accurately obtain information on heavy pollution weather emergency responses issued by the municipal government, promptly communicate it to relevant units, activate emergency plans, and reasonably arrange production schedules according to the response level.<br>• Improve the heavy pollution weather emergency response mechanism, clarify the procedures for information reception, communication, activation, and execution; strive for exemption qualifications to reduce the impact of production restrictions. |
| Environmental Accident Risk | • Develop three-level emergency plans (company, workshop, and team level); carry out the planning, implementation, monitoring, evaluation, and revision of drill work to improve drill effectiveness.<br>• Ensure the normal operation of environmental protection facilities, compliant discharge of waste gas and wastewater, and compliant disposal of hazardous waste. |
| Climate Change Risk | • Promote the application of energy conservation and emission reduction technologies to lower carbon emissions.<br>• Develop emergency plans for extreme weather events and conduct regular drills.<br>• Actively participate in carbon market trading, advance low-carbon transition planning, and establish and improve the company's own carbon emission data monitoring, reporting, and verification (MRV) system. |
| Energy Conservation and Emission Reduction Risk | • Formulate company-level energy conservation plans and equipment upgrade plans, gradually phase out outdated equipment, and continuously improve equipment standards.<br>• Conduct annual energy management reviews to evaluate the suitability and adequacy of the energy system, and continuously improve the performance of the energy system. |
| Reputation and Financing Opportunity | • Strengthen climate-related information disclosure, demonstrating performance and progress through multiple channels such as the official website, annual reports, and ESG reports;<br>• Actively participate in ESG ratings and continuously benchmark for improvement;<br>• Integrate green and low-carbon achievements into brand promotion, shaping the company's image as a benchmark for green development in the industry. |

Xinhua Pharmaceutical's 2025 Response Measures for Climate-Related Risks and Opportunities

## Indices and Goals

In 2025, the Company established a series of indicators and goals for greenhouse gas emissions, with the achievement status as follows:

**Main Goal**

The Company aims to achieve a carbon peak in energy activities by 2030 and achieve carbon neutrality by 2060.

**Peak Goal**

By 2030, the Company's carbon dioxide emissions per RMB 10,000 of output value will decrease by 30% compared to 2020; Xinhua Pharmaceutical (including subsidiaries) will decrease carbon dioxide emissions per RMB 10,000 of output value by 20% compared to 2020.

**Feature Goal**

By 2030, the proportion of the Company's non-fossil energy consumption in its total energy consumption will increase by 20% compared to 2020.

| Greenhouse Gas Emissions[2] | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Greenhouse Gas Emissions (Scope 1) | $tCO_2e$ | 18,956 | 22,056 | 325.25 |
| Greenhouse Gas Emissions (Scope 2) | $tCO_2e$ | 241,687 | 285,577 | 282,108.58 |
| Greenhouse Gas Emissions (Scope 3) | $tCO_2e$ | / | / | 627,210.05 |
| Total Greenhouse Gas Emissions (Scope 1 + Scope 2 + Scope 3) | $tCO_2e$ | 260,643 | 307,633 | 909,643.88 |

[2](1) The accounting boundary covers carbon emissions generated from Xinhua Pharmaceutical's production and operational activities.
(2) Scope 1 direct carbon emission sources include the combustion of fossil fuels such as gasoline, diesel, and natural gas. Scope 2 indirect carbon emission sources from energy include net purchased 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).

## Greenhouse Gas Management

To ensure the accuracy, transparency, and credibility of emission data, we continuously conduct carbon emission verification at the corporate level. In 2025, through cooperation with a third-party professional institution, the Company successfully built and put into operation a digital carbon emission management platform. By utilizing this proprietary digital management platform to generate various reports, the Company significantly improved the efficiency and accuracy of carbon emission management while reducing overall management costs.

**Carbon Inventory Report**

From an organizational perspective, it supports automatic calculation and multi-dimensional analysis of carbon emission data across different management levels. It can automatically generate organizational carbon inventory reports that meet third-party verification and certification requirements, thereby significantly reducing manual workload, decreasing data error rates, and saving associated costs.

**The platform features two core functions**

**Carbon Footprint Report**

It provides the Company with carbon footprint reports accurate down to specific products. This enables the Company to clearly understand the carbon emission details of its products from raw materials to factory exit ("cradle-to-gate") at each production stage, effectively responding to product carbon footprint disclosure requirements from downstream customers and the market.

Digital Carbon Emission Management Platform of Xinhua Pharmaceutical

## Clean Energy Utilization

The Company continuously promotes efficiency improvement, energy conservation, and consumption reduction, optimizing its energy utilization system through multi-level energy-saving initiatives. The Company regards energy structure optimization as a key strategy for source-based carbon reduction and actively expands the application of various types of green electricity, including nuclear power, photovoltaic, wind power, and biomass energy, aiming to continuously increase the proportion of renewable energy in the Company's overall energy consumption. At the current stage, photovoltaic power generation is the primary form of clean energy practically applied by the Company.

In 2025, through self-constructed photovoltaic power generation systems at three of its plants located in different regions, the Company achieved a cumulative power generation of 2,134,300 kWh from January to December 2025. Simultaneously, the Company purchased and consumed 500,000 kWh of green electricity through market-based transactions.



Photovoltaic System on the Stereoscopic Warehouse of Xinhua Pharmaceutical Plant







Green Electricity Certificate Trading Certificate (Partial Example)

# Environmental Compliance Management

Xinhua Pharmaceutical adheres to the philosophy of "point source treatment and scientific pollution control," promoting cleaner production, pollutant reduction, comprehensive resource utilization, circular economy, and low-carbon development. Through continuous technological research and development and the effective implementation of environmental protection projects, we ensure the stable and efficient operation of environmental protection facilities, guarantee compliant discharge of wastewater and waste gas, ensure all hazardous waste is disposed of in a standardized manner in accordance with the law, and fully fulfill our main environmental responsibility.

## Environmental Management Structure

We have established a three-level environmental protection management system covering the entire company, consolidating environmental responsibilities level by level and strengthening fundamental management. At the company level, an Environmental Protection Committee has been established, and an Environmental Management Department serves as the full-time competent authority, with the Deputy General Manager in charge of environmental protection serving as the primary responsible person, to comprehensively lead the company's environmental protection work. Each production unit and functional department has respectively appointed environmental protection leaders and environmental officers, who bear the responsibility for the actual operation of the environmental protection system within their respective units. Additionally, the Company provides special incentives to teams and individuals who make outstanding contributions to environmental protection through the establishment of the "Cost Saving Award" and the "Environmental Protection Contract Award."

| Environmental Protection Committee | Environmental Protection Management Department | Environmental Protection Sub-leaders & Officers |
|---|---|---|
| Serve as highest governance body responsible for supervising and inspecting the Company's environmental protection work | Maintain the Company's environmental protection management system<br>Handle environmental protection evaluation of their respective units | Establish the environmental protection system for their respective units |

Environmental Protection Management Structure of Xinhua Pharmaceutical

## Environmental Management System

The Company continuously refines its environmental management system, having formulated 18 environmental management procedures including the *Wastewater Control Procedure, Hazardous Waste Control Procedure*, and *Clean Production Management Procedure,* and established 12 supporting management standards including the *Environmental Pollution and Accident Management Standard and the Pollutant Online Monitoring Management Standard,* forming a comprehensive and clearly defined standardized management framework. During the reporting period, the Company strictly complied with relevant laws and regulations and did not experience any environmental violations.

### Management System Certification

The Company successfully passed the annual surveillance audit of the ISO 14001 Environmental Management System in November 2025 (this being the first surveillance audit after the eighth reassessment). Currently, the Company's environmental management system covers all four major plants and 38 subordinate units.



Environmental Management System Certification of Xinhua Pharmaceutical

The Company continuously strengthens green management of its supply chain, taking suppliers' environmental qualifications as basic access requirements, including core conditions such as whether they have complete environmental impact assessment procedures, whether they hold valid pollutant discharge permits, and whether they achieve compliant pollutant discharge. Meanwhile, the Company also encourages suppliers to improve environmental performance, incorporating factors such as whether they have obtained ISO 14001 certification, whether they conduct carbon footprint accounting, and whether they have received government environmental protection commendations as bonus points in supplier evaluation. For packaging material suppliers, the Company requires them to provide corresponding environmental qualification certifications such as FSC forest certification; suppliers unable to provide valid certification cannot become formal partners.

## Environmental Emergency Management

To continuously enhance the capability for environmental risk prevention and response, the Company consistently improves the *Emergency Plans for Sudden Environmental Incidents* across its four production plants, systematically strengthens environmental safety governance, and revises them every three years in the absence of significant changes. This includes refining the technical and management content of the emergency plans, re-inventorying and configuring necessary emergency materials and equipment, and updating the organizational structure of emergency response personnel to ensure the plans can effectively cover various potential environmental risks and emergency scenarios. Concurrently, the Company has further optimized its emergency response and handling procedures to enhance the precision and effectiveness of its sudden incident response.

## Environmental Training

Through diverse training and publicity activities, the Company educates employees on green office concepts and low-carbon production and lifestyle practices, aiming to cultivate a company-wide awareness of resource conservation and environmental protection. Regarding training content, the Company not only organizes studies on laws and regulations such as the new *Law of the People's Republic of China on Environmental Protection* to standardize environmental management practices but also integrates environmental requirements into all aspects of operational management through daily, quarterly, and special inspections, ensuring the effective implementation of relevant measures.

