



**Tianjin Zhong Xin Pharmaceutical Group
Corporation Limited
Sustainability Report 2020**



Inheritance and Innovation

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Chairman’s Statement

This report is the sustainability report of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (“Zhong Xin Pharmaceutical”, the “Group”, the “Company”, “we” or “us”).



Adhering to quality belief and focusing on people’s health

Zhong Xin Pharmaceutical remains committed to the cause of human health. The Company is firmly adhering to the strategic positioning of being the “promoter of a sound China, guardian of national health and leader in scientific Chinese medicine”. We regularly review our internal policies and manufacturing practices, continue to promote product research and development and process improvement, and conduct business activities in strict compliance with national and industry regulations on marketing, labelling and advertising to ensure the safety and efficacy of our drugs.

The Company actively establishes and deepens the awareness of social responsibility and the concept of sustainable development, and takes into account the expectations of stakeholders and long-term

planning of sustainable development. In the process of production and sales of products, the Company strictly abides by the industrial regulations and moral values of the countries and regions its business operates, upholds social morality and business ethics, actively implements the concept of green development, and practically integrates social responsibility and the concept of sustainable development into the daily operations of the Company.

In 2020, the Company took the “Double Hundred Action” reform as an opportunity to strengthen market-oriented reform, formulated 13 comprehensive reform measures, and vigorously implemented innovation-driven development. On the industrial front, our production units focused on improving quality and efficiency in response to the policy changes in the pharmaceutical industry. On the commercial front, our sales units strengthened market expansion to boost the healthy and sustainable development of the Company. Facing the challenges of the 2019 Coronavirus Disease (the “COVID-19”), the Company strictly implemented the anti-epidemic policies and gave priority to safeguarding the health and safety



of employees. Under the dedicated coordination of the local governments, all units resumed work and production in an orderly manner, and managed to improve inventory, ensure supply, support the fight against the epidemic to effectively implement stability on the six fronts (employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations) and security in the six areas (job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments).

Thank you for your attention and support to Zhong Xin Pharmaceutical.

Li Liqun

Chairman



Company Profile

Boasting a longstanding history, Zhong Xin Pharmaceutical is a national high- and new-tech enterprise featuring innovation in Chinese traditional medicine. The Company was listed in Singapore and Shanghai in 1997 and 2001, respectively, and is headquartered in the Peoples' Republic of China (the "PRC").

With green Chinese traditional medicine as its core business, Zhong Xin Pharmaceutical is equipped with a complete industry chain, product chain and talent chain integrating production, management and scientific research. Its business covers a number of areas including research and development (the "R&D") and manufacturing of Chinese herbal medicines, proprietary Chinese medicines, chemical raw materials and preparations, nutritional and health products, as well as pharmaceutical commerce.



Modern Chinese traditional medicine industrial park of Zhong Xin Pharmaceutical

The Company has 38 branch companies (under direct management), 15 wholly-owned and holding companies and seven investees. Its two major business segments, Chinese traditional medicine manufacturing and pharmaceutical commerce, are complementary to each other, laying a solid foundation for the steady development of the Company.

Upholding the development philosophy of "inheriting the essence of Chinese traditional medicine development and caring for healthy and quality life" and the corporate spirit of "inheritance and innovation", the Company is devoted to innovative R&D and manufacturing of general-purpose, good-quality, high-efficacy and quick-acting medicines with innovation in Chinese traditional medicine playing a commanding role in its business development ideas. The Company's main products cover several major categories,



Logistics center of Zhong Xin Pharmaceutical

including cardio-neurology, respiratory medicine, gastroenterology, paediatrics, obstetrics, ophthalmology & otorhinolaryngology and oncology. The Company has obtained certificates of approval for 499 medicines belonging to 18 types of preparations. Two of which are China's treasure-class Chinese traditional medicines. Suxiao Jiuxin Wan (速效救心丸) which was invented by Professor Zhang Chengui, senior consultant of Zhong Xin Pharmaceutical and honorary director of its technology centers as well as a famous expert in Chinese medicine preparations in China is a national classified variety. In addition, Jing Wan Hong (京万红) is a national classified variety. The Company has five product varieties being Chinese medicines protected by the State (namely Shunaoxin Di Wan (舒脑欣滴丸), Zhike Chuanbei Pipa Di Wan (治咳川贝枇杷滴丸), Ya Tong Ting Di Wan (牙痛停滴丸), Tongmai Yangxin Wan (通脉养心丸) and Zilong Jin Pian (紫龙金片)), 99 product varieties being exclusively produced by the Company, 75 product varieties being included in the National Essential Medicine



Catalogue, 601 product varieties being processed Chinese medicine and 216 product varieties being covered by national medical insurance.



Selected products of Zhong Xin Pharmaceutical



Traditional production technique of Qinggong Shoutao Wan by Da Ren Tang



Production technique of Jing Wan Hong ointment compound formula



Production technique of Wei Yao by Long Shun Rong



Angong Niu Huang Wan Production Technology

At present, the Company has one national-level enterprise technology center, five municipality-level enterprise technology centers, one municipality-level modern technological engineering center on Chinese medicine and a key enterprise laboratory as well as postdoctoral workstations approved by the Ministry of Personnel. It has 324 patents, 228 of which are invention patents. It has six famous Chinese trademarks, namely Long Shun Rong, Da Ren Tang, Le Ren Tang, Jing Wan Hong, Song Bai and Bi Qi (痹祺), as well as four national-level and 10 Tianjin-level representative intangible cultural heritage projects.



Time-honored Chinese brands and Famous Chinese Trademarks of Zhong Xin Pharmaceutical

After years of practices and explorations, the Company has integrated and optimised the world's most advanced Chinese medicine equipment and technology to form an integrated modern Chinese medicine development platform unique to Zhong Xin Pharmaceutical. It implements the GAP, GLP, GCP, GMP and GSP series of standards on a full scale and carries out quality control throughout the process to ensure the safety and efficacy of its products. The Company will continue to explore the R&D of Chinese medicine to promote the modernization and internationalization of Chinese medicine.

As at 31 December 2020, the total assets of the Company amounted to RMB8,283 million, representing a year-on-year increase of 5.61%, and the net assets attributable to the parent amounted to RMB5,808 million, representing a year-on-year increase of 7.84%. In 2020, the Company recorded a total operating income of RMB6,604 million, representing a year-on-year decrease of 5.58%, and the Company recorded a net profit attributable to the parent of RMB662 million in aggregate, representing a year-on-year increase of 5.78%. Among which, the Company recorded a self-operating profit of RMB625 million, representing a year-on-year increase of 9.04%. In general, the Company maintained steady growth momentum.

The Company endeavored to build large variety products with focus on academic and professional marketing, while expanding the regional coverage and hospital coverage of

clinical products. In addition, the Company refined and optimized the user-end markets, and improved the marketing quality of key products.

In 2020, the Company recorded basic earnings per share of RMB0.86, paid national taxes of RMB557 million, paid employees' wages of RMB625 million, provided benefits of RMB31 million, made payments five insurances and two funds of RMB135 million, and provided labor union and education funds of RMB15 million. The Company's social contribution per share calculated based on the above data and relevant formula is RMB2.62.

For details of the Company's overview and financial performance, please refer to the annual report for the financial year ended 31 December 2020 (the "FY2020").



Sustainable Development Philosophy of Zhong Xin Pharmaceutical

Strategic positioning

Be the promoter of a sound China, guardian of national health and leader in scientific Chinese medicine

Pursuit of development

Continue to meet users' healthcare needs

Sustainable development targets

Zhong Xin Pharmaceutical upholds to the brand philosophy of “adhering to quality belief and focusing on people’s health”. On this basis, it endeavors to optimize the supply chain, simplify business operations, continuously improve efficiency and save resources. The Company will actively establish and deepen the awareness of social responsibility and the concept of sustainable development, and strictly abide by the laws and regulations of the countries and regions where it operates. The Company will continue to promote the fine tradition of the Chinese nation and strive to promote corporate development in harmony with social progress.

The following summary table sets forth our sustainability targets and performance during the reporting period.

Actual Performance in FY2020	
FY2020 Targets	Performance
To reduce energy consumption by 100 tons of standard coal	The Company formulated a complete set of energy management system documents, regularly organized meetings to report on the use of energy, and strengthened the communication of energy management process and the monitoring of the targets; The Company upgraded certain production facilities and public facilities to improve energy efficiency; The Company implemented the Zhong Xin Pharmaceutical smart energy online monitoring platform project, and carried out automatic collection and reporting of energy use to achieve online monitoring of the Company over energy use. The energy saving throughout the year was 139.11 tons of standard coal.
To continue to standardize waste discharge	Wastewater is discharged after meeting the treatment standards. Hazardous waste is disposed of by qualified hazardous waste treatment plants engaged in accordance with relevant laws and regulations.
Environmental compliance	No incident of non-compliance with environmental laws and regulations in 2020
Environmental Targets for FY2021	
FY2021 Targets	Action Plan
To reduce energy consumption by 100 tons of standard coal.	The Company will further improve the establishment of the energy management system, give play to the role of standardized system management and internal and external audit, and improve the level of energy management; The Company will upgrade certain equipment and facilities to improve energy efficiency; The Company will improve and add the monitoring points and contents to the intelligent energy online monitoring platform of Zhong Xin Pharmaceutical to give full play to the platform’s energy saving role.



To continue to regulate wastewater and waste discharge	The Company will Improve emissions inspection for environmental pollution.and standardised waste discharge.
Environmental compliance, No environmental administrative punishment incidents occurred	The Company will strengthen pollutant control and standardize environmental management

Actual Performance in FY2020	
FY2020 Targets	Performance
Zero incident of product marketing and labelling non-compliance	We achieved zero incident of non-compliance with respect to information and labelling of self-manufactured products and third-party products; We achieved zero incident of non-compliance with respect to marketing of self-manufactured products and third-party products
Zero incident of product safety non-compliance	We achieved zero material safety incident occurred .
Zero accident of employee occupational health and safety production	Zero accident of employee occupational health and safety production in 2020.
Social Targets for FY2021	
FY2021 Targets	Action Plan
Zero incident of product marketing and labelling non-compliance	We will continue to strictly implement the existing marketing management systems, standards and processes
Zero incident of product safety non-compliance	We will Strengthen the investigation and management of hidden dangers and safety production education and training to achieve no material safety accident in 2021.
No safety production incident	We will strengthen the investigation and management of hidden dangers and safety production education and training, aiming for no major safety production incidents in 2021.

Awards received

Given the Company’s outstanding performance in the pharmaceutical industry, the Company has been granted a number of prestigious awards, such as:

- 2019 China Top 100 Pharmaceutical Industrial Enterprises (2020)
- 2019 China Top 100 Pharmaceutical Commercial Enterprises (2020)
- Home of National Model Workers (Company Labor Union, 2020)
- Model 10-year Social Responsibility Special Contribution Enterprise (2020)
- Model Tianjin Most Socially Responsible Enterprise (2020)
- Quality Benchmark Enterprise at the 40th Anniversary National Pharmaceutical Industry Quality Management (QC) Group Activities (2019)
- National Model Enterprise with Harmonious Labor Relations (No. 6 Chinese Medicine Plant, 2019)
- National “High and New Technology Enterprise”
- National “Enterprise Credit Rating AAA Enterprise”
- Top 5 Proprietary Chinese Medicine Export Enterprises



- Top 20 Most Competitive Listed Pharmaceutical Companies in China
- ...