At the practical implementation level, the Company actively promotes green offices by improving energy conservation and environmental protection policies, implementing inspection routines, encouraging paperless offices, and promoting the recycling of printing paper to reduce resource consumption. Simultaneously, it reduces business travel by improving the remote conferencing system, advocates the use of green transportation, and strictly enforces water and electricity conservation management in production and office areas, rewarding energy-saving behaviors and embedding environmental concepts into all facets of daily operations.

**Case**

### Joint Government-Enterprise Publicity to Enhance Environmental Management Capabilities

In 2025, the Company organized multiple specialized training sessions on cutting-edge topics such as standardized hazardous waste disposal and low-carbon transition development. Concurrently, it actively deepened cooperation with the Municipal Ecology and Environment Bureau, its Zhangdian District Branch, and other units through initiatives like "sending laws to enterprises" and "one party branch serves one enterprise." These collaborative efforts involved a series of activities to popularize and publicize environmental policies, laws, and regulations, delivering professional legal guidance and policy interpretation directly to the grassroots level. This series of measures strengthened the Company's primary responsibility for environmental protection and helped build a collaborative governance structure featuring government-enterprise synergy, co-governance, and shared benefits.



Specialized Environmental Training

**In 2025**

the Company conducted a total of

**9** environmental training sessions.

# Pollutant Prevention and Control

The Company continuously promotes management model and technological innovation regarding the generation and discharge of wastewater, waste gas, and solid waste. Through systematic planning and implementation of various environmental protection projects, the Company ensures that all its subordinate units effectively fulfill their primary environmental responsibilities. The Company is committed to reducing pollutant generation at the source and comprehensively improving the overall effectiveness and performance of environmental protection through integrated approaches including engineering treatment, promoting green and low-carbon transformation, and developing a circular economy.

## Waste Management

The Company is dedicated to strengthening full-chain compliant management of all types of waste. By establishing clear management responsibility systems at all levels, it ensures strict supervision and control over the entire process from waste generation to final disposal or utilization. In specific practices, relevant production units have achieved breakthroughs in source reduction and resource utilization of waste through technical means such as process optimization, mother liquor recovery and reuse, rectification and extraction of reaction solvents, and resource utilization of waste materials like activated carbon.

### Hazardous Waste Management

The Company has established a hazardous waste management plan that meets national standards and has a comprehensive system. Based on the*National Hazardous Waste List*, the Company accurately identifies all generated hazardous waste and strictly classifies, stores, and manages it in accordance with national and local regulations. At the management level, the Company has formulated detailed hazardous waste pollution control procedures and standards for the storage and transfer of hazardous waste, clarifying the management requirements and responsible entities for each stage of hazardous waste generation, transfer, and storage, ensuring effective control of the full lifecycle risks of hazardous waste.

### Non-Hazardous Waste Management

The Company has established a systematic industrial solid waste management system, clarifying the whole-process supervision requirements from waste generation to comprehensive utilization. By cooperating with professional recycling companies with appropriate qualifications and clearly stipulating pollution prevention responsibilities in contracts, the Company ensures the compliant treatment of non-hazardous solid waste.

Xinhua Pharmaceutical's Waste Management System

Case 1

**Optimizing Production Processes to Reduce Waste Liquid**

Workshop 104 optimized the production process for Carbasalate Calcium by introducing low-temperature physical crystallization technology. The application of this technology effectively reduced the proportion of waste mother liquor, achieving a reduction in the generation of waste mother liquor from this production process at the source.

Case 2

**Resource Recovery to Reduce Solid Waste**

Through technological improvements, the Company recovered and reused spent activated carbon, while simultaneously optimizing the dewatering process to reduce its moisture content. By replacing the original bag filtration method with more efficient plate and frame filtration equipment, the Company achieved a significant reduction in the amount of waste activated carbon generated.



Case 3

**Process Improvements to Reduce Hazardous Waste**

Through systematic process improvements, the Company reduced the usage of raw materials, auxiliary materials, and organic solvents in multiple production stages. Concurrently, it strengthened the recovery and reuse of solvents in the finished product stage, thereby effectively reducing the overall generation of hazardous waste. This demonstrates the Company's management philosophy of preventing pollution at the source.

## Waste Gas Treatment

The Company strictly complies with the requirements of the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and other regulations, implementing a "point source treatment" strategy for waste gas generated during production processes and strengthening emission management. We entrust qualified third-party institutions to conduct regular organized and fugitive waste gas emission testing in production zones such as No. 1 Branch and No. 2 Branch, in accordance with the provisions of the Pollutant Discharge Permit. During the reporting period, all monitoring data complied with national and local emission standards, achieving stable and compliant emissions.

## Wastewater Treatment

The Company fully leverages the advantages of centralized treatment in each zone, integrating and enhancing wastewater treatment capacity. Wastewater generated during production processes undergoes pretreatment in each workshop before being discharged into the production wastewater collection tank. After the Company's environmental protection department conducts sampling and monitoring to confirm that the water quality meets internal control indicators, it is uniformly transported to the wastewater treatment systems of No. 1 Branch and No. 2 Branch for biochemical treatment, and finally discharged to a qualified third-party water purification plant for advanced treatment. Domestic sewage, after being temporarily stored in septic tanks, is treated together with other wastewater such as softened water preparation wastewater and natural gas boiler blowdown water through facilities like the plant's wastewater treatment station, using aerobic biological treatment processes before being discharged into the sewage pipe network, without generating fugitive greenhouse gases like methane.

The Company has installed online automatic water quality monitoring systems at both main outfalls and entrusts professional institutions with daily operation and maintenance. Monitoring data is transmitted in real-time to the Shandong Provincial Environmental Automatic Monitoring and Supervision System, ensuring transparency and continuous control of emission information.

### Key Performance

**Compliant Emissions and Monitoring**

All four plants of the Company completed self-monitoring for waste gas, wastewater, and noise on schedule, with all data meeting national and local standards. The 13 sets of online automatic monitoring equipment for wastewater and waste gas in operation functioned normally, with all daily average monitoring data meeting standards.

**Hazardous Waste Management**

The compliant disposal rate of hazardous waste reached 100%.

**Pollutant Emission Reduction**

Compared to 2024, the Company's total emissions of volatile organic compounds (VOCs), nitrogen oxides, sulfur dioxide, and particulate matter in waste gas all decreased in 2025. Simultaneously, the total emissions of chemical oxygen demand (COD) and ammonia nitrogen in wastewater also decreased compared to the previous year.

# Resource Utilization and Circular Economy

Xinhua Pharmaceutical is committed to enhancing the efficiency of energy and water resource utilization and reducing resource consumption during operations by establishing and operating management systems that comply with international standards.

## Energy Management

The Company strictly adheres to the ISO 50001-2018 Energy Management System standard, has established an energy management organizational structure, and fully implements an energy conservation target responsibility system. The Company scientifically decomposes overall energy conservation goals to major production units and signs responsibility agreements with them, clarifying key indicators, implementation pathways, and assessment requirements.

To ensure the standardized operation of the management system, the Company has formulated and implemented supporting systems such as the *Energy Operation Control Procedure*, conducts monthly assessments of system implementation, regularly carries out quarterly special inspections, and reports, rectifies, and evaluates identified issues.

**As of the end of the reporting period**

the Company had successfully passed the Energy Management System certification and obtained the **ISO 50001 certification certificate**

## Water Resource Management

The Company integrates water resource management into the unified framework of the Energy Management System and actively responds to relevant national water conservation policies. The Company has appointed a Deputy General Manager as Water Manager and clarified the three-level water resource management responsibilities of the Company, departments, and production units. In daily operations, the Company continuously strengthens the maintenance and management of various water-consuming facilities, actively introduces advanced water-saving processes, and invests in the construction of water resource recovery and reuse projects, aiming to continuously reduce fresh water consumption and improve the efficiency of water resource recycling and utilization.

**Resource Utilization Highlights Case Studies**

### Energy Recovery from Workshop Purification Air Conditioning Systems

A heat recovery retrofit was implemented on ten purification air conditioning units, including JK1-1 and JK3-1, in Workshop 202. By adding heat pipe devices, heat from the warm air upstream of the surface cooler was systematically recovered and used for downstream air temperature regulation. Simultaneously, excess cooling capacity from the dehumidification process after the surface cooler was recovered and used to pre-cool the incoming warm air, achieving closed-loop, efficient energy utilization within the unit. According to calculations, this project saves 178,000 kWh of electricity annually and reduces steam consumption for temperature regulation by approximately 970 tons.



Air Conditioning System Energy Recovery Retrofit

### Optimization of Process Water Reuse

Workshop 204 modified the washing water process for the Cefuroxime Axetil production line. By installing dedicated pipelines, the secondary washing water after product centrifugation is recovered and stored in a 20 $m^3$ stainless steel tank to be used as purified water replenishment for the primary wash. This initiative not only directly reduces fresh pure water consumption by 5,050 $m^3$ /a and avoids wastewater discharge of 7,700 $m^3$ /a, but also effectively resolves the bottleneck of insufficient pure water supply capacity following the product's capacity increase.



Cefuroxime Axetil Recovered Water Tank

### Application of High-Efficiency Permanent Magnet Motor Technology

Workshop 205 retrofitted the mixing drive system for an AT methylation tank, replacing the original structure with a high-efficiency permanent magnet motor directly connected to the agitator. The constant torque and constant energy efficiency characteristics of the permanent magnet motor perfectly match the equipment's long-term, light-load operation, fundamentally eliminating gear transmission losses and the inefficiency of traditional motors under light load, achieving an electricity savings rate exceeding 30%. Calculations show this saves 96,100 kWh of electricity annually.


AT Methylation Tank Permanent Magnet Motor Retrofit

### Variable Frequency Drive Retrofit for Critical Power Equipment

A high-voltage variable frequency drive was installed on the 2# MVR compressor in Workshop 105, enabling variable frequency speed control based on actual load. This allows the compressor to precisely respond to fluctuations in mother liquor volume, concentration, and impurity content, adjusting the motor speed in real-time to ensure it always operates in the most efficient range, avoiding excessive electricity consumption. This achieves annual electricity savings of 469,000 kWh while enhancing production process stability and energy efficiency matching.


Compressor High-Voltage Variable Frequency Drive Retrofit

# Ecosystem Conservation

Xinhua Pharmaceutical places high importance on the protection of and potential impact on surrounding ecosystems during the planning and construction phases of new projects. In 2025, the site selected for the Company's "High-end Characteristic API Technological Transformation Project" is located within the Zhangdian Eastern Chemical Industrial Zone. According to the latest "Zhangdian Three Zones and Three Lines Demarcation," the land area for this project does not involve ecological protection red lines nor does it occupy permanent basic farmland. Its site selection and layout strictly comply with national ecological protection red line control requirements.

Simultaneously, during the preliminary decision-making process for the project, assessing and avoiding potential impacts on biodiversity was considered a key factor. The *Environmental Impact Report for Xinhua Pharmaceutical's High-end Characteristic API Technological Transformation Project* prepared in 2025 included biodiversity protection as one of its core evaluation contents and conducted a special analysis on this aspect.

# 05

# Talent Empowerment

## Safeguarding Health and Growth


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# Employee Rights and Benefits Protection

Xinhua Pharmaceutical consistently adheres to a people-oriented approach, striving to build a scientific, standardized, and comprehensive human resources management system. The Company strictly abides by laws and regulations throughout the entire recruitment and employment process, upholds equality and fairness, prohibits any form of discrimination, deeply integrates employee rights protection into all aspects of operation and management, and actively fosters a diverse and inclusive workplace environment, promoting mutual growth and value sharing between employees and the Company.

To further safeguard workers' rights and interests, the Company continuously advances its labor ethics management system. The General Manager assumes ultimate responsibility for the Company's labor and ethics practices, is responsible for formulating and implementing relevant policies, to provide resource support for the effective operation of the system and drive the continuous improvement of labor ethics performance.

## Compliant Employment and Equal Opportunity Employment

The Company has formulated and implements internal systems including the *Talent Recruitment Management System, Social Responsibility Management Manual*, and *Labor and Ethics Management Code*, systematically regulating the entire employment and labor process.

We adhere to fair, just, and open recruitment principles, conducting rational allocation and continuous development of human resources in alignment with the Company's development strategy. In all aspects including recruitment and hiring, employment management, and compensation and benefits distribution, the Company explicitly prohibits and resolutely prevents any form of discrimination or differential treatment based on ethnicity, race, gender, religious belief, etc., ensuring that every employee can achieve development and rewards in an environment of equality and respect

Case

### Company Hosts Doctoral Salon Event, Innovating High-End Talent Recruitment Model

In 2025, Xinhua Pharmaceutical innovatively launched the "CLPC" Doctoral Salon Meeting special initiative targeting doctoral-level talent. This event adopted a dual-mode approach combining "site visits and experience" with "in-depth interviews," comprehensively assessing candidates' professional capabilities and research potential through corporate and city culture presentations, one-on-one communications, and salon-style interviews, while conducting in-depth discussions with focus on technical collaboration directions and personal development plans. This activity broke away from traditional one-way screening recruitment models, striving to create an open, equal, and mutually selective communication atmosphere, establishing a new connection mechanism for the Company's high-level talent acquisition.

## Prohibition of Child Labor and Protection of Minor Workers

The Company strictly complies with relevant laws and regulations including the *Law on the Protection of Minors* and the *Labor Law*, resolutely prohibiting the recruitment of child laborers under the age of sixteen. Strict identity verification is implemented during the recruitment process to prevent child labor at the source. For minor workers between the ages of sixteen and eighteen, the Company fully implements the *Special Protection Provisions for Minor Workers*, implementing special protections regarding job placement, working hours, and health safeguards.

To systematically implement related responsibilities, the Company has formulated and implements the *Child Laborer Rescue and Juvenile Laborer Protection*, clarifying remediation mechanisms and procedures in case of mistaken child labor recruitment, while providing continuous and comprehensive special labor protection for minor workers, ensuring their legitimate rights and interests are fully safeguarded.



### Registration and Filing Management

The Human Resources Department maintains a separate registration system for minor workers (aged 16 to 18) and includes their information in a minor workers list. Newly recruited minor workers must register and file with the local labor department.

### Health Check Mechanism

Minor workers must undergo a pre-employment health check upon entry and receive regular medical check-ups during their employment. Relevant records are uniformly archived by the Human Resources Department. Those who turn 18 and have not had a medical check-up for over six months must undergo another health examination.

### Pre-Job Training and Work Permit

Before starting work, minor workers must receive training on basic job knowledge and safety regulations and pass the corresponding assessment before being assigned to a position.

### Work Position and Labor Condition Restrictions

The Company strictly implements special protection regulations for minor workers. It is prohibited to arrange for them to work overtime, night shifts, heavy physical labor, or engage in toxic, harmful, dangerous activities, or other operations explicitly forbidden by law.

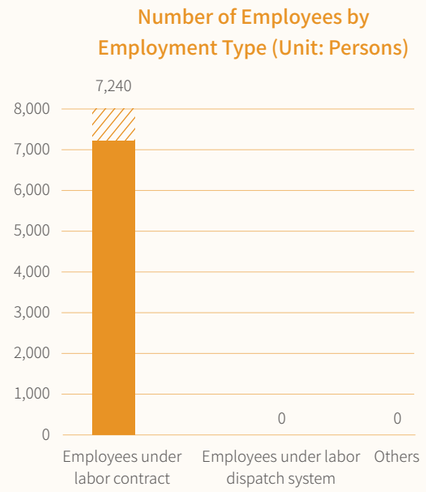
Minor Worker Protection Mechanism



# Opposition to Forced Labor

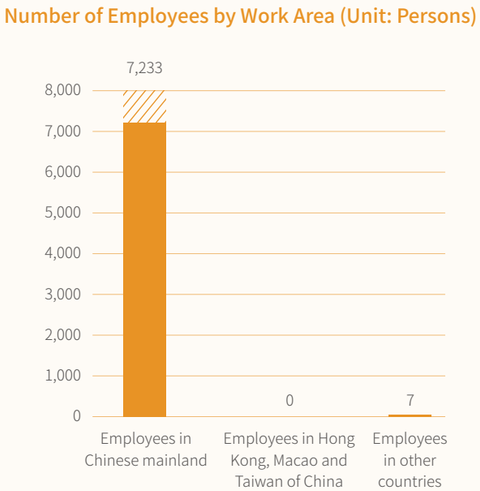
The Company has established and enforces the *Labor and Ethics Management Code*, which clearly prohibits all forms of forced labor. The Company resolutely opposes any actions such as restricting personal freedom, corporal punishment, coercion, or improper financial penalties and also strictly prohibits the retention of employees' identification documents, the seizure of their property, or the requirement for employees to provide guarantees. Employees have the right to voluntarily work overtime and terminate their labor contracts in accordance with the law. The Company guarantees payment of full overtime wages and legal severance pay, and ensures timely handling of employment records and social security transfers, ensuring the entire labor relationship process is legal, compliant, and based on fairness and voluntary agreement.










| Employee Turnover Rate | | 2025 |
|---|---|---|
| Total Employee Turnover Rate | | 2.8% |
| Employee Turnover Rate BY Gender | Male | 1.45% |
| | Female | 1.35% |
| Employee Turnover Rate by Age | Number of employees aged 30 and below | 2.03% |
| | Number of employees aged 31 to 40 | 0.53% |
| | Number of employees aged 41 to 50 | 0.24% |
| | Number of employees aged 51 and above | 0% |
| Employee Turnover Rate by Work Area | Employees in Chinese mainland | 2.8% |
| | Employees in Hong Kong, Macao and Taiwan of China | 0% |
| | Employees in other countries | 0% |

## During the reporting period

The Company hired **293** new employees

The Company employed a total of **185** ethnic minority employees

Social insurance coverage for employees reached **100%**

**NO** confirmed cases of discrimination, forced labor, or child labor incidents;

# Talent Attraction and Retention

The Company systematically built a diversified talent development platform. Leveraging a doctoral workstation to incubate high-end talent, expanding university-industry collaboration to promote the integration of research and education, and implementing the "Four Eagles Program" employee training system covering all levels, the Company continuously empowers employee career development. By building a market-competitive compensation and incentive system, improving democratic participation mechanisms and a labor dispute mediation network, and combining regular employee care initiatives, the Company strives to create a respectful, fair, and inclusive workplace, effectively enhancing employees' sense of belonging and confidence in development, and improving its ability to attract and retain outstanding talent.

## Compensation Management

The Company adheres to the principles of "fairness, value, and compliance", continuously improving the compensation, benefits, and incentive systems. Internal policies, such as the *Salary Management System* and *Measures for the Administration of Evaluation and Employment of Skilled Personnel,* are in place to construct a compensation structure based on three dimensions: "position, ability, and performance". Differentiated compensation packages and assessment methods are designed for senior management, middle management, and general employees.

To establish a long-term incentive system and better engage and motivate key talent, the Company continues to promote its equity incentive plan. During the reporting period, the Company successfully carried out the second centralized exercise of A-share stock options for 2021, covering 190 participants, with more than 95% of them being employees below the senior management level. A total of 7,368,900 options were exercised, effectively ensuring the motivation and stability of the core team.