Industry association membership

- China Association of Traditional Chinese Medicine
- China Association for Public Companies
- The Listed Companies Association of Tianjin
- ...



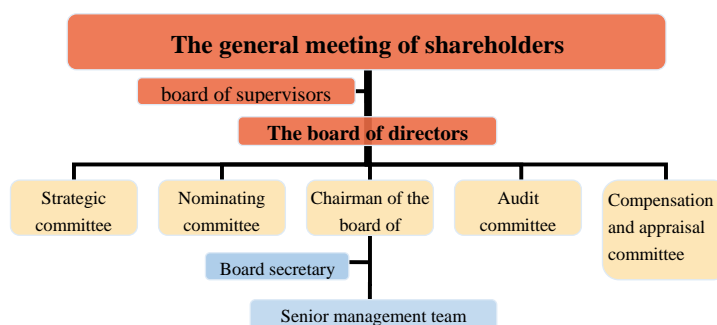
Compliance Operation

Corporate Governance

Zhong Xin Pharmaceutical, being the first company with a dual listing status whose S shares are listed on the Singapore Stock Exchange and the A shares are listed on the Shanghai Stock Exchange, has established a corporate governance structure in strict compliance with the laws and regulations of the PRC and Singapore as well as the regulatory requirements of the stock exchanges in the PRC and Singapore. In addition to compliance with the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas, the Company has formulated the Articles of Association in accordance with the relevant domestic and overseas laws and regulations, and has also formulated relevant rules and regulations in accordance with the relevant laws and regulations of the PRC and Singapore to regulate the corporate governance structure. In general, the current governance structure of the Company is well defined with clear hierarchical levels, and the actual operations are in line with the requirements of the domestic and overseas regulatory authorities for the improvement of corporate governance structure and standardized operations.

1. Establishment of Corporate Governance Structure

The Company has set up a corporate governance structure comprising the general meeting, the board of directors, the board of supervisors and the management, and regulates the governance strictly in accordance with the Articles of Association, the Rules of Procedure for the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of



Procedure for the Board of Supervisors and the Rules for the Independent Directors. The board of directors of the Company has established four functional committees, namely the audit committee, the strategy committee, the remuneration and appraisal committee and the nomination committee, each of which carries out its work in accordance with its responsibilities. The board of directors of the Company gives full play to the role of independent directors and focuses on protecting the legitimate rights and interests of minority shareholders. The board of directors of the Company has three independent directors, two of whom are Singaporean, which meets the requirements of the Singapore Stock Exchange on the number of independent directors of listed companies. Three independent directors serve as the chairman or a member of each of the four functional committees under the board of directors. In particular, all members of audit committee are independent directors of the Company. At the same time, the Company attaches great importance to playing the role of the board of supervisors. The board of supervisors is entitled to attend the Board meetings and general meetings of the Company



and supervise the operations of the Company in accordance with the laws, which further safeguards the interests of all shareholders.

2. Corporate Governance

To safeguard the interests of shareholders, the Company has been operating in strict compliance with various laws and regulations, and has been committed to continuously improving its corporate governance. In 2020, the Company mainly performed the following work:

During the year, the Company convened one annual general meeting, one extraordinary general meeting, nine meetings of the board of directors and seven meetings of the board of supervisors to consider and vote on the relevant resolutions. For details, please refer to the relevant announcements.

The independent directors duly performed their duties and deeply understood the operations and internal control system of the Company through reviewing information as well as communication and discussion with management, audit functions and general staff. In addition, they paid close attention to key issues such as financial data, current business situation and key projects. The actively attended the general meetings and the Board meetings and duly considered the relevant resolutions. In 2020, the independent directors issued their independent opinions on various matters including the nomination and appointment of directors and senior management and their remuneration, matters relating to the restricted share incentive scheme, daily connected transactions and other connected transactions, settlement of the land issues of No. 6 Chinese Medicine Plant of the Company, external guarantees, engagement of auditors, the annual reports and summary of annual reports of the Company prepared in accordance with the PRC standards and international standards, profit distribution and Shareholders' Return Plan of the Company for 2020-2022, deposit and actual use of proceeds, proposed change of the actual controller of the Company, performance of undertakings by the Company and shareholders, implementation of information disclosure, and implementation of internal control. The independent directors supervised the implementation of the resolutions of the general meetings and the Board meetings, while actively and effectively performing the duties of independent directors so as to promote the sustainable and healthy development of the Company and safeguard the overall interests of the Company and the legitimate rights and interests of all shareholders, especially minority shareholders.



Interaction between shareholders and senior management at the general meeting



In accordance with the Company Law, the Code of Corporate Governance for Listed Companies in China, the Articles of Association, the Terms of Reference of the Audit Committee of the Board and other relevant regulations, the audit committee performed its duties diligently and conscientiously. In 2020, six meetings were held and all members attended all meetings in person. During the audit of the 2020 annual report, the audit committee supervised the audit of the annual report by way of on-site and communication meetings upon commencement of field audit by the external auditor, and decided to submit the audited financial statements of the Company for 2020 to the board of directors for approval after reviewing the financial statements on its own. The audit committee supervised and evaluated the implementation of the 2020 annual report audit and internal control audit carried out by ShineWing Certified Public Accountants, the PRC auditor, and RSM Chio Lim LLP, the overseas auditor engaged by the Company. The audit committee gave full play to its role as a professional committee and actively promoted the building of the Company's internal control system. In addition to strengthening and improving the Company's internal control evaluation management, it supervised the Company's internal audit functions to complete the self-evaluation of internal control. The audit committee carefully reviewed the quarterly internal audit work summary and the internal audit work plan of the Company, timely supervised the effective implementation of the 2020 audit work plan of the Company, and provided guiding opinions on the issues arising from the internal audit, which improved the effectiveness of the internal audit work.

3. Information Disclosure and Investor Relations

In accordance with the requirements of the Rules for Information Disclosure and upholding the principles of “Never more, never less” and “Strictness over leniency”, the Company strictly complied with the requirements of the regulatory authorities of the PRC and Singapore for information disclosure, ensured the consistency of information disclosure at home and abroad, and ensured the truthfulness, accuracy, timeliness and completeness of the information disclosed in the announcements.

The Company continued to focus on strengthening the management of insiders, and strictly complied with the Rules for the Management of Insiders of the Company to complete the registration of insiders' files and the notification of confidentiality obligations, so as to prevent insiders from conducting insider trading.

In 2020, the Company fully implemented the Guidelines of the Shanghai Stock Exchange for Industrial Information Disclosure of Listed Companies No. 7 – Pharmaceutical Manufacturing and the Standards for the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 2 – Content and Format of Annual Reports in the preparation of regular reports and temporary announcements, and increased industry information and financial data such as operating results and scientific research progress under the new system of strengthening the supervision by industry at the stock exchange level, so as to improve information density and information quality. During the year, a total of 4 regular reports of A shares and S shares and 47 provisional reports of the Company were disclosed, covering resolutions of various meetings, regular reports, use of proceeds, special reports



required by the stock exchanges in the PRC and Singapore, such as mixed-ownership reform of the pharmaceutical group, etc.

The Company has always attached great importance to strengthening the management of investor relations by actively promoting positive interaction with investors, and gradually established various forms of communication channels such as information disclosure, investor hotline, the Company’s website, company visit, network and telephone conference to ensure the truthfulness, accuracy,



Online annual results presentation

completeness, timeliness, fairness and openness of the Company’s information to investors. In 2020, the Company interacted and communicated with investors through inviting investors to on-site visits and holding the “2019 Online Results Presentation” and other forms of communication. The management communicated and exchanged with investors on the Company’s operating results and other information. The Company actively demonstrated its business dynamics and corporate image to facilitate the linkage between our corporate values and the capital market.

Standardized Management

In 2020, to ensure the level of financial management and control of the Company and stimulate the vitality and enthusiasm of financial management personnel, the finance department of the Company revised and improved the Management Regulations for Senior Financial Management Personnel of Zhong Xin Pharmaceutical, which further clarified the duties and responsibilities of the seconded chief financial officer. The Company also established a multi-dimensional appraisal mechanism covering the “finance department + human resources department + seconded unit” and “daily + annual basis” to enhance the management and supervision ability of the finance department under the headquarters over the seconded finance director. At the same time, the financial management rights of controlling subsidiaries were directly included in the finance department of the Company, which further strengthened the financial supervision of the Company over its controlling subsidiaries.

In addition, the Company actively carried out special inspections on the Company’s system-wide capital assets and the “mini cashboxes” and required the finance department of each enterprise to timely revise the capital payment processes and procedures, conduct timely stock-taking and set up multi-level bank account reminders to strengthen the supervision of capital expenditure. The Company carried out special actions on the Company’s system-wide account receivables reconciliation and stock-taking, guided the enterprises to establish dynamic management thinking on inventory, paid attention to the quality of account receivables reconciliation and risk of loss, and thoroughly examined the base of inventories and account receivables, which effectively protected the rights and interests of the Company and reduced operational risks.

Centering around on the overall deployment of the Company, the audit department of the Company fully implemented the requirements of the audit committee, actively played the role of audit supervision and evaluation, and carried out audit work on the Company's headquarters, branches, subsidiaries and other units.

The audit matters include special audit of finance income and expenses, special audit of sales business, special audit of account receivables, special audit of financial statement data, special audit of economic responsibilities and special audit of informatization. For the audit issues identified by internal and external auditors and the Audit Bureau of Tianjin, the Company implemented rectification and sales account management, repeated examinations and reviews, promoted reform and construction through audit, supervised relevant units to improve processes, eliminate loopholes, and improve risk prevention and control. While supervising the implementation of the system and rectifying the system defects, the audit department of the Company is committed to continuously improving the risk awareness and prevention awareness of the responsible personnel through guidance and communication. The Company actively raised the self-awareness of relevant personnel and units, and dispatched the list of audit issues of previous years to enterprises for self-inspection. At the same time, based on the risk-oriented principle, the Company actively carried out internal control self-assessment work, focused on high-risk areas, and actively tracked and rectified the system defects found in the self-assessment of annual internal control.

Anti-corruption

(GRI 205-1, 205-2, 205-3)

The Company actively prevents and controls any form of corruption in the course of business. The Company undertakes that if any incident of corruption is discovered, an independent investigation will be conducted immediately and measures will be taken to prevent recurrence.

The Company's discipline inspection committee is responsible for the Company's systematic discipline inspection and supervision, and performs the supervision duties on all Party individual and corporate members of the Company and senior management of the enterprises. The headquarters of the Company and its subsidiaries both have discipline inspection and supervision cadres.