## Democratic Management

The Company has established a multi-level democratic management system centered around the workers' congress and the meeting of heads of staff representatives. This system legally guarantees employees' freedom of association. Through the trade union, the Company engages in collective bargaining on issues such as wage distribution and signs the *Collective Agreement and Wage Collective Bargaining Agreement*, effectively protecting employees' legal rights.

To continuously improve employee participation, the Company has established policies such as the *Notice on Encouraging Reasonable Proposals from the Mass and the Activity of "Identifying Hidden Hazards, Keeping Employees Safe, and Helping Businesses Thrive" and the Measures for the Administration of the Competition of Operator Experts*. Combined with mechanisms such as communication meetings and suggestion boxes, these policies encourage employees to proactively contribute ideas, fostering a collaborative environment for mutual development between the Company and its employees.

## Employee Satisfaction Survey

During the reporting period, the Company organized the 2025 Employee Satisfaction Survey to gain a comprehensive understanding of employees' work experiences and feelings during the year, providing a basis for optimizing management practices. The survey covered all employees of the Company and its subsidiaries, with 23 questions across dimensions including corporate culture, working hours, work environment, work experience, and compensation and benefits. The survey was conducted online via mobile phone QR code. The Company kept the survey results strictly confidential and will continuously improve its management mechanisms based on the findings to effectively respond to employee concerns.

Case

### Convening the 5th Session of the 25th Workers' Congress to Safeguard Employees' Democratic Rights

In 2025, the Company successfully organized and convened the 5th Session of the 25th Trade Union Representatives' and Workers' Congress. The representatives attentively listened to and reviewed the work report titled "Accelerating Innovation Breakthroughs and Improving Development Quality to Strive for Building a First-Class Pharmaceutical Enterprise", presented by Chairman He Tongqing. They also reviewed important reports on the fulfillment of the collective agreement, use of entertainment expenses, and more, and voted to approve several resolutions, including the wage collective bargaining agreement and the implementation of a comprehensive working time system. The congress effectively implemented the democratic participation mechanism for employees, laying a solid foundation for the Company's continuous reform and innovation breakthroughs.



The Company Convenes the 5th Session of the 25th Trade Union Representatives' and Workers' Congress

**During the reporting period**

The Company conducted **one** employee satisfaction survey with a result of **88.2** points

The Company completed the collection, discussion, and organization of proposals and suggestions for the 5th Session of the 25th Workers' Congress, ultimately forming **2** production and operation proposals and **41** suggestions

**1** employee welfare proposal and **10** suggestions

## Labor Dispute Prevention and Mediation

To build harmonious and stable labor relations, the Company has established a labor dispute prevention and mediation mechanism. The Company has set up a Labor Dispute Mediation Committee, which consists of representatives from the trade union, administration, and employees. The committee is responsible for handling significant disputes and cases that were not successfully resolved at the grassroots level, and it tracks and monitors the execution of mediation agreements.

On this basis, the Company has established secondary mediation and prevention organizations within each grassroots trade union. These organizations handle general disputes within their respective departments, assist the Company's labor dispute mediation organization in its work, and provide early warnings and improvement suggestions to higher authorities on potential dispute-triggering situations in day-to-day management. Through this two-tier collaborative system, the Company has formed a comprehensive, timely, and prevention-focused labor dispute mediation network.

## Employee Care

During the reporting period, the Company organized a series of activities covering support for employees in need, care for female employees, and spiritual civilization development, among other aspects. These initiatives actively fostered a harmonious and warm organizational atmosphere, effectively enhancing employees' sense of belonging and cohesion.

Case

### "Golden Autumn Aid for Education" Activity Helps Xinhua Students Realize Their University Dreams

In 2025, the Company carried out the "Golden Autumn Aid for Education" care activity, providing a total of RMB 83,600 in financial aid to 18 children of employees who met the criteria. This initiative not only provided tangible financial support to the families of employees in need but also reflected the Company's strong commitment to the welfare of employees' families and the education of their children.



"Golden Autumn Aid for Education" Activity

Case

### Holding Law Popularizing Month Event for Female Employees to Enhance Their Legal Awareness

In 2025, the Company organized a special event titled "Caring for Female Employees, Law at Your Side—Law Popularizing Month for Female Employees of Xinhua Pharmaceutical". This event, organized by each branch, involved female employees in online legal lectures and legal knowledge quizzes hosted by trade unions at all levels. Through diverse forms of educational outreach, the event effectively enhanced the legal literacy and rights awareness of female employees, highlighting the Company's emphasis on safeguarding the rights and interests of female employees.



Law Popularizing Month Event for Female Employees

Case

### Organizing a Calligraphy and Painting Collection Activity to Showcase Employees' Talents

In 2025, to celebrate the 100th anniversary of the All-China Federation of Trade Unions, the Company's trade union organized an excellent employee calligraphy and painting collection activity. A total of 62 works, characterized by clear themes and diverse styles, were submitted by employees. These artworks showcased the employees' artistic qualities and their positive, vibrant spirit. The activity not only enriched employees' cultural lives but also provided a platform for them to showcase their talents, further enhancing the Company's cultural cohesion and employees' sense of belonging.



Employees' Calligraphy and Painting Works

Case

### Launching the "Dream Fulfillment through Education Initiative" to Support Employees' Self-Improvement

In 2025, the Company continued to promote the "Dream Fulfillment through Education Initiative" educational support program for employees' academic improvement. Leveraging the "Qilu Gonghui" platform, employees submitted applications, underwent initial reviews, and received approval from various trade union levels. A total of four frontline employees were approved, and the Company issued RMB 4,000 in educational advancement subsidies. This initiative demonstrates the Company's commitment to employee growth and lifelong learning, while fostering an organizational atmosphere that values learning and personal development.

### During the reporting period

The Company provided assistance to
**318** employees in financial difficulty

distributing a total of RMB
**713,000** in relief funds

The Company distributed holiday welfare materials worth RMB
**4,429,300**

The Company invested RMB
**507,800**
in the summer cooling activity

The Company allocated RMB
**524,800**
for grassroots activities



# Employee Training and Development

The Company adheres to the principle of "selecting people based on virtue, emphasizing both morality and talent, and maximizing the potential of each individual". A systematic employee training and development framework has been established, aiming to support talent growth and organizational development through continuous capability building. To standardize the training process and expand development pathways, the Company has formulated a series of policies, 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*, which provide clear growth paths for various types of talent.

## Employee Training

The Company is committed to creating an employee training system that is closely aligned with business development. The *Employee Education and Training Management Regulations* have been established to promote customized and refined talent development. During the reporting period, the Company revised the *Qualification Certificate Management Measures* to further strengthen job competency management and ensure that the training content is tightly connected with business needs, providing strong talent support for the Company's sustainable development.

The Company has formulated and implemented the *2025 Annual Employee Training Plan* and conducted 82 company-level training programs during the reporting period, covering 5,300 employee participations. These training programs addressed key areas such as management improvement, work safety, quality control, and equipment operation and maintenance, effectively supporting the professional capability building of various functional systems. Additionally, by creating regular learning platforms like the "XinHua Lecture Hall", the Company has further promoted knowledge sharing and organizational wisdom accumulation.

Moreover, the Company continues to enhance the "Four Eagles" talent development system, systematically conducting the "Fledgling Eagle Growth" new employee onboarding training, "Elite Eagle Leadership" empowerment program for newly appointed middle managers, and "Ordinary Eagle Wings" team leader and backup team leader training, providing systematic support for employee career development and talent pipeline construction.

Case

### Implementing Comprehensive Electrical Training to Enhance Employee Skills

In 2025, the Company organized electrical training programs, adopting a combined approach of "internal training + external cultivation + job rotation" to systematically enhance the professional capabilities of electrical personnel across all units. During this period, the Company selected outstanding trainees to participate in the Zibo Vocational Skills Competition, where they won the "Gold Medal" in the electrical trade. This training not only strengthened job skills and practical experience but also showcased the professional strength of the Company's technical talent.




Training for Outstanding Electrical Technicians

Case

### Hosting Multi-Disciplinary Technical Competition Event to Improve Employee Skills

In 2025, the Company organized skills competition covering ten specialties. This competition, which added a metrology specialty to the existing projects, involved 479 employees and went through multiple stages including grassroots training, selection, and company-level theoretical and practical competitions. This event effectively stimulated employees' enthusiasm for technical research and the enhancement of professional skills.




Multi-Disciplinary Technical Competition Event

Case

### Hosting the Pharmaceutical Industry "Golden Blue Collar" Training Program to Leverage the Role of Leading Enterprise

In 2025, the Company undertook the only pharmaceutical industry's "Golden Blue Collar" training project in Zibo City. Leveraging its industry advantages and resources, the Company successfully trained 100 pharmaceutical technicians and senior technicians for the industry. This initiative reflects the Company's commitment to fulfilling its responsibilities as a leading enterprise, effectively promoting the cultivation and expansion of high-skilled talent in the regional pharmaceutical industry.



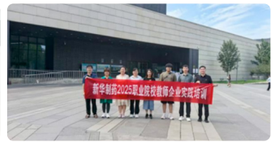

"Golden Blue Collar" Pilot Training Class

Case

### Deepening School-Enterprise Cooperation and Order-based Training to Build a Collaborative Industry-Academia-Research Talent Development Mechanism

In 2025, the Company actively advanced school-enterprise cooperation, engaging in order-based talent cultivation with Shandong Pharmaceutical and Food Vocational College and co-building a teacher training base with Shandong Light Industry Vocational College. The Company also undertook the national training project for higher vocational college teachers in enterprise practice, training 12 teachers from 12 different schools. These collaborations have significantly promoted industry-academia integration and talent reserve, laying a solid foundation for the Company and universities to build a sustainable talent ecosystem.