At the beginning of the year, to clarify the anti-corruption responsibilities and enhance the awareness of anti-corruption, the Company's discipline inspection committee organized the middle and senior management of the headquarters and its branches and subsidiaries, and appointed senior management, seconded finance directors and other key personnel to sign a total of 1079 "Letters of Commitment on Anti-Corruption for Enterprise Leaders". The Company continued to strengthen the education on clean practice and anti-corruption. All Party members of the Company's branches and subsidiaries received an accumulated eight hours of disciplinary training. Throughout the year, the Company continuously strengthened the anti-corruption awareness from both the affirmative side and negative side of the Company's Party members and cadres by forwarding materials of and organizing trainings on the typical cases of disciplinary violations and by viewing anti-corruption videos.



Every year, the Company formulates the annual self-inspection and rectification work plan for anti-corruption risk prevention and management every year, and the corresponding subsidiaries and departments under the headquarters will carry out self-inspection and rectification on job responsibilities, procurement and sales and other business processes and systems. In 2020, the self-inspection and rectification rate reached 100%, effectively preventing the occurrence of various types of dishonest acts. After risk assessment, no significant corruption risk was found. In FY2020, the Company did not receive any report of corruption.

To improve the knowledge of discipline inspection and supervision cadres in legal discipline and corporate management, the Company successively organized the discipline inspection and supervision cadres in the system to participate in a total of 14 professional trainings with the theme of “Political supervision in the mixed-ownership reform of state-owned enterprises”, “Interpretation of the Civil Code”, “Issues of concern in the financial statements, debts and account receivables of enterprises”, etc.

Whistleblowing Mechanism

The discipline inspection committee of the Company receives tip-offs 24 hours through channels such as email and whistleblowing hotline. At the same time, the Company handles such lodgings in person or by post according to the management authority. In accordance with the Measures for the Implementation of Discipline Inspection, Supervision and Whistleblowing Handling of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited, the Company deals with the tip-offs in a timely manner by means of conversation, enquiry and obtaining relevant proofs. Upon receiving the tip-offs, the tip-off content and the particulars of the whistleblowers and the whistleblowees shall be kept confidential in accordance with the principle of “maintaining the democratic rights of the parties involved in the whistleblowing”. After completing the investigation of the tip-offs, for anonymous reports, the discipline inspection committee of the Company will report the results to the Party committee of the Company or the discipline inspection committee of the pharmaceutical group. For real-name whistleblowing, the Company’s discipline inspection committee will give feedback to the whistleblowers.

In 2020, the discipline inspection committee of Zhong Xin Company handled 100% of the tip-offs received. No unsatisfactory comment was received from feedback of the real-name whistleblowers when checking with them. The discipline inspection committee of Zhong Xin Company issued five rectification proposals within a time limit for the management risks identified during the inspection.

Interested Party Transactions (Related Party Transactions)

The Company has adopted internal policies and formulated review and approval procedures for transactions with interested parties. All transactions with interested parties are properly recorded and submitted to the audit committee for quarterly review to ensure that the transactions are conducted on fair commercial terms and not prejudicial to the interests of the shareholders.

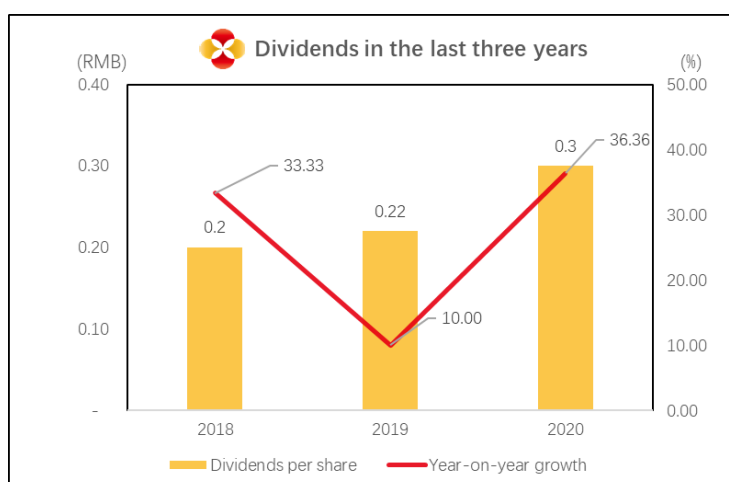
In 2020, the Company had two related party transactions. Firstly, the Company had daily related party transactions with related parties such as purchase and sale of goods, purchase of raw materials and printing of pharmaceutical packaging. The Company strictly complied with the requirements of the Shanghai Stock Exchange and the Singapore Stock Exchange, disclosed the related party transactions at the general meeting, and obtained the approval and authorization at the annual general meeting. Secondly, the Company entered into the Financial Services Agreement with Tianjin Pharmaceutical Group Finance Co., Ltd., a related party, based on the principle of “equality, voluntariness, mutual benefit, co-development and win-win outcome”, pursuant to which Tianjin Pharmaceutical Group Finance Co., Ltd. provided the Company with financial services such as settlement and intermediary business services, deposit services and credit business. Such related party transaction was considered and approved at the 2017 first extraordinary general meeting held on 30 June 2017 for a term commencing from 1 July 2017 and ending on 30 June 2020, and was approved to renew at the 2019 annual general meeting held on 5 June 2020 for a term commencing from 1 July 2020 and ending on 30 June 2023.

Securities Transactions

In accordance with the securities laws and regulations of the PRC and Singapore, the Company has adopted and implemented the policies on dealing in the shares of the Company in the stock exchanges of the PRC and Singapore. It is proposed that all directors and core senior management shall not deal in the shares of the Company during the period commencing one month before the publication of the interim, half-yearly or annual results announcement of the Company and ending on the date of the publication of the results announcement. Directors and senior management are further advised not to deal in the Company’s securities in the short term.

Dividend

The Company actively implements the requirements of the Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies issued by the China Securities and Regulatory Commission, attaches importance to the reasonable investment returns to investors, and strives to maintain the continuity and stability of profit distribution policies.



The profit distribution plan for 2019 was considered and approved at the 2019 annual general meeting of the Company, pursuant to which, on the basis of the total share capital of

772,803,076 shares as at 31 December 2019, a cash dividend of RMB3.0 (tax inclusive) for every 10 shares was distributed to all shareholders, with total cash dividends of RMB231,840,922.80 (tax inclusive) to repay the investors with practical actions. The cash dividends of the Company for the year accounted for 37.06% of the net profit attributable to owners of the parent in the consolidated statements of the Company for 2019.



Sustainability Management Structure and Board Statement

Zhong Xin Pharmaceutical takes the sustainable development of its business as a priority of the board of directors. We have established a sustainability task force comprising department heads and led by the secretary to the board of directors to implement and manage the Company's sustainability initiatives.

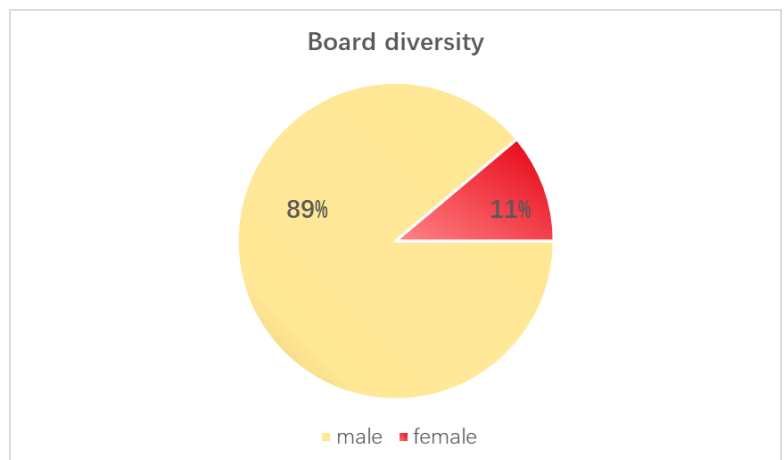
The board of directors integrates sustainable development issues into the Company's business strategy, and reviews and approves the material issues relating to economic, environmental and social impacts selected by the task force to ensure that the task force strictly manages and supervises these materiality issues.

For more information about the Company's implementation regulations on corporate governance and risk management structure, please refer to the section headed Corporate Governance in the 2020 Annual Report.

Board Diversity

(GRI 405-1)

Zhong Xin Pharmaceutical attaches great importance to the diversity of employees at all levels of the Group. With two independent directors on the board of directors of the Company being Singaporean, we believe that diversity of the board of directors will help the directors utilize their respective advantages in the course of corporate governance, create a fair and respectful working atmosphere, and ultimately improve the Group's performance.



Stakeholder Engagement

The Company firmly believes that the key factor of sustainable development is to meet and exceed the needs of stakeholders, so we select material issues based on the importance of issues to stakeholders. We have conducted effective communication with all stakeholders, actively listened to their needs, and also participated in industry and government seminars to timely understand any material issues that the stakeholders are concerned about.

We define key stakeholders as a group that has a significant impact on the Group's operations or is affected by the Group's operations. The table below summarizes the stakeholders as defined herein, how they communicate with them, and their concerns:

Stakeholders	Communication channels	Issues of concern	Please refer to the section below
Customers and consumers	<ul style="list-style-type: none"> Annual report Product quality feedback 	<ul style="list-style-type: none"> Product quality and safety Drug certificate Compliance with the PRC health and safety laws and regulations Compliance with pharmaceutical marketing laws and regulations 	<ul style="list-style-type: none"> Product health and safety Pharmaceutical marketing
Employees	<ul style="list-style-type: none"> Performance appraisal system 	<ul style="list-style-type: none"> Employee health and safety Remuneration Welfare Compliance with the PRC labor laws and regulations 	<ul style="list-style-type: none"> Caring for employees
Suppliers	<ul style="list-style-type: none"> Supplier Assessment 	<ul style="list-style-type: none"> Product quality and compliance 	<ul style="list-style-type: none"> Supplier management
Government and industry/standards association	<ul style="list-style-type: none"> Quarterly report Annual report Sustainability report Government policy communication meeting 	<ul style="list-style-type: none"> Industry regulations Environmental compliance 	<ul style="list-style-type: none"> Employee health and safety Product health and safety Pharmaceutical marketing Social responsibility
Community	<ul style="list-style-type: none"> Community services 	<ul style="list-style-type: none"> Environmental impacts Social development 	<ul style="list-style-type: none"> Giving back to society Environmental awareness



Investors and shareholders	<ul style="list-style-type: none"> • Annual report • Investor relations management • Annual general meeting 	<ul style="list-style-type: none"> • Financial results of the Company • Anti-corruption 	<ul style="list-style-type: none"> • Anti-corruption and anti-commercial bribery • Product health and safety
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Basis of Preparation of the Report

This sustainability report published by the Company is prepared with reference to the Global Reporting Initiative: GRI Standards - Core Option and illustrates the sustainability-related performance of Zhong Xin Pharmaceutical during the reporting period (1 January 2020 to 31 December 2020). The GRI Standards, the reporting framework selected by us, is a globally recognized standard for sustainability reporting, and the content of the report mainly focuses on economic, environmental and social issues. The content of this report is also prepared in accordance with the “Comply or Explain” standards for the sustainability report under the SGX Listing Rule 711B. Neither the GRI Standards nor the SGX Listing Manual require an independent verification of the reporting content. The Company’s sustainability task force believes that this annual report is still at the fundamental stage of establishing the framework for sustainability reporting. Accordingly, no external verification is required for the time being. This report is supplemental to the 2020 annual report of the Group. For the detailed sections of the GRI Standards, please refer to the Content Index of the GRI Standards of this report.

As stated in the section headed “Stakeholder Engagement”, the Company’s material issues are identified based on their impacts on our internal and external stakeholders. The material issues and scopes selected in the report are as follows:

Material Issues	Scope of impacts (i.e. business segments, countries and subsidiaries)
Economy	
Market performance	The Group
Indirect economic impacts	
Anti-corruption	
Environment	
Energy	Pharmaceutical manufacturing
Water resources	
Emissions	
Wastewater and wastes	
Environmental compliance	The Group
Social	
Employment	The Group
Occupational health and safety	The Group, including pharmaceutical manufacturing
Training and education	The Group



Diversity and equal opportunities	
Anti-discrimination	
Child labor	
Unfree or forced labor	
Human rights assessment	
Local community	
Customer health and safety	Production and sales of pharmaceutical products (including self-produced industrial sales and agency sales)
Marketing and labelling	
Socio-economic compliance	The Group

Customer Health and Safety

At Zhong Xin Pharmaceutical, the Company regards the provision of public pharmaceutical and healthcare products and services as its top priority. We are committed to manufacturing high-quality and high stability drugs, and exercising strict quality control to ensure product health and safety. We always pay attention to the practical application of cutting-edge technologies, and work closely with suppliers, customers, government departments and research institutions to ensure that product quality meets the requirements.

The Song Bai brand Suxiao Jiuxin Wan (速效救心丸) manufactured by Zhong Xin Pharmaceutical No. 6 Chinese Medicine Plant was ranked among the “Healthy China Brand Chart” in 2020, which is the fifth consecutive year that the product has won this honor.



Quality Management

(GRI 416-1)

The Company strictly complies with the requirements of drug regulations and prompts all enterprises to continuously improve their compliance level. In addition to minimizing quality risks, the Company ensures the quality of drugs is up to standard, thus protecting the safety and efficacy of patients' medication.

After the implementation of the newly revised Drug Administration Law, the GMP certification has been cancelled and the regulatory authorities now strengthens daily supervision through various methods such as follow-up inspection and unannounced inspection. In 2020, the industrial enterprises under the Company were inspected a total of 23 times by regulatory authorities, and the commercial enterprises were inspected a total of 62 times by regulatory authorities. These enterprises passed all inspections smoothly. The Company was inspected a total of 544 times comprising random inspections at national level and local provincial level and other random inspections. 112 qualified reports were issued and no unqualified report was issued. In 2020, the Company successfully passed the inspections conducted by various drug regulatory authorities and product random inspections, details of which are as follows:

Inspections in FY2020			
Type of inspection	Unit being inspected	Number of inspections	Number of unqualified inspections
Inspection by the drug regulatory authorities	Industrial enterprises	23	0
	Commercial enterprises	62	0
Number of random product inspections	Industrial enterprises	346	0
	Commercial enterprises	198	0

In accordance with the work plan and guided by issues and risk prevention and management, the Company organized the quality management backbone or third-party consulting companies to conduct quality internal audit, random inspection and drug evaluation inspection for its subsidiaries. In 2020, the Company conducted 83 quality audits in total, comprising 17 quality audits for manufacturing enterprises and 66 quality audits for operating enterprises. In addition, third-party consulting agencies were introduced to conduct special quality audits on the Company's proprietary Chinese medicine manufacturers and processed Chinese medicine manufacturers.

Pharmaceutical Manufacturing

Quality control approach of Zhong Xin Pharmaceutical

- Public health is our top priority
- Consistent quality products and stringent quality control
- State-of-the-art technology
- Close cooperation with suppliers, customers, government departments and scientific research institutions to maintain progress
- Strict compliance with international GMP, domestic GMP and drug regulations
- Emphasis on environmental protection



All of the Company's nine industrial enterprises have passed the PRC GMP certification or GMP compliance inspection, and all of them have completed the renewal of the Permit for Pharmaceutical Manufacturing. Each of Long Shun Rong Pharmaceutical Plant, Da Ren Tang Pharmaceutical Plant, Le Ren Tang Pharmaceutical Plant and No. 6 Chinese Medicine Plant has successfully passed the annual review of ISO10012 measurement management system. While meeting the 2010 GMP requirements, the Company actively promotes the internationalization of its quality management system and encourages enterprises to participate in overseas certification. In February 2020, Long Shun Rong Pharmaceutical Plant, Da Ren Tang Pharmaceutical Plant, Le Ren Tang Pharmaceutical Plant and Zhongxin Pharmaceutical Plant successfully obtained the GMP certification issued by the Therapeutic Goods Administration ("TGA") in Australia. In 2020, a total of 12 quality control group projects of Zhong Xin Pharmaceutical won the first-class award at the National Pharmaceutical Industry Achievement Awards, three of which won the Best Presentation Award. Two of the Company's projects won the second-class award at the 2020 Tianjin Quality Excellence Awards.

We have established a complete set of industrial quality management system documents covering all chapters of GMP. In accordance with national regulations such as GMP and market changes, we continuously improve the standardized management level of our products. In 2020, the Company participated in the formulation of 26 industry and national standards, and formulated and revised 1,544 internal control standards for the enterprises.

The Company has established a routine supervision and self-inspection mechanism for quality management and a scientific analysis and decision-making mechanism for quality issues. The industrial subsidiaries of the Company are guided by the quality management system documents of Zhong Xin Pharmaceutical. In the quality control process of pharmaceutical manufacturing, the Company strictly implements the system requirements, implements drug quality responsibilities at all levels, strengthens quality monitoring and data analysis of key segments, and timely investigates quality and safety hazards. Through the scientific and comprehensive management and control of the whole process system, the product quality is guaranteed and the drug safety of consumers is ensured.

Sales of Pharmaceutical Products (Including Sales of Products of Zhong Xin Pharmaceutical's Industrial Enterprises and Non-subsidiaries)

All the commercial subsidiaries of the Company renewed their Pharmaceutical Trade License in 2019, and six retail enterprises completed the renewal of their Pharmaceutical Trade License in 2020.

The Company actively organized training sessions on the interpretation of regulations and policies, such as the Pharmaceutical Administration Law, the 2020 National Reimbursement Drug List, the Medical Representative Registration System, and the Interpretation of Pharmaceutical Industry Entry Barriers and Finance and Taxation Compliance Policies, to ensure the compliance and orderly operation of enterprises.



Marketing and Labelling

(GRI 417-1)



Zhong Xin Pharmaceutical's brands appeared at the China Brand Day Online and the China Brand Development International Seminar

Sales of Products of Zhong Xin Pharmaceutical's Industrial Enterprises

Zhong Xin Pharmaceutical has a nationwide sales network, with more than 170 offices in 30 provinces, municipalities and autonomous regions across the country. Sales channels include medical market, retail market, third-party end user market and online sales channel. The Company has established strategic cooperation with national pharmaceutical business giants, regional strong distributors and national chain pharmacies. Many quality products are sold to more than 17 countries and regions around the world and are well-known. The Company continued to deepen the end user marketing campaign of “the more common the medicines, the more you need to choose Zhong Xin Pharmaceutical”, organized more “Healthcare Mini Classes”, and regularly carried out online healthcare activities. As part of its efforts to strengthen cooperation with e-commerce platforms, the Company pushed ahead the cooperation with B2B, B2C and O2O e-commerce platforms, established the online medical consultation project, expanded Internet hospital channels, promoted the “online free medical consultation” campaign on platforms including 120ask.com, miaoshou.com and chunyuisheng.com, to provide online medicine advice and drug purchase services for chronic diseases, and built a customer relationship management (“CRM”) online member closed-loop service system to provide targeted services to patients.

All drugs manufactured by Zhong Xin Pharmaceutical have been granted valid drug approval numbers (a total of 499 approval numbers), and the drug labels are in strict compliance with the requirements of the Provisions on the Administration of Pharmaceutical Directions and Labels (Bureau Order No.24), in which the label information is derived from the quality standards of various varieties (all being national drug quality standards).

The Company earnestly fulfilled the main responsibility of pharmacovigilance as holder of the drug marketing license. To ensure the drug safety of end consumers, the Company made amendments to the safety information of 257 drug directions including our key product, Suxiao Jiuxin Wan (速效救心丸) in 2020 and submitted to the National Medical Products



Administration for approval. The directions of other drug varieties will subsequently be amended in accordance with the new Measures for the Administration of Drug Registration and relevant national regulations.

The Company's drug marketing and labelling strictly comply with the national marketing and labelling management regulations. The Company regularly conducts risk prevention and control checks, strictly manages front-line marketing personnel, agents and service providers, and emphasizes legal and compliant marketing. For the merchant solicitation business, the Company achieves the whole-process documentation and standardized management of "information release, tender evaluation, tender confirmation and agreement signing" through the third-party merchant solicitation platform to ensure that the merchant solicitation business operates in a fair and just environment.

To regulate the advertising and promotion of products of its subsidiaries, the Company strictly implements the Rules for Advertising of Printed Media of Tianjin Zhong Xin Pharmaceutical Group Corporation Ltd. and implements the product advertising process. All subsidiaries of the Company have formulated the Code of Conduct for Pharmaceutical Marketing and designated special personnel to be responsible for matters relating to advertising, review the content of advertising, monitor the status of advertising, strictly comply with the Pharmaceutical Administration Law and the Advertising Law, standardize the implementation plan of marketing, and ensure the legal and compliant promotion of products.

Sales of Products of Enterprises not under Zhong Xin Pharmaceutical

The drugs operated by Zhong Xin Pharmaceutical are purchased from legally qualified suppliers. The labels of the purchased drugs are reviewed upon qualification assessment of newly-operated suppliers to ensure that the labels of the purchased drugs are in compliance with the Provisions on the Administration of Pharmaceutical Directions and Labels (Bureau Order No.24) and the drug quality standards.

Supplier Management

(GRI 416-1)

Zhong Xin Pharmaceutical attaches great importance to the quality of the products manufactured and sold by the Company. We conduct high-standard and strict inspection when evaluating suppliers to ensure product quality.

Pharmaceutical Manufacturing

The Company adopts electronic procurement system for the procurement of Chinese herbal medicines to optimize the supplier selection process, and formulates annual, monthly and temporary procurement plans based on annual demand, inventory and market changes. A comprehensive evaluation of suppliers is conducted based on seven scoring criteria, including capital, batch, sufficient quantity, transportation, returns and contract, to ensure that the selection of suppliers is transparent and objective.



To ensure the quality of the supply chain and strengthen the competitive advantages of the supply chain, during the bidding process, we select suppliers based on the following three principles, namely:

1. Suppliers from the main origin of the purchased pharmaceutical products are selected;
2. Quality suppliers in the proprietary Chinese medicinal materials market are selected;
3. Suppliers with competitive advantages in purchasing pharmaceutical products are selected.