School-Enterprise Cooperation Training Program

## Employee Promotion

The Company has established a systematic career development and promotion framework, offering employees the option of parallel growth in both professional and management career paths. This ensures that employees with different qualities and aspirations can find a suitable space for development. Regarding internal mobility, the Company regularly offers internal recruitment and job transfer opportunities, supporting employees in applying for position adjustments based on their personal plans and abilities. Additionally, the Company provides corresponding training to help employees smoothly transition and achieve dynamic optimization of talent and positions.

For the growth of new employees, the Company implements a "mentoring system" training model, where experienced core staff provide one-on-one guidance. Through hands-on training, case discussions, and project practice, the Company accelerates new employees' skills development and cultural integration. This model not only effectively shortens the adaptation period for new hires but also strengthens knowledge transfer and team cohesion, providing solid support for the ongoing construction of the talent pipeline. Overall, the Company strives to achieve mutual promotion of employee growth and organizational development through diverse development paths and targeted training measures.

**During the reporting period**

The Company invested a total of RMB

**1.94** million in employee training

A total of **3,376** employee training sessions were conducted

with a training coverage rate of **100%**

The total training duration reached **190,412** hours

with an average of **26.3** training hours per employee



# Occupational Health and Work Safety

Xinhua Pharmaceutical adheres to the management philosophy that "safety secures employees' happiness and is the basis of enterprise performance", and fully implements the occupational health and safety policy of "prevention first, combining prevention with control". The Company, following the stringent standards of the "lifeline project", integrates annual safety objectives, occupational health prevention and control plans, and safety objective management methods, driving the implementation of specific activities such as safety education, risk hazard investigations, technical measure implementation, and emergency plan drills.

The Company is committed to fostering a proactive safety culture and, with four pillars—compliance operations, risk control, basic management, and system operation—aims to comprehensively improve the management level of occupational health and safety.

## Occupational Health and Work Safety Management System

The Company fully complies with relevant national and local laws and regulations and is committed to providing all employees with a working environment and labor conditions that meet standards and ensure physical and mental health. Based on a systematic identification of regulations, the Company has established a comprehensive management system for occupational health and work safety. In addition, the Company has developed more than ten specialized management regulations, including the *Management Standards for Occupational Health Monitoring*, the *Management Standards for "Three Simultaneities" of Occupational Disease Protection Facilities in Construction Projects*, and the *Control Management Standards for Occupational Hazards*.

Furthermore, to effectively protect employees' legal rights, the Company clearly stipulates labor safety protection requirements in employee labor contracts and implements special protection policies for female employees and minor workers. We have established a comprehensive labor safety and hygiene system, providing regular safety and hygiene education and training in operating procedures for employees. We also ensure that necessary safety protective equipment and personal protective gear are provided and continually optimize working conditions to reduce occupational safety risks. For employees engaged in tasks involving occupational disease hazards, the Company strictly fulfills its notification obligations, clearly informing them of the occupational disease hazards and potential consequences in their workplaces, while offering effective protective measures. In accordance with the law, we organize health checks for employees before they start work, during their employment, and upon leaving the job.

**List of Xinhua Pharmaceutical's Occupational Health and Work Safety Management Regulations**

- *Occupational Safety and Health Management Organization and Personnel Responsibility Management Procedure*
- *Management Standards for Occupational Health Monitoring*
- *Monitoring and Evaluation Standards for Occupational Disease Hazard Factors*
- *Management Standards for "Three Simultaneities" of Occupational Disease Protection Facilities in Construction Projects*
- *Occupational Health Warning and Notification Management Standards*
- *Maintenance Management Standards for Occupational Hazard Prevention Facilities*
- *Accident Management Standards*
- *Occupational Disease Hazards Identification and Reporting Management Standards*
- *Occupational Safety and Health Laws, Regulations and Other Requirements Acquisition, Determination, and Evaluation Management Procedure*
- *Occupational Safety and Health Education Management Standards*
- *Protective Equipment Management Standards*
- *Selection and Provision Management Standards for Labor Protection Equipment*
- *"Three Simultaneities" Management Procedure for Occupational Disease Protection Facilities in Construction Projects*
- *Work Injury and Occupational Disease Management Standards*
- *Emergency Management Standards*

## Occupational Health Management Objectives

In 2025, the Company issued the *2025 Occupational Health Prevention and Control Plan and Implementation Scheme*, which clearly defines the occupational health management objectives for the year. The objectives and their completion status are as follows:

| Objective Index | Completion Status |
|---|---|
| Dust and toxic substance testing (outsourced) pass rate > 97% | 100% |
| Occupational disease hazard factor reporting rate 100% | 100% |
| Coverage rate of occupational health check-ups for employees exposed to hazard factors 100% | 100% |
| Occupational health training rate for new employees 100% | 100% |
| No major occupational disease hazard accidents occurred throughout the year | Completed |

**In 2025, the Company also set work safety goals and successfully achieved them**

Preventing general or above work safety accidents, including those involving fatalities, accidents resulting in three or more serious injuries, or two or more accidents with 1-2 serious injuries within a quarter.

Completion status: None occurred.

Strictly preventing other types of severe work safety responsibility accidents, including those with direct economic losses of over RMB 500,000, or accidents reported, fined, or exposed by provincial or higher-level government departments or official media.

Completion status: None occurred.



## System Optimization and Safety Risk Management

The Company promotes the integration of new safety standards and key safety elements through professional training, and incorporates critical indicators into the performance assessment system for production workshops. At the same time, dynamic and thematic team inspections are carried out to enhance grassroots safety management. This year, dynamic inspection optimization was implemented for 40 teams. In 2025, the Company successfully passed EHS system audits by external clients such as Johnson & Johnson, advancing the effective implementation of business continuity management procedures.

In terms of risk governance, the Company continues to conduct inspections, analysis, and evaluations of major accident hazards and significant risk sources. It has also strengthened control measures for high-risk operational areas and surrounding construction activities. By standardizing work permit management and the training and evaluation of safety supervisors, along with introducing alarm management practices, the Company has enhanced its ability to control operational risks.

In 2025, the Company made significant progress in the informatization of safety management. It has established and is now operating a comprehensive information platform covering seven major functional modules: "all elements of safety, major risk sources and key processes, dual prevention, electronic ticketing, combustible and toxic gas alarms, personnel positioning, and contractor management", while continuously conducting data analysis to support management decision-making.

| Risk Type | Risk Description | Potential Financial Impact | Impact Period | Measures and Actions |
|---|---|---|---|---|
| Legal and Regulatory Requirements | New regulations such as the *General Norms for Safety Standardization of Hazardous Chemical Enterprises*, *Technical Specification for Safety Monitoring of Major Hazard Installations for Hazardous Chemicals*, and *Specification for Safety Management of Fine Chemical Enterprises* were implemented in 2025. Serious safety incidents may lead to rectification and fines | • Fines, resulting in increased operating costs | Short to long term | • Closely monitor relevant laws and regulations, clarify related requirements, timely conduct legal compliance assessments as per regulatory requirements, and foster a work safety culture involving all employees for prevention |
| Safety Incidents | Severe safety incidents, such as fires, may lead to asset losses, personnel casualties, and disruptions in production and business operations, negatively impacting the Company's reputation | • Early impairment of assets<br>• Expenditure on compensation for casualties, increasing operating costs<br>• Decreased orders, leading to reduced revenue | Short to long term | • Establish and continuously improve related systems, organize special inspections for hazards, safety education, training, and safety renovations, and promptly identify and eliminate safety risks<br>• Conduct emergency rescue training to improve employees' ability to identify and handle safety risks |
| Occupational Diseases | Certain workplaces carry risks that affect employee health | • Expenditure on compensation for casualties, increasing operating costs | Short to long term | • Regularly identify, detect, and assess occupational disease hazards in various job locations<br>• Conduct regular health check-ups for employees exposed to occupational disease hazards |

Xinhua Pharmaceutical's 2025 Safety Risk List

# Occupational Health and Safety Management Practices

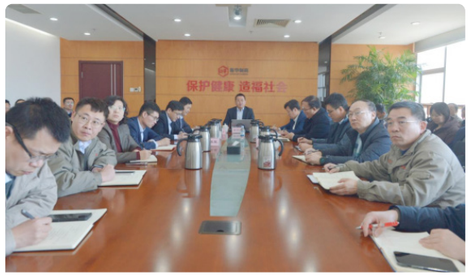
In 2025, the Company continued to improve its management of employee occupational health and safety by organizing work safety training, conducting emergency drills, upgrading protective facilities, increasing the supply of labor protection equipment, and performing regular maintenance. The Company also continued to commission third parties to conduct comprehensive annual inspections of all 1,035 occupational disease hazard points across the company. The results this year all met the required standards. Additionally, the Company conducted special tests for highly toxic substances and issued a control effect evaluation report.

## Work Safety Training

In 2025, the Company organized 17 types of work safety-related training sessions, totaling 47 sessions, with a cumulative attendance of 49,268 participants. The training covered all employees of the Company, new middle managers, production system personnel, young employees, contractors' managers, special operations personnel, and construction teams.

### Post-holiday work and production resumption training

From February 5 to 8, 2025, the Company organized a layered, themed training session titled "Guarding the Foundation of Life, Ensuring the Path to Development". This training, which used accident case warnings and other methods, focused on post-holiday risk prevention, job procedures, and emergency response. A total of 270 sessions were held, with 6,500 participants, effectively enhancing the safety awareness of all employees.




Post-holiday Work and Production Resumption Training

### Youth employee safety emergency skills competition

In June 2025, the Company organized 779 young employees to participate in learning safety emergency knowledge materials and question banks. On July 10-11 and 17-18, theoretical exams and practical assessments were conducted in batches. The practical assessments were improved by adding the use of CO2 fire extinguishers and defibrillators to the original five basic items (such as CPR and fire extinguisher use), providing a more comprehensive improvement of emergency skills for young employees.






Young Employees Safety Emergency Skills Competition (Partial Examples)

## Emergency Drills

The Company developed an annual emergency drill plan in accordance with regulatory requirements, clarified the focus of the drills, and insisted on conducting drills outside of working hours to increase overall participation and the effectiveness of the drills. The emergency office conducted special inspections and implemented closed-loop management for identified issues. In 2025, the Company organized 18 company-level drills, 832 workshop and team-level drills, with an average participation rate of 96.5%.



Xinhua Pharmaceutical 2025 Emergency Drill

## Safety Inspections

In 2025, the Company's various functional departments completed 4 comprehensive inspections and 25 specialized inspections throughout the year, with personnel at all levels completing online hazard assessments on time. Additionally, combining element checks and precise management, the Company piloted precise inspections of safety facilities such as LEL and combustible/toxic gas detectors.

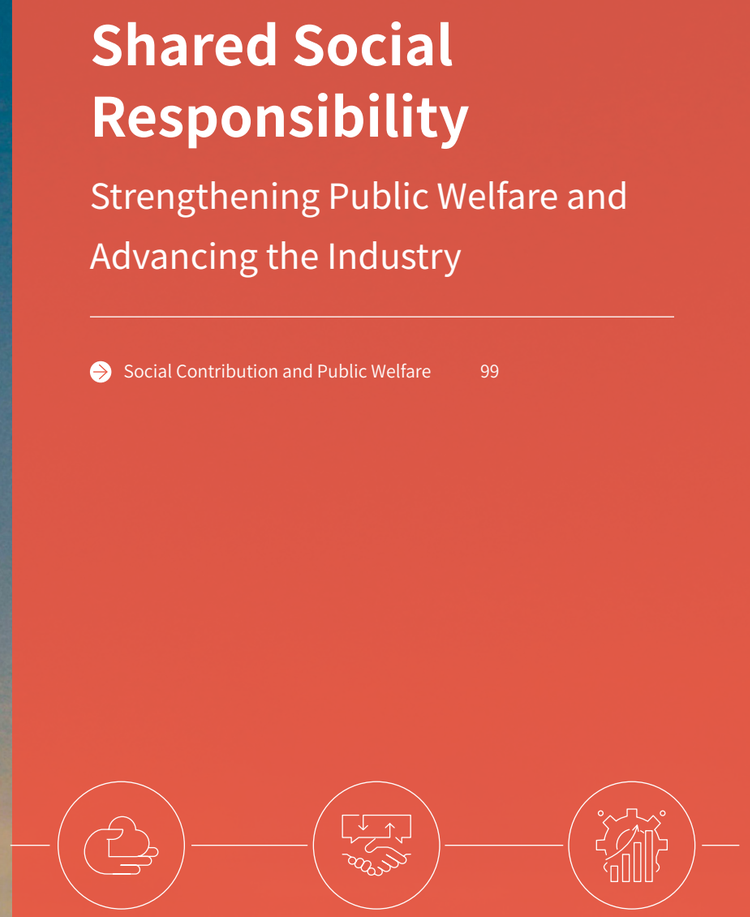


# 06

## Shared Social Responsibility

Strengthening Public Welfare and Advancing the Industry

Social Contribution and Public Welfare 99



# Social Contribution and Public Welfare

Xinhua Pharmaceutical actively implements the national rural revitalization strategy and, leveraging its expertise in the pharmaceutical and health industry, systematically engages in charitable activities. It is committed to achieving a harmonious balance between economic benefits and social value.

## Rural Revitalization

The Company integrates ESG principles into its practices and has established an action guideline centered around "industrial empowerment, health assistance, educational support, and environmental protection", aiming to comprehensively support the economic, healthcare, educational, and ecological development of rural areas.

### Diversified Assistance

**Industrial and Consumption-Based Assistance**

The Company supports the development of specialized industries in the western regions through consumption-based assistance. For example, it has purchased tea from Shizhu Tujia Autonomous County in Chongqing for several consecutive years, with a cumulative amount over RMB 160,000, effectively expanding local agricultural product sales channels and increasing farmers' incomes.

**Cadre Deployment and Systematic Assistance**

Since 2015, the Company has sent multiple cadres to serve as the first secretary in rural areas, implementing systematic and sustainable assistance programs. These efforts focus on industrial development and improving people's livelihoods, yielding significant results. For example, during Liu Jian's tenure, he established a special fund to allocate approximately RMB 40 million into six industrial projects, including poultry farming and pickled vegetable exports. This resulted in an annual increase of RMB 600,000 in collective income for the village, RMB 10.5 million in income for the community, and the creation of 300 new jobs. Similarly, Sun Ningbo introduced an industry project and invested RMB 2.1 million in a solar power project, generating over RMB 200,000 in annual income for the assisted village, while also developing other industries such as okra farming.

## Social Welfare and Volunteer Services

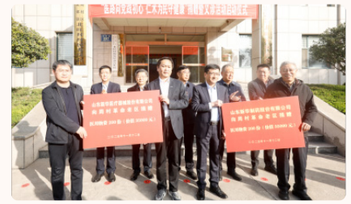
Xinhua Pharmaceutical adheres to the corporate mission of "protecting health and benefiting society", and actively gives back to society. The Company has established a comprehensive volunteer service mechanism to encourage employees to engage in public welfare activities. In 2025, each unit carried out more than 20 volunteer service activities focused on production and operations as well as employee needs, covering fields such as voluntary blood donation, emergency rescue, and science popularization medical consultations, with over 380 participants in total. The Company has established several specialized volunteer teams, including the "Emergency Vehicle Rescue Volunteer Team" and the "Trade Union Charity Service Team", providing convenience for employees and the community.



### Public Welfare Practices

**Expertise-Based Brand Charity Project**

In 2025, the Company, in collaboration with relevant departments, visited revolutionary base areas to carry out the "Following the Party's Ideals, Practicing Medicine for Public Health" donation and free medical consultation event. The Company donated 200 medical supplies to the people of the Zhoucun Revolutionary Area to actively support the local health cause.



"Following the Party's Ideals, Practicing Medicine for Public Health" Donation and Free Medical Consultation Event




"Passionate Xinhua, Guarding Health" Blood Donation Event




2025 Public Welfare Charity Unit for Voluntary Blood Donation

**Voluntary Blood Donation Tradition**

Voluntary blood donation is a long-standing and important charitable action for the Company, a tradition that has been sustained for many years. In 2025, the Company organized the "Passionate Xinhua, Guarding Health" blood donation event, attracting 212 employees, with a total donation of 79,300 milliliters. The Company was recognized as the 2025 Public Welfare Charity Unit for Voluntary Blood Donation in Zibo City.

**"Compassionate One-Day Donation" Event**

The Company actively promotes the traditional virtues of "revering morality and helping those in need", cultivating a culture of philanthropy and enthusiasm for public welfare. It carried out the "Compassionate One-Day Donation" campaign across the entire organization, raising a total of RMB 225,500 in 2025. Since its inception in 2003, the event has raised over RMB 3.78 million for the Zibo Charity Federation.




2025 "Compassionate One-Day Donation" Donation Certificate

## Academic Advancement for Inclusive Healthcare

The Company focuses on enhancing scientific understanding and precise application of pharmaceuticals, continually engaging in systematic public welfare research, academic promotion, and medical knowledge dissemination. During the reporting period, the Company held over 280 academic promotion events, including department meetings, terminal promotion conferences, customer seminars, and retail staff training sessions, establishing a comprehensive academic outreach network that covers multiple levels of medical endpoints.

In 2025, the Company focused on the small-dose aspirin product (Jiening), which targets thrombosis prevention and related indications. Over 100 specialized academic meetings were organized, offering better clinical treatment options and scientific evidence for medical institutions and patients. Additionally, to support the smooth introduction of new products to clinical practice and guide rational drug use, the Company organized more than 30 specialized academic meetings for newly launched products.

# Key Performance Indicators (KPIs)

| Governance Performance | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Anti-Corruption | | | | |
| Number of employees receiving anti-corruption training | Person(s) | 1,124 | 1,208 | 1,208 |
| Number of Directors receiving anti-corruption training | Person(s) | 4 | 4 | 4 |
| Number of management personnel receiving anti-corruption training | Person(s) | 8 | 8 | 6 |
| Number of anti-corruption reporting incidents | Number | 0 | 0 | 0 |
| Number of corruption proceedings concluded | Number | 0 | 0 | 0 |
| Data Security and Customer Privacy | | | | |
| Confirmed data security incident | Case(s) | 0 | 0 | 0 |
| Specific amount involved in data security incidents | RMB 10,000 | 0 | 0 | 0 |
| Number of data security and customer privacy protection training sessions | Time(s) | 3 | 1 | 1 |
| Number of related emergency drills | Time(s) | 1 | 1 | 1 |
| Confirmed customer privacy breach incident | Case(s) | 0 | 0 | 0 |
| Specific amount involved in breaches of client privacy | RMB 10,000 | 0 | 0 | 0 |

| Product Performance | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Scientific Research and Development (R&D) | | | | |
| R&D investment | RMB 10,000 | 40,587 | 39,682 | 37,973 |
| Number of R&D personnel | Person(s) | 849 | 828 | 844 |
| Patent Application | | | | |
| Number of patent applications | Item(s) | 98 | 110 | 75 |
| Number of patents granted | Item(s) | 55 | 57 | 48 |