To ensure the stable quality and control costs of Ligusticum Chuanxiong Hort, the main raw material of our key product Suxiao Jiuxin Wan (速效救心丸), the Company together with the enterprises located in the famous production region of Ligusticum Chuanxiong Hort, jointly established Dujiangyan Zhongxin Chinese Medicine Plantation Co., Ltd. (都江堰市中新中药材种植有限公司) (hereinafter referred to as “Dujiangyan Plantation Base”) in 2013 to carry out the standardized plantation of Ligusticum Chuanxiong Hort. The Dujiangyan Plantation Base adheres to the combination of ecological planting and wildlife breeding during the breeding stage to ensure stable quality and genuineness of the breeding source. At the field, the Company insists on the using of organic fertilizers for plant care, which ensures the quality of raw materials and effectively protects the soil environment in the place of origin.

The effective content of Ligusticum Chuanxiong Hort produced at the Dujiangyan Plantation Base is higher than the pharmacopoeia standards, which provides a strong guarantee for the stability of the quality of Suxiao Jiuxin Wan (速效救心丸) produced at Zhong Xin Pharmaceutical’s No. 6 Chinese Medicine Plant. The Dujiangyan Plantation Base employs local farmers to provide job opportunities for some local people.

Non-manufacturing Materials

The Company actively promoted the online procurement of “non-manufacturing materials” within the system and capitalized on the centralized procurement platform of Zhong Xin Pharmaceutical to achieve clean procurement. At the same time, the Company expanded the source of procurement through the supplier resource advantages on Alibaba’s platform, improved the efficiency of procurement, and achieved the goal of minimizing procurement costs.

Sales of Products of Enterprises not under Zhong Xin Pharmaceutical

Provided that the new GSP requirements are strictly complied with, by relying on the organic combination of the Enterprise Information Management System (the “ERP”) and the Warehouse Management System (the “WMS”) of Tianjin Zhong Xin Pharmaceutical Logistics Center, Zhong Xin Pharmaceutical’s Zhongxin Pharmaceutical Plant completed the automatic data exchange and formed a complete platform of enterprise system and warehouse management system.

To regulate procurement practices, Zhongxin Pharmaceutical Plant has formulated the Procurement Management System of Zhongxin Pharmaceutical Plant to build files of qualified



suppliers and strictly screen them. The files of suppliers shall include basic information of suppliers, approval forms of suppliers, relevant qualification certificates, audit materials, assessment results, purchase and sales contracts, facsimile correspondences, telephone records and other information. In 2020, 62 new suppliers were added.

Product Safety Objectives and Compliance

(GRI 416-2, 417-2, 417-3, 419-1)

In FY2020, there were no incidents of non-compliance with product safety-related regulations, no incidents of non-compliance with quality and safety-related regulations in respect of the products operated by the Company, and no incidents of non-compliance with marketing communication-related regulations.

To ensure that we strictly comply with product safety laws and regulations and achieve product safety targets in FY2021, the product safety performance in FY2020 has been reviewed and the plan for FY2021 has been formulated.

Actual Performance in FY2020	
FY2020 Targets	Performance
Zero incident of product marketing and labelling non-compliance	We achieved zero incident of non-compliance with respect to information and labelling of self-manufactured products and third-party products; We achieved zero incident of non-compliance with respect to marketing of self-manufactured products and third-party products.
Zero incident of product safety non-compliance	We achieved zero material safety incident occurred .
Product Safety Targets for FY2021	
FY2021 Targets	Action Plan
Zero incident of product marketing and labelling non-compliance	We will continue to strictly implement the existing marketing management systems, standards and processes
Zero incident of product safety non-compliance	We will strengthen the investigation and management of hidden dangers and safety production education and training to achieve no material safety accident in 2021.



Technology Research and Development

The Company invested RMB126,492,800 in technology throughout the year, with a technology investment rate of 6.76%. Based on the technology strategic positioning of “serving production, supporting sales and leading the future”, the Company systematically rationalized the direction of scientific research and explored the clinical use value of key products by relying on the top-level design plan of traditional Chinese medicine products and core products. Based on good clinical efficacy and market potential, the Company conducted analysis, screening and project-based research on exclusive pediatric drugs.

There were a total of 19 new product R&D projects carried out during the year, of which Bufeikeli (补肺颗粒) was in phase II of clinical research and data statistics were being collected. The Company carried out generic consistency evaluation on five varieties, among which, Metformin Hydrochloride Tablets (盐酸二甲双胍片) obtained the Approval for Supplementary Application of Drugs from the National Medical Products Administration on 3 March 2020 and passed the generic consistency evaluation in terms of quality and efficacy. The research on the evaluation of Tiapride Hydrochloride Tablets (盐酸硫必利片) and Gliclazide Sustained-release Tablets (格列齐特缓释片) have been completed and received the acceptance notice from the NMPA. The Company carried out 26 secondary development projects for large variety products, and conducted in-depth research on large variety products in respect of pharmacodynamics, mechanism of action, clinical re-evaluation and renewal approval under the category of protected traditional Chinese medicines. Among them, the research on real world clinical evaluation of Zilong Jin Pian (紫龙金片) was carried out where the clinical value of the product was further clarified through observational comparative analysis of efficacy and data mining, providing doctors and patients with scientific evidence of Zilong Jin Pian (紫龙金片) for the treatment of lung cancer. We carried out clinical research on treatment of chronic heart failure with Shenfu Qiangxin Wan (参附强心丸), which clarified the effectiveness and safety of treatment of chronic heart failure with Shenfu Qiangxin Wan (参附强心丸) and provided strong evidence for clinical use. We carried out clinical research on the delay of coronary heart disease’s percutaneous coronary intervention (the “PCI”) post-operative myocardial remodeling based on a combination of disease and syndrome with Tongmai Yangxin Wan (通脉养心丸) and evaluated the effectiveness and safety of its prevention and control of post-MI myocardial remodeling to slow down the progress of myocardial remodeling and prevent the development of heart failure, so as to provide evidence-based proof for the early application of traditional Chinese medicine to prevent post-MI myocardial remodeling and heart failure. The Company carried out the randomized, double-blind single simulation, placebo-control, parallel and multi-center clinical research on the treatment of chronic stable angina (qi stagnation and blood stasis) with Suxiao Jiuxin Wan (速效救心丸), evaluated the effectiveness of long-term intake of Suxiao Jiuxin Wan (速效救心丸) for the treatment of chronic stable angina, observed the impact of long-term medication on



the efficacy of Suxiao Jiuxin Wan (速效救心丸) in acute exacerbation, which further clarified the clinical use value of Suxiao Jiuxin Wan (速效救心丸).

The Company attaches great importance to the protection of property rights and continuously strengthens the management of intellectual property rights. In 2020, Zhong Xin Company and its subsidiaries successfully passed the annual supervision and review of the intellectual property rights management system, completed the patent promotion project acceptance of China National Intellectual Property Administration, and improved the building of the Company's intellectual property management system. The Company was granted 30 patents throughout the year, including four invention patents. Our rich academic results provided strong support for product expansion and efficiency enhancement.

In 2020, four large variety products of Zhong Xin Pharmaceutical, namely, Suxiao Jiuxin Wan (速效救心丸), Qingfei Xiaoyan Wan (清肺消炎丸), Tongmai Yangxin Wan (通脉养心丸) and Zilong Jin Pian (紫龙金片), fulfilled the high-level guidelines, paths and expert consensus in guiding clinical use of drugs rationally to give play to the advantages and role of traditional Chinese medicine.

Essential medicines are those that meet the basic medical and health needs and are available in appropriate dosage forms at reasonable prices with guaranteed supply and fair access to the public. The drug list stresses the equal emphasis on both Chinese and Western medicines with focus on the connection between common diseases and chronic diseases (especially major diseases) and medicines for the elderly, women and children, and is applicable to medical and health institutions at all levels, which serves as a basis for medical and health institutions to prepare and use drugs. As of December 2020, the 2018 National Essential Drug List is the latest version of the essential drug list.

Zhong Xin Pharmaceutical is committed to ensuring the safety of drugs and patients. A total of 75 varieties of proprietary Chinese medicines and 601 types of Chinese medicine decoction of Zhong Xin Pharmaceutical are listed in the 2018 National Essential Drug List. Compared with the 2012 Essential Drugs List, there are 5 new varieties on the 2018 version, all of which are proprietary Chinese medicines. The newly selected varieties are as follows:

Products newly included in the 2018 National Essential Drug List				
No.	Name of pharmaceutical products	Form and specification	Functions	Production unit
1	Jinqi Jiangtang Pian (金芪降糖片)	Tablet; 0.56g/tablet	Clearing visceral heat	Long Shun Rong Pharmaceutical Plant
2	Dahuang Zhechong Wan (大黄廑虫丸)	Pill; 3g/pill	Dispelling blood stasis and resolving masses	Da Ren Tang Pharmaceutical Plant



3	Shihu Yeguang Wan (石斛夜光丸)	Pill; 5.5g/pill, 7.3g/bag	Nourishing the liver and improving eyesight	
4	Yangyin Qingfei Gao (养阴清肺膏)	Decoction; 80ml/pill	Nourishing the lungs and resolving phlegm	
5	Xiwang Wan (西黄丸)	Pill; 1g/20 pills	Resolving masses and relieving swelling	Le Ren Tang Pharmaceutical Plant

Continuous Innovation

(GRI 203-2)

1. Technology Center

We have one national-level enterprise technology center, namely the Technology Center of Tianjin Zhong Xin Pharmaceutical Group Corporation Co., Ltd. (hereinafter referred to as the “Zhong Xin Pharmaceutical Technology Center”) and five municipal-level enterprise technology centers.

Zhong Xin Pharmaceutical Technology Center

Tianjin Zhong Xin Pharmaceutical Technology Center is a national-level enterprise technology center with a technology committee and an expert advisory committee, and a post-doctoral research center for enterprises of Zhong Xin Pharmaceutical. During the “13th Five-Year Plan” period, to further promote innovation and enhance the core competitiveness of the enterprise, Zhong Xin Pharmaceutical Technology Center actively explored the mechanism of collaborative innovation, engaged in industry-university-research cooperation, and carried out in-depth strategic cooperation with China Association of Traditional Chinese Medicine while establishing a joint research institute with the Institute of Traditional Chinese Medicine of Tianjin University of Traditional Chinese Medicine to achieve co-building and co-sharing. We have built a high-level think tank team externally and fully played its role to promote the transformation of scientific research achievements.

Our technology center is equipped with state-of-the-art instruments sourced at home and abroad, including ultra-high pressure liquid chromatography instruments: triple-quadrupole tandem mass spectrometry (UPLC-MS-MS) instruments, gas chromatography instruments: triple-quadrupole tandem mass spectrometer (GC-MS-MS) instruments, inductive coupled plasma mass spectrometer (ICP-MS) instruments, atomic spectrophotometer, medium-pressure preparative chromatography instruments and other large-scale instruments. We also introduce advanced pilot test instruments from overseas, such as Germany, Singapore, Japan and Denmark. The introduction and installation of these instruments provide a strong guarantee for the Company’s technology development.



Zhong Xin Pharmaceutical Technology Center has a dynamic scientific research team with different academic backgrounds, professional expertise and reasonable age structure. Nearly 30% of the front-line scientific research personnel possess professional master's or doctoral degrees. Over the years, Zhong Xin Pharmaceutical Technology Center has undertaken a number of major projects for of the National Development and Reform Commission, the Ministry of Science and Technology and Tianjin Municipality, and has a new drug pipeline, providing extensive and timely product process research, quality standard research and other various technical services inside and outside the Company. The traditional Chinese medicine chemical control products of our in-house R&D team have been adopted and used by famous domestic and foreign institutions such as the European Pharmacopoeia Commission. As a laboratory accredited by China National Accreditation Service for Conformity Assessment (the "CNAS"), the testing department of Tianjin Zhong Xin Pharmaceutical Research Center provides testing services that meet the requirements of international standards and are able to gain wider international recognition.

After years of development, Zhong Xin Pharmaceutical Technology Center has gradually developed into an important technology platform for the technologies and products of Zhong Xin Pharmaceutical to transform towards enterprise industrialization. It is the main source of the Company's independent intellectual property rights and major new varieties of Chinese medicine, and is one of the core forces to ensure the technology leadership of Zhong Xin Pharmaceutical.

Municipal-level Enterprise Technology Centers

Our municipal-level enterprise technology centers are equipped with a number of modernized analytical equipment such as high performance liquid chromatography instruments, gas chromatography instruments, evaporative light scattering detectors, thin-layer scanners and ultraviolet spectrophotometers, as well as pilot test equipment for solid preparations, which can meet the needs of new drug development, process and standard research, drug analysis and testing; The Company will focus on the R&D of new products and the secondary development of key products.

Each of the enterprise technology centers focuses on the construction of scientific research teams, and has built a scientific research team with complete professional technology skills, reasonable age structure, strong vitality and innovative spirit.

We have increased our efforts in industry-university-research cooperation, invested a large amount of funds to cooperate with scientific research institutes such as Tianjin University of Traditional Chinese Medicine, and established a close technological cooperation relationship with scientific research institutes by undertaking scientific and technological innovation projects of the Ministry of Science and Technology and Tianjin Municipality.

We enriched our corporate product mix through new product R&D, explored the clinical use value of products through secondary product development, and accelerated the transformation of scientific research achievements into the market. In the process of developing new technological products, we focused on strengthening the protection of intellectual property



rights, and made timely technical confidentiality and patent applications. The Research on the Clinical Re-evaluation of Qinggong Shoutao Wan (清宫寿桃丸) won the second-class award at the Tianjin Scientific and Technological Progress Award in 2020. The Research on the Clinical Re-evaluation and Automation Process of Suxiao Jiuxin Wan (速效救心丸) won the Tianjin Scientific and Technological Achievements Registration Certificate. Three products namely Zilong Jin Pian (紫龙金片), Shunaixin Di Wan (舒脑欣滴丸) and Zihai Chuanbei Pipa Di Wan (治咳川贝枇杷滴丸) were approval for renewal under the category of protected traditional Chinese medicines.

2. Equipment and Technology Enhancement

To ensure product quality, improve production efficiency and enhance production capacity, the Company focuses on the introduction of advanced technology and equipment for the manufacturing of traditional Chinese medicines. In 2020, the Company introduced the production lines and production facilities such as the production line for pill weighing and filling, the production line for press through outer packaging, the automatic cartoning machine, the dynamic pill drying machine, the aluminum plastic packaging machine and the tablet press machine.

In 2020, to improve product quality and production efficiency and enhance the level of production process, the Company carried out four process improvement projects, including the transformation to fluid bed granulation for Jinqi Jiangtang Pian (金芪降糖片) and the enhancement of oil extraction rate of Zisuye (紫苏叶). To improve the compliance of drug administration, the Company carried out process improvement to reduce the dosage intake of Tongmai Yangmin Wan (通脉养心丸). To solve the shortage of ceramic bottle raw materials and ensure the stable supply in the market, the Company carried out research on new inner packaging materials of products. To reduce the use of ethanol and strengthen production safety, the Company carried out the research project on the granulation process of Xinkening Jiaonang (心可宁胶囊).

3. University Research and Development and University Scientific Research Institutions

Zhong Xin Pharmaceutical has always attached great importance to the industry-university-research cooperation, actively built various forms of cooperative relationships with higher education institutions and research institutes, and carried out research on the basis of medicinal substances and community real-world research, so as to better guide clinical medication and improve the medical value of products.

The Company cooperated with Tianjin University of Traditional Chinese Medicine to establish a professional committee, taking Lingyangjiao (羚羊角) as the entry point, to seek alternative solutions for endangered medicinal materials, so as to ensure the continuous expansion of key products such as Qingfei Xiaoyan Wan (清肺消炎丸). Through strategic cooperation with Tianjin University of Traditional Chinese Medicine, the Company conducted a full background analysis on Suxiao Jiuxin Wan (速效救心丸), put forward advantages positioning and key



tasks research recommendations for secondary product development, organized high-level expert demonstration programs, trained the clients and guided the implementation of scientific research, and formulated scientific research strategies for improving the level of evidence of product efficacy, enhancing the market competitiveness of products and increasing the market share of products.

In cooperation with the First Affiliated Hospital of Tianjin University of Traditional Chinese Medicine, the Company carried out a randomized, double-blind, placebo-controlled, parallel multi-center clinical trial for the treatment of advanced non-small cell lung cancer (Qi and blood deficiency syndrome), which clarified the effectiveness and safety of the treatment of non-small cell lung cancer with Zilong Jin Pian (紫龙金片), defined the clinical positioning and advantages of the product, and provided the basis and evidence for clinical rational drug use and evidence-based medicine.

The Company cooperated with the Xiyuan Hospital of the China Academy of Chinese Medical Sciences to conduct clinical research on the treatment of chronic heart failure with Shenqiang Xinwan Wan (参附强心丸). Through large sample, multi-center and double-blind randomized trials, the effectiveness and safety of Shenqiang Xinwan Wan (参附强心丸) for the treatment of chronic heart failure were established, and more reliable and targeted evidence was obtained to improve the level of drug research and provide strong evidence for clinical use.

The Company cooperated with the First Affiliated Hospital of Henan University of Chinese Medicine to carry out clinical research on the delay of coronary heart disease's PCI post-operative myocardial remodeling based on a combination of disease and syndrome, and evaluated the effectiveness and safety of its post-MI myocardial remodeling to slow down the progress of the myocardial remodeling and prevent the development of heart failure, so as to provide evidence-based proof for the early application of traditional Chinese medicine to prevent the post-MI myocardial remodeling and heart failure.

4. New Drugs with Great Contribution to the Pharmaceutical Industry

Currently, our pipeline drug Bufeifei Keli (补肺颗粒), which is jointly developed by Zhong Xin Pharmaceutical Research Center and Da Ren Tang Pharmaceutical Plant and belongs to the category 6.1 of the traditional Chinese medicine, is used for the treatment of stable chronic obstructive pulmonary disease (the "COPD"), and has obtained clinical approval in September 2014. The new drug research project was supported by the Tianjin Special Major Project for Technologies of Innovative Manufacturing of New Drugs in 2015, which was a project supported by the special funds for scientific and technological innovation of the pharmaceutical group, and was a National Major Scientific and Technological Special Project for Significant New Drugs Development in 2017. At present, it is in phase II of clinical study and data statistics are being collected.

Currently, clinical treatment for stable COPD is mainly based on western medicine. The main drugs are bronchodilator, glucocorticoid, and expectorant, etc. As long-term medication is required, it has huge toxic side effects and is expensive, resulting in heavy social and economic



burden. In addition, these drugs cannot prevent patients from repeated infections, leading to increasing difficulty and progression of the disease. Ultimately, it will lead to pulmonary heart disease, which causes the quality of life of patients to decline or even endanger the life of patients. In recent years, the treatment of COPD with traditional Chinese medicine has received wide attention, and its safety and effectiveness are recognized with clinical results. The treatment of COPD with Chinese medicine has come under the spotlight of research in recent years. Through diagnosis and treatment of traditional Chinese medicine, the symptoms and the root cause of the disease are addressed. Not only does it effectively alleviate patients' symptoms such as chronic cough, coughing up phlegm and respiratory difficulties, it also improves their immunity, nutritional condition, ability to resist diseases and reduces recurrence and progression of the disease, which will in turn delay and prevent the development of the diseases, promote the recovery of patients' body, and fundamentally improve the quality of life of patients.

The formulation of Bufe Keli (补肺颗粒) consists of Dangshen (党参), Danggui (当归), Shanyurou (山萸肉) and Zhimahuang (炙麻黄). It has the function of nourishing the lungs and invigorating the spleen, tonifying the kidneys and relieving asthma, as well as removing blood stasis and resolving phlegm. It is a traditional Chinese medicine compound formula for the treatment of stable COPD and chronic persistent bronchial asthma based on abundant clinical data summarizing such diseases. Once the new drug is launched, it will make up for the gap in the treatment of stable COPD with Chinese medicine and bring good news to COPD patients.



Caring for Employees

The Company is committed to ensuring the development, safety and welfare of its employees, values the contribution of all employees and provides them with fair remuneration. We endeavor to achieve zero fatal accidents in all workplaces and have adopted safety measures in the workplace to ensure the health and safety of our employees.

In 2020, the labor union of the Company was accredited as the home of model workers nationwide.

Occupational Health and Safety

(GRI 403-1, 403-2, 403-3, 403-4)

The Company remains committed to the principle of “safety first, precaution crucial and comprehensive governance” and gives priority to the occupational health and safety of employees. The Company conscientiously complies with the laws and regulations relating to safety production, and fully implements various requirements for safety production.

In 2020, the Company established the “one map and one manual” (i.e. risk distribution map and risk management manual) strategy for risk management, which enhanced the ability to control risks and manage hazards. It carried out various safety inspections and hazards investigation and promoted the three-year special rectification actions for safety production to identify and control hazards, thereby reducing accident risks and improving safety coefficients.

The Company continued to step up its safety production training efforts to ensure full coverage of safety training over all employees. In addition, the Company also continued to enhance its emergency management and improve emergency response capabilities. During the safety months, LED screens were set up at the Company’s headquarters to display publicity posters on rolling basis and self-designed safety publicity boards were erected, covering various areas such as safety responsibility, fire escape, elevator safety, electricity safety and limited space operation safety. The Company carried out special governance actions for “escape passage” to detect and eliminate fire safety hazards in a timely manner and established an electronic fire-fighting filing system to strengthen the supervision of daily firefighting management. The Company strengthened the enterprise trainings and drills on fire contingency planning, the construction of micro fire stations and fire control rooms, and carried out education and training on fire safety professional skills to standardize the fire management.

In 2020, the Company revised its occupational health management system to regulate occupational health management and labor protection. An electronic filing system on occupational health and labor protection was set up, and special inspections on occupational health and investigation on hazards were carried out. The Company organized occupational health education and training to enhance employees’ knowledge on occupational health and labor protection in the workplace premises, which further improved the prevention and control of occupational diseases.