| Product Performance | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Customer Relation Management | | | | | |
| Customer feedback response rate | | % | 100 | 100 | 100 |
| Number of complaints about products | | Case(s) | 25 | 22 | 23 |
| Quality Training | | | | | |
| Number of quality training sessions | | Time(s) | 60 | 34 | 74 |
| Number of participants in quality training | | Person(s) | 955 | 1,197 | 2,672 |
| Supplier Management | | | | | |
| Total number of suppliers | | Number | 632 | 682 | 737 |
| Number of suppliers by region | Shandong | Number | 331 | 352 | 357 |
| | Hebei | Number | 9 | 15 | 16 |
| | Jiangsu | Number | 49 | 62 | 65 |
| | Shanghai | Number | 29 | 32 | 33 |
| | Zhejiang | Number | 16 | 18 | 24 |
| | Chinese Hong Kong, Macao and Taiwan, as well as overseas regions | Number | 3 | 5 | 5 |
| | Others | Number | 195 | 198 | 237 |
| Percentage of suppliers that have signed the Supplier Code of Conduct | | % | 85 | 87 | 89 |
| Number of suppliers that have conducted ESG impact assessments | | Number | 216 | 233 | 244 |
| Number of suppliers identified as having actual and potentially significant negative social impacts | | Number | 0 | 0 | 0 |
| Number of supplier social responsibility (ESG) trainings | | 次 | 1 | 1 | 1 |
| Percentage of suppliers involved in supplier social responsibility (ESG) training | | % | 75 | 77 | 78 |
| Ratios of internal purchasers passing sustainable purchasing training | | % | 96.0 | 96.5 | 97.0 |

| Environmental Performance | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Environmental Investment | | | | |
| Total annual investment in environmental protection | RMB 10,000 | 11,900 | 13,400 | 8,890 |
| Annual investment in technology transformation for environmental protection and energy conservation | RMB 10,000 | 4,428 | 1,100 | 706 |
| Annual training times on environmental protection | Time(s) | 38 | 10 | 9 |
| Waste Treatment | | | | |
| Total domestic waste | Ton(s) | 2,790 | 2,580 | 2,540 |
| Density of domestic waste | Ton(s)/RMB 10,000 of output value | 0.006 | 0.005 | 0.004 |
| Total general (non-hazardous) solid waste | Ton(s) | 55,802.17 | 58,022.64 | 62,557.06 |
| General (non-hazardous) solid waste density | Ton(s)/RMB 10,000 of output value | 0.115 | 0.120 | 0.096 |
| Total hazardous solid waste | Ton(s) | 9,337.72 | 13,202.79 | 16,154.79 |
| Density of hazardous solid waste | Ton(s)/RMB 10,000 of output value | 0.019 | 0.027 | 0.025 |
| Waste Gas Treatment | | | | |
| Total exhaust emission | Ton(s) | 28.19 | 26.84 | 15.81 |
| Particulate matter | Ton(s) | 0.19 | 0.26 | 0.16 |
| Nitrogen oxides | Ton(s) | 0.22 | 2.60 | 1.83 |
| Sulfur dioxide | Ton(s) | 0.069 | 0.23 | 0.19 |
| VOC emissions | Ton(s) | 27.71 | 23.74 | 13.63 |
| Wastewater Treatment | | | | |
| Total wastewater discharged | Ton(s) | 1,970,132 | 2,147,375 | 2,022,243 |
| Chemical oxygen demand (COD) | Ton(s) | 484.71 | 388.76 | 308.66 |
| Ammonia nitrogen | Ton(s) | 25.31 | 21.12 | 13.89 |
| Greenhouse Gas Emissions | | | | |
| GHG emissions (Scope 1) | $tCO_2e$ | 18,956 | 22,056 | 325.25 |
| GHG emissions (Scope 2) | $tCO_2e$ | 241,687 | 285,577 | 282,108.58 |



| Environmental Performance | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| GHG emissions (Scope 3) | | $tCO_2e$ | / | / | 627,210.05 |
| Total greenhouse gas emissions | | $tCO_2e$ | 260,643 | 307,633 | 909,643.88 |
| Greenhouse gas emission intensity | | $tCO_2e$/RMB 10,000 of output value | 0.536 | 0.638 | 1.398 |
| Resource Usage | | | | | |
| Total energy consumption | | Ton(s) of standard coal | 74,700.98 | 78,120.77 | 77,697.35 |
| Comprehensive energy consumption density | | Ton(s) of standard coal/RMB 10,000 of output value | 0.154 | 0.162 | 0.119 |
| Direct energy consumption | Total | Ton(s) of standard coal | 6,879.73 | 6,788.28 | 5,806.32 |
| | Including: gasoline | Ton(s) | 1.09 | 1.98 | 0.69 |
| | Including: diesel oil | Ton(s) | 59.58 | 56.21 | 53.17 |
| | Including: natural gas | $m^3$ | 5,070,732 | 5,004,277 | 4,274,097 |
| Direct energy consumption intensity | | Ton(s) of standard coal/RMB 10,000 of output value | 0.014 | 0.014 | 0.009 |
| Indirect energy consumption | Total | Ton(s) of standard coal | 67,821.24 | 71,332.49 | 71,891.03 |
| | Including: steam | 10,000 tons | 45.23 | 45.20 | 45.54 |
| | Including: electricity | 100 million kWh | 2.19 | 2.12 | 2.14 |
| Indirect energy consumption intensity | | Ton(s) of standard coal/RMB 10,000 of output value | 0.140 | 0.148 | 0.111 |
| Clean energy usage | | Ton(s) of standard coal | / | / | 5,946.85 |
| Clean energy usage percentage | | % | / | / | 7.65 |
| Total water consumption | | 10,000 $m^3$ | 9,513.57 | 9,517.28 | 8,689.55 |
| Circulating water | | 10,000 $m^3$ | 9153.14 | 9,228.23 | 8,437.27 |
| Tap water | | 10,000 $m^3$ | 360.43 | 286.90 | 252.28 |
| Water consumption density | | $m^3$/RMB 10,000 of output value | 7.42 | 5.95 | 3.88 |
| Packaging materials used for finished products | | Ton(s) | 10,178 | 11,380 | 9,579 |

| Employee Performance | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Employee Employment | | | | | |
| Total employees | | Person(s) | 7,104 | 7,296 | 7,240 |
| Number of employees by gender | Male | Person(s) | 4,123 | 4,189 | 4,082 |
| | Female | Person(s) | 2,981 | 3,107 | 3,158 |
| Number of employees by type of employment | Labor contract system | Person(s) | 7,104 | 7,296 | 7,240 |
| | Labor dispatch system | Person(s) | 0 | 0 | 0 |
| Number of employees by age | Number of employees aged 51 and above | Person(s) | 812 | 875 | 839 |
| | Number of employees aged 41 to 50 | Person(s) | 1,528 | 1,551 | 1,512 |
| | Number of employees aged 31 to 40 | Person(s) | 2,061 | 2,104 | 2,132 |
| | Number of employees aged 30 and below | Person(s) | 2,703 | 2,766 | 2,757 |
| Number of employees by work location | Employees in Chinese mainland | Person(s) | 7,096 | 7,290 | 7,233 |
| | Employees in Chinese Hong Kong, Macao and Taiwan | Person(s) | 0 | 0 | 0 |
| | Employees in other countries | Person(s) | 8 | 6 | 7 |
| Number of employees by level | Total number of grassroots employees | Person(s) | 6,936 | 7,124 | 7,071 |
| | Total number of middle management employees | Person(s) | 160 | 164 | 162 |
| | Number of female middle management employees | Person(s) | 22 | 28 | 27 |
| | Number of employees in senior management | Person(s) | 8 | 8 | 7 |
| | Number of female senior management employees | Person(s) | 0 | 0 | 0 |
| Ethnic minority employee | | Person(s) | 183 | 186 | 185 |
| Number of employees hired under labor contracts | | % | 100 | 100 | 100 |
| Coverage rate of employee social security | | % | 100 | 100 | 100 |
| Number of new employees | | Person(s) | 790 | 590 | 293 |

| Employee Performance | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Employee Turnover | | | | | |
| Total number of resigned employees | | Person(s) | 259 | 224 | 203 |
| Total employee turnover rate | | % | 3.65 | 3.07 | 2.80 |
| Employee turnover rate by gender | Male | % | 1.60 | 1.55 | 1.45 |
| | Female | % | 2.04 | 1.52 | 1.35 |
| Employee turnover rate by age | 51 and above | % | 0.11 | 0.01 | 0.00 |
| | 41~50 years old | % | 0.66 | 0.25 | 0.24 |
| | 31~40 years old | % | 1.10 | 0.60 | 0.53 |
| | 30 and below | % | 1.77 | 2.21 | 2.03 |
| Employee turnover rate by work area | Employees in Chinese mainland | % | 3.65 | 3.07 | 2.80 |
| | Employees in Chinese Hong Kong, Macao and Taiwan | % | 0 | 0 | 0 |
| | Employees in other countries | % | 0 | 0 | 0 |
| Employee Training | | | | | |
| Total number of employees trained | | Person(s) | 7,104 | 7,296 | 7,240 |
| Number of male employees trained | | Person(s) | 4,123 | 4,189 | 4,082 |
| Number of female employees trained | | Person(s) | 2,981 | 3,107 | 3,158 |
| Number of primary-level employees trained | | Person(s) | 6,936 | 7,124 | 7,071 |
| Number of middle management employees trained | | Person(s) | 160 | 164 | 162 |
| Number of senior management employees trained | | Person(s) | 8 | 8 | 7 |
| Total hours of training received by employees | | Hour(s) | 181,862 | 189,696 | 190,412 |
| Average hours of training for employees | | Hour(s) | 26 | 26 | 26.3 |
| Total hours of training for male employees | | Hour(s) | 105,779 | 108,940 | 107,357 |

| Employee Performance | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total hours of training for female employees | | Hour(s) | 76,083 | 80,756 | 83,055 |
| Total hours of training for grassroots employees | | Hour(s) | 177,562 | 185,224 | 185,967 |
| Total hours of training for middle management employees | | Hour(s) | 4,096 | 4,264 | 4,261 |
| Total hours of training for senior management employees | | Hour(s) | 204 | 208 | 184 |
| Occupational Health and Safety | | | | | |
| Employee health and safety | Total hours of training for senior management employees | Days | 780 | 360 | 90 |
| | Work-related deaths | Person(s) | 0 | 0 | 0 |
| | Work-related fatality rate | % | 0 | 0 | 0 |
| | Number of employees in positions with occupational disease risks | Person(s) | 2,983 | 2,951 | 3,060 |
| | Number of employees that have received occupational disease examination | Person(s) | 2,983 | 2,951 | 3,060 |
| | Incidence of occupational diseases | % | 0 | 0 | 0 |
| | Investment in work safety | RMB 10,000 | 1,981 | 1,645 | 1,258 |
| Safety education | Total duration of occupational health and work safety training | Hour(s) | 201 | 247 | 243 |
| | Number of safety drills | Time(s) | 832 | 821 | 832 |
| | Percentage of employees covered by safety drills | % | 95.65 | 95.50 | 96.50 |