In 2020, the Company's safety production was stable in general, and all safety production indicators were achieved, with major injury of 0%, working hours lost of 0%, work-related fatalities of 0%, major fire and explosion accidents of 0%, and major equipment accidents of 0%. No employees were engaged in duties or positions of high risks or high incidence of disease-specific death.

Employee Diversity

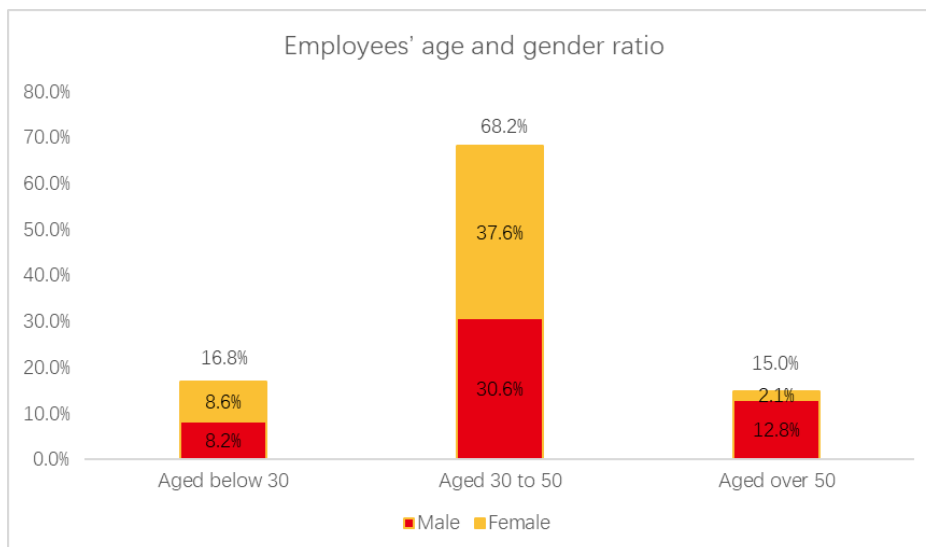
(GRI 401-1, 405-1)

The Company treats all employees fairly and does not discriminate on the basis of gender, age and other factors in the employment process, and strictly complies with the principle of equal pay for equal work. A diversified workforce forms a major driving force for the Company's reform and innovation.



Orientation program for new hires

In FY2020, the Company had a total of 4,840 employees and 74 new employees, with new joiner ratio of 1.53%. The gender and age distribution of the Company's employees are as follows:



Note: According to the PRC prevailing policies, the retirement age of male employees is 60 years old, and the retirement age of female employees holding the position of worker is 50 years old, while the retirement age of female employees holding the position of management



is 55 years old. In the group aged over 50, the majority of employees are predominantly male as most female employees have retired.

Employee Benefits

(GRI 202-1, 401-2, 401-3, 404-3, 405-2)

The Company strictly complies with the Labor Contract Law and its implementation regulations, and have entered into labor contracts with all employees to strengthen the management of labor remuneration, rest days and leaves, social insurance and other aspects. The Company ensures that the starting salary of employees is not lower than the minimum wage standard in Tianjin. The remuneration and benefits of employees are in line with industry standards and are competitive in the market. The Company provides pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund and other benefits to all employees and guarantees full payment in a timely manner. Physical examinations for employees are organized regularly to reduce and avoid occupational hazards. The Company cares about the physical and mental health of its employees.

The Company conducts performance management for employees, and implements various forms of regular performance appraisal according to the nature and category of the employees' positions to ensure that employees' contributions are fairly rewarded. In particular, the senior management is subject to annual salary assessment, while the management, sales and production personnel are subject to management performance assessment, physical quantity assessment and sales performance assessment based on their positions. To fully motivate our employees and enable them to share the development achievements of the Company, the Company continuously improves its remuneration system and incentive mechanism to ensure that the remuneration level of employees is commensurate with the Company's performance growth. Since 2019, the Company has further enriched the channels for employees to share the returns of corporate development through the corporate annuity benefit scheme and restricted share incentive scheme.

In 2019, the number of employees on maternity leave was 52, all of whom were retained by the Company upon expiry of maternity leave, representing a retention rate of 100%. At present, 47 employees are on duty, representing a retention rate of 90%, of which five individuals resigned due to personal reasons. In 2020, the number of employees on maternity leave was 50. Among them, 26 employees have returned to work, and the remaining 24 employees are still on maturity leave, whom will continue to be retained by the Company, representing a retention rate of 100%.

The labor union of the Company focuses on strengthening its democratic management functions, as well as guiding and supervising all enterprises to convene employee representative meetings according to laws, sign negotiating collective bargaining agreements and collective contracts, file the agreements and contracts according to laws and make timely announcements to employees. The Company's signing rate and performance rate reach 100%. At the same time, to ensure the provision of assistance and support for distressed employees,



since 2013, the labor union of the Company has continuously revised and improved the Measures for the Administration of Provision of Assistance and Support to Distressed Employees of Zhong Xin Pharmaceutical to clarify the recognition criteria for distressed employees, establish files for distressed employees, implement dynamic management and strengthen support efforts so as to achieve targeted assistance. As of December 2020, more than 1,000 distressed employees received assistance, with a total of more than RMB5.10 million of assistance funds used, enabling the distressed employees to truly feel the care of the Company. The labor union of the Company has purchased two mutual assistance insurance schemes for all employees of the Company in three consecutive years, namely the “Mutual Assistance and Protection Scheme for Existing Employees with Major Diseases and Hospitalization” and the “Mutual Assistance and Protection Scheme for Existing Employees with Accidental Injuries” launched by the municipal labor union, with a capital expenditure of approximately RMB0.75 million.

The Company insists on making allocations to the activity subsidy funds for the respective labor unions of its subsidiaries to support the organization of the employee cultural activities in the sum of more than RMB0.20 million each year. The labor unions at all levels actively held cultural and recreational activities to continuously enrich the lives of employees, such as Chinese calligraphy class, basketball and badminton competitions, which were well-received by employees. In 2020, the labor union of the Company actively encouraged its employees to study the Civil Code to enhance their ability in protecting their own legitimate rights and interests. A total of 2,955 employees of the Company participated in the knowledge quiz on the Civil Code.



Chinese calligraphy class

Growth of Employees and the Company

(GRI 404-1, 404-2)

Being committed to the strategic goal of “building the ideal development platform for employees” as its work deployment direction, the training center of Zhong Xin Pharmaceutical provides the foundation and guarantee for building a high-quality and high-caliber talent team. While continuously expanding the talent pool of high-end professionals, we further push ahead talent teambuilding and revitalize existing talents. With the training center as the backbone, position competence as the core, and guaranteeing talents for enterprises as the goal, we have built five vocational training platforms for employees, namely management, professional technology, marketing, production and operation as well as scientific research. We also provide continuous and systematic training courses for employees of various positions to accelerate their development in Zhong Xin Pharmaceutical. In 2020, a total of 710 training sessions were held, with a total of 7,319 training hours and an employee attendance of 25,529, covering personnel in R&D, technology, quality control, frontline production, marketing, management, etc.



In 2020, Mao Yuquan from Zhong Xin Pharmaceutical's Medicinal Materials Company was elected as a national model worker, Du Ruifeng from Da Ren Tang Pharmaceutical Plant was elected as a model worker in Tianjin, and Zhong Xin Pharmaceutical Jianmin Pharmacy was elected as a collective representative of model worker in Tianjin.



First National Traditional Chinese Medicine Vocational Skills Competition(首届全国中药传统名堂职业技能竞赛决赛) was held at the No.6 Chinese Medicine Plant of Zhong Xin Pharmaceutical



Mao Yuquan was elected as a national model worker



Training for middle management

Employment Objective and Labor Compliance

(GRI 406-1, 408-1, 409-1, 412-1, 419-1)

The Group is committed to being a socially responsible employer. In FY2020, there were no incidents of serious discrimination, child labor, forced or compulsory labor and human rights violations. The wages and benefits of the employees of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited are determined in accordance with the provisions of the signed labor contracts and the principle of equal pay for equal work is maintained regardless of gender.

Actual Performance in FY2020	
FY2020 Targets	Performance
To promote employee development	In 2020, the training center carried out a series of professional skills training programs based on the needs of the positions. Participants in the training included employees from R&D, technology, quality control, front-line production, marketing, management, etc.
To strengthen staff recruitment	In 2020, 74 new employees were recruited, with end-to-end recruitment for key positions, to further enhance the employee structure, optimize the diversified employee teams and improve the level of education of employees.
Zero accident of employee occupational health and safety production	Zero accident of employee occupational health and safety production in 2020.



FY2021 Targets	
FY2021 Targets	Action Plan
To promote employee development	We will further enable the training to cover all employees, focus on employee training, promote high-level talent training, and provide vocational training on management, professional technology, marketing, production operation and scientific research for employees of different positions.
To protect employees' rights and interests	We determine the remuneration standards in accordance with national laws and regulations and conduct performance appraisal to ensure that employees are entitled to benefits such as equal pay for equal work, five types of insurance and contribution to the mandatory housing fund, and maternity leave for female employees.
No safety production incident	We will strengthen the investigation and management of hidden dangers and safety production education and training, aiming for no major safety production incidents in 2021.

Environmental Awareness

The Company regularly monitors the energy consumption in daily operations and effectively improves the Company's environmental protection measures in the long run based on the data collected. The management are responsible for the effective implementation of environmental protection measures across the departments of the Group.

In 2021, the Company will continue to improve its level of energy utilization by developing the energy management system, carrying out energy conservation assessment and implementing energy conservation projects.

Carbon Management

(GRI 302-1, 302-3, 302-4, 305-2, 305-4, 305-5)

The Company has made positive achievements in energy conservation by improving the energy efficiency of equipment and conducting energy audits. We also save water through measures such as recycling of steam condensate and reduce energy consumption required by hot water supply.

Pharmaceutical Manufacturing

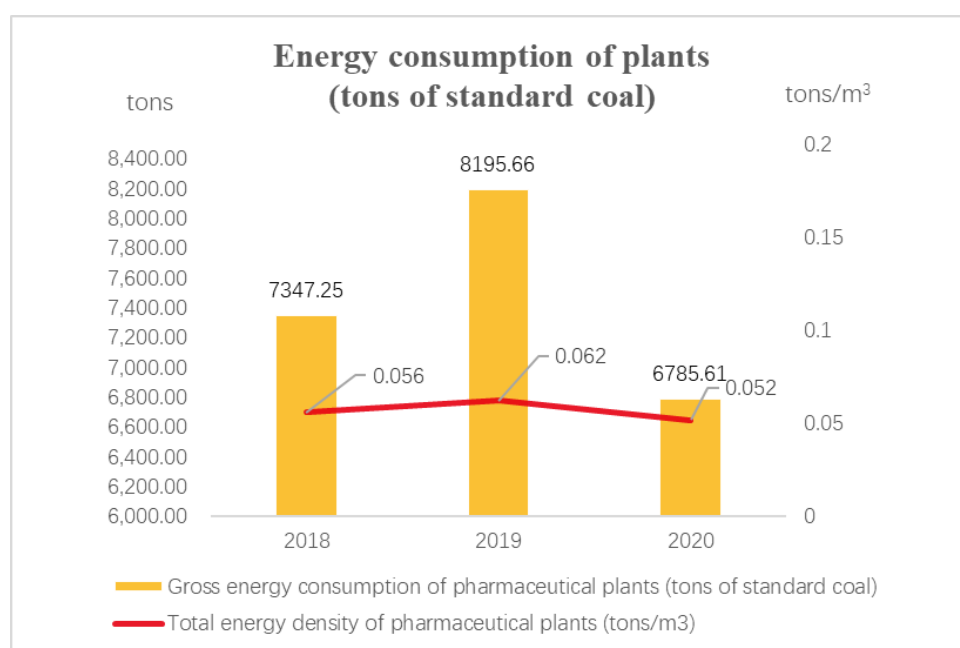
The main energy-consuming units in the process of the Company's pharmaceutical manufacturing include Long Shun Rong Pharmaceutical Plant, Le Ren Tang Pharmaceutical Plant, No. 6 Chinese Medicine Plant, Da Ren Tang Pharmaceutical Plant, Xinxin Pharmaceutical Plant and Zhongxin Pharmaceutical Plant.