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.



# Content Index

## Content Index of *Guidance for Environment, Society and Governance Report* by Hong Kong Stock Exchange

| Scope, Aspect and KPIs | Content and Indicator | Corresponding Section |
|---|---|---|
| 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. | Pollutant Prevention and Control |
| KPI A1.1 | Types of emissions and related emission data. | Pollutant Prevention and Control |
| KPI A1.2 | Total greenhouse gas emissions and, where applicable, intensity. | Pollutant Prevention and Control |
| KPI A1.3 | Total amount and, where applicable, density of hazardous waste generated. | Pollutant Prevention and Control |
| KPI A1.4 | Total amount and, where applicable, density of non-hazardous waste generated. | Pollutant Prevention and Control |
| KPI A1.5 | Description of emission reduction measures and results obtained. | Pollutant Prevention and Control |
| KPI A1.6 | Description of methods of handling hazardous and non-hazardous waste, measures to reduce generation, and results obtained. | Pollutant Prevention and Control |
| Aspect A2 | Resource Usage | |
| General Disclosures | Policies relating to efficient use of resources, including energy, water, and other raw materials. | Resource Utilization and Circular Economy |
| KPI A2.1 | Total direct and/or indirect energy consumption by type and intensity. | Resource Utilization and Circular Economy |
| KPI A2.2 | Total water consumption and intensity. | Resource Utilization and Circular Economy |
| KPI A2.3 | Description of energy use efficiency programs and results obtained. | Resource Utilization and Circular Economy |
| KPI A2.4 | Description of any issues with access to suitable water sources and plans to improve water use efficiency and results obtained. | Resource Utilization and Circular Economy |
| KPI A2.5 | Total amount of packaging materials used for finished products and, where applicable, amount per production unit. | Resource Utilization and Circular Economy |
| Aspect A3 | Environment and Natural Resources | |
| General Disclosures | Policies for minimizing the issuer's significant impact on the environment and natural resources. | Environmental Compliance Management |

| Scope, Aspect and KPIs | Content and Indicator | Corresponding Section |
|---|---|---|
| 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 Compliance Management |
| 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. | Addressing Climate Change and Carbon Emission Management |
| 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. | Addressing Climate Change and Carbon Emission Management |
| 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. | Employee Rights and Benefits Protection |
| KPI B1.1 | Total number of employees by gender, employment type, age group, and region. | Employee Rights and Benefits Protection |
| KPI B1.2 | Employee turnover rate by gender, age group and region. | Employee Rights and Benefits Protection |
| 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. | Occupational Health and Work Safety |
| KPI B2.1 | Number and rate of work-related deaths in each of the past three years (including the reporting year). | Occupational Health and Work Safety |
| KPI B2.2 | Number of working days lost due to work-related injury. | Occupational Health and Work Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and the related implementation and supervision methods. | Occupational Health and Work Safety |
| Aspect B3 | Development and Training | |
| General Disclosures | Policies for improving employees' knowledge and skills for performing duties at work. Description of training activities. | Employee Training and Development |



| Scope, Aspect and KPIs | Content and Indicator | Corresponding Section |
|---|---|---|
| KPI B3.1 | Percentage of employees trained by gender and employee category (e.g., senior management, middle management). | Employee Training and Development |
| KPI B3.2 | Average number of hours of training completed by each employee, by gender and employee category. | Employee Training and Development |
| Aspect B4 | Labor Standards | |
| General Disclosures | Preventing child and forced labor: (a) policies; and (b) compliance with Laws and Regulations that have a significant impact on the issuer. | Employee Rights and Benefits Protection |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Employee Rights and Benefits Protection |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Employee Rights and Benefits Protection |
| Aspect B5 | Supply Chain Management | |
| General Disclosures | Policies for managing environmental and social risks of the supply chain. | Building a Sustainable Supply Chain |
| KPI B5.1 | Number of suppliers by region. | Building a Sustainable Supply Chain |
| 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. | Building a Sustainable 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. | Building a Sustainable 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. | Building a Sustainable 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 Safety and Quality, Delivering High-Quality Services |
| KPI B6.1 | Percentage of products recalled for safety and health reasons out of total products sold or shipped. | Product Safety and Quality |

| Scope, Aspect and KPIs | Content and Indicator | Corresponding Section |
|---|---|---|
| KPI B6.2 | Number of complaints about products and services and how they are handled. | Delivering High-Quality Services |
| KPI B6.3 | Description of practices related to the maintenance and protection of intellectual property. | Product R&D and Technological Innovation |
| KPI B6.4 | Description of quality inspection processes and product recall procedures. | Product Safety and Quality |
| KPI B6.5 | Description of consumer data and privacy policies, and how these are implemented and monitored. | Information Security Protection |
| 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. | Business Ethics and Anti-Corruption |
| 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. | Business Ethics and Anti-Corruption |
| KPI B7.2 | Description of preventive measures and whistleblowing procedures, and how these are implemented and monitored. | Business Ethics and Anti-Corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and employees. | Business Ethics and Anti-Corruption |
| 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. | Social Contribution and Public Welfare |
| KPI B8.1 | Focused contribution area (e.g., education, environmental issues, labor needs, health, culture, and sports). | Social Contribution and Public Welfare |
| KPI B8.2 | Resources (e.g., money or time) used in the focus area. | Social Contribution and Public Welfare |



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

| Category | Corresponding Topic | Corresponding Clause | Report Section |
|---|---|---|---|
| Environmental | Addressing Climate Change | Articles 20 and 28 | Addressing Climate Change and Carbon Emission Management |
| | Pollutant Discharge | Articles 29 and 30 | Pollutant Prevention and Control |
| | Waste Disposal | Article 31 | Pollutant Prevention and Control |
| | Ecosystem and Biodiversity Protection | Article 32 | Ecosystem Conservation |
| | Environmental Compliance Management | Article 33 | Environmental Compliance Management |
| | Usage of Energy | Articles 34 and 35 | Resource Utilization and Circular Economy |
| | Usage of Water Resources | Articles 34 and 36 | Resource Utilization and Circular Economy |
| | Circular Economy | Article 37 | Resource Utilization and Circular Economy |
| Social | Rural Revitalization | Articles 38 and 39 | Social Contribution and Public Welfare |
| | Contributions to the Society | Articles 38 and 40 | Social Contribution and Public Welfare |
| | Innovation-driven | Articles 41 and 42 | Product R&D and Technological Innovation, Digitalization Construction |
| | Ethics of Science and Technology | Article 45 | N/A |
| | Supply Chain Security | Article 45 | Building a Sustainable Supply Chain |
| | Equal Treatment to Small and Medium-Sized Enterprises | Article 46 | Business Ethics and Anti-Corruption |
| | Safety and Quality of Products and Services | Article 47 | Product Safety and Quality, Delivering High-Quality Services, Product Accessibility |
| | Data Security and Customer Privacy Protection | Article 48 | Information Security Protection |
| | Employees | Articles 49 and 50 | Employee Rights and Benefits Protection, Talent Attraction and Retention, Employee Training and Development, Occupational Health and Work Safety |
| Governance | Due Diligence | Article 52 | Sustainable Development Governance |
| | Communication with Stakeholders | Article 53 | Sustainable Development Governance |
| | Anti-Commercial Bribery and Anti-Corruption | Articles 54 and 55 | Business Ethics and Anti-Corruption |
| | Anti-Unfair Competition | Article 56 | Business Ethics and Anti-Corruption |

# Reader Feedback Form

Dear Readers,

Hello! Thank you for taking the time to read this report. In order to provide you and other stakeholders with more complete, more professional, and more valuable 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 this report in general?**

Yes ☐ Fair ☐ No ☐

**2. Do you think this report reflects the significant impact of Xinhua Pharmaceutical in the economic, social and environmental aspects?**

Yes ☐ Fair ☐ No ☐

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

Yes ☐ Fair ☐ No ☐

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

Yes ☐ Fair ☐ No ☐

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

Yes ☐ Fair ☐ No ☐

**6. Is the overall design of this report satisfactory?**

Yes ☐ Fair ☐ No ☐

**7. Your other comments and recommendations on the *2025 Environmental, Social and Governance Report of Xinhua Pharmaceutical* are welcome.**

**You can inform us of your valuable comments by:**

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