Smart dripping pill manufacturing base

In FY2020, the total energy consumption was 6,785.31 tons of standard coal, representing a decrease of 1,410.35 tons of standard coal as compared to 2019. On the one hand, we strictly controlled the use of energy and reduced consumption in the production process, implemented plant renovation and maintenance by adopting an energy-saving design, selected energy efficient equipment, and accomplished the energy saving and consumption reduction plan formulated in the previous year. In 2020, the subsidiaries under the Company achieved overall energy savings of 139.11 tons of standard coal for the completed projects. On the other hand, affected by the outbreak of COVID-19, the Company's production volume calculability was reduced.



Long Shun Rong Pharmaceutical Plant

In FY2020, Long Shun Rong Pharmaceutical Plant used cooling towers instead of chillers during the transitional seasons to provide cooling source and enhance energy management. The cooling towers operated for approximately 45 days during the transitional season throughout the year and consumed approximately 5,500 kWh of electricity based on performance calculation, while approximately 56,200 kWh of electricity was consumed by using chillers for 45 days, saving electricity of 50,700 kWh (equivalent to 6.23 tons of standard coal).

Le Ren Tang Pharmaceutical Plant

To improve production efficiency, save energy and production input, Le Ren Tang Pharmaceutical Plant carried out a project to replace with energy saving heat exchangers using inlet water condensate. Upon completion of the project, annual energy savings will amount to 138,900 kwh (equivalent to 17.08 tons of standard coal).

No. 6 Chinese Medicine Plant

To save energy, in 2020, the Company carried out the renovation of the high energy-consumption water pumps for air-conditioners and the renovation of the dehumidification for the air-conditioning system as part of its efforts in energy-saving facilities renovation and energy-saving technological transformation. It is expected that electricity savings of 385,400 kWh (equivalent to 47.37 tons of standard coal) will be achieved.

Da Ren Tang Pharmaceutical Plant

In FY2020, the Company carried out the replacement of Shui Mi Wan (水蜜丸) dryers and introduced the Huoxiang Zhengqi Ruanjiaonang (藿香正气软胶囊) rotary dehumidification units, investing RMB1.36 million to purchase two intelligent centrifugal vibrating dryers, and RMB0.68 million to purchase the rotary dehumidification units. It is expected that each batch of replaced Shui Mi Wan dryers can achieve electricity savings of 1,100 kwh and indirectly achieve electricity savings of 19,400 kwh (equivalent to 2.39 tons of standard coal) throughout the year.

Xinxin Pharmaceutical Plant

In FY2020, the Company invested RMB1.96 million to purchase two high-speed tablet press machines to replace the existing aged medium-speed tablet press machines, so as to reduce product energy consumption by improving production efficiency. It is expected that the two machines can achieve electricity savings of 7,800 kWh (equivalent to 0.96 ton of standard coal) directly throughout the year.

Zhongxin Pharmaceutical Plant

In FY2020, the Company invested RMB813,700 in energy-saving technologies and energy-saving facilities renovation projects, such as vacuum station system control renovation, HECC heat pipe renovation for purified air-conditioning installation, air compressor upgrade, and air-conditioning fresh box upgrade and renovation. Upon completion of these projects, it is



estimated to achieve an annual electricity saving of 529,500 kWh (equivalent to 65.08 tons of standard coal).

Management of Volatile Organic Compounds

(GRI 305-7)

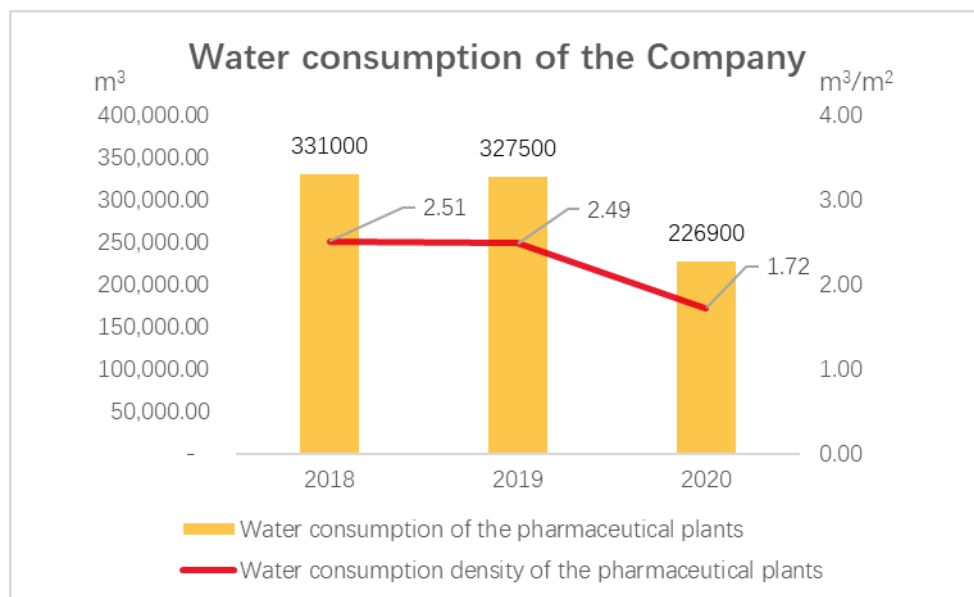
In response to the latest Emission Standards of Air Pollutants for Boilers (DB12/151-2020) implemented in Tianjin in 2020, a special work meeting was held to encourage enterprises to optimize the measures to control the boiler exhaust gas emission indicators. At the same time, the Company carried out the upgrade and renovation of exhaust gas treatment devices, the renovation of laboratory VOCs exhaust gas treatment, and the renovation of dust removal devices used during the production processes, actively promoting the prevention and control of air pollution.

In compliance with various environmental protection laws, regulations and deployment requirements of the PRC and Tianjin, the Company earnestly implements the supervision and management of the production and operation of each enterprise during heavy pollution weather, urges all enterprises to adopt the “one enterprise, one policy” measure in accordance with the requirements of local environmental protection departments, and formulates the Company’s emergency measures.



Water Management

(GRI 303-1)



As shown in the chart, our gross water consumption in FY2020 was 226,900 m³, as compared to 327,500 m³ in 2019. The decline was due to the decrease in water consumption per unit production value and the impact of the outbreak of COVID-19.

Effluent and Waste Management

(GRI 306-1, 306-2, 306-3)

Zhong Xin Pharmaceutical actively takes measures to minimize the impact of the Company's business on the environment, and processes wastewater and waste materials generated in the production process in compliance with relevant regulations.

In 2020, the Company successively carried out training on the newly revised Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the post-pollutant discharge permit management, wastewater treatment technology, soil law and soil prevention, project environmental impact assessment and other relevant regulations and professional technical knowledge, improving the Company's emergency management system for environmental emergencies and environmental protection system.

In 2020, in accordance with the requirements of the PRC laws and regulations, the Company supervised the application for and compliance with the pollutant discharge permit for enterprises.

Effluent mainly comes from the wastewater and domestic sewage generated from the workshops during the production process, and is discharged after meeting the treatment standards. The quality of treated effluent shall meet the requirements of the Integrated Wastewater Discharge Standard (GB8978-1996). Upon meeting the treatment standards, the effluent will be discharged to the municipal sewage pipe network and finally to the municipal sewage treatment plant.



Hazardous waste mainly comes from industrial solid waste, which is disposed of by qualified hazardous waste treatment plants engaged in accordance with relevant laws and regulations.

The Company did not have any serious leakage accidents in FY2020.



Environmental Objectives and Compliance

(GRI 307-1)

In FY2020, the Company did not violate any environmental laws and regulations. To ensure strict compliance with environmental laws and regulations and achieve our environmental objectives in FY2021, we have reviewed our environmental performance in FY2020 and formulated our plan for FY2021.

Actual Performance in FY2020	
FY2020 Targets	Performance
To reduce energy consumption by 100 tons of standard coal	The Company formulated a complete set of energy management system documents, regularly organized meetings to report on the use of energy, and strengthened the communication of energy management process and the monitoring of the targets; The Company upgraded certain production equipment and public equipment to improve energy efficiency; The Company implemented the intelligent energy online monitoring platform project of Tianjin Zhong Xin Pharmaceutical and carried out automatic collection and reporting of energy usage, achieving online monitoring of energy usage by the Company. The annual energy saving achieved a reduction of 139.11 tons of standard coal.
To improve the level of reasonable water consumption	The Company devoted additional efforts to strengthen water-saving measures and employees' awareness of water conservation, and increased the management and control of one-off water consumption, resulting in a year-on-year decrease of 13.49% in water consumption per RMB10,000 output value. In particular, Long Shun Rong renovated the cooling towers to increase the use of recycled water, and No. 6 Chinese Medicine Plant and Zhongxin Pharmaceutical Plant renovated the dehumidification system of air conditioning units to replace the existing water circulation dehumidification system, which effectively reduced the water consumption and improved the level of reasonable water consumption.
No major environmental leakage	No significant spills in 2020.
To continue to regulate wastewater and waste discharge	Wastewater is discharged after meeting the treatment standards. Hazardous waste is disposed of by qualified hazardous waste treatment plants engaged in accordance with relevant laws and regulations.
Environmental compliance	No incident of non-compliance with environmental laws and regulations in 2020.
Environmental targets for FY2021	
FY2021 Targets	Action Plan
To reduce energy consumption by 100 tons of standard coal.	The Company will further improve the establishment of the energy management system, give play to the role of standardized system management and internal and external audit, and improve the level of energy management; The Company will upgrade certain equipment and facilities to improve energy efficiency; The Company will improve and add the monitoring points and contents to the intelligent energy online monitoring platform of Zhong Xin Pharmaceutical to give full play to the platform's energy saving role.



To improve level of reasonable water consumption	In addition to the existing facilities, each enterprise shall reasonably increase the number of measurement instruments, strengthen the monitoring of water use, further increase the efficiency of water use and improve the level of reasonable water consumption.
No major environmental leakage	The Company will Improve maintenance and operation of equipment and facilities to prevent significant environmental spills.
To continue to regulate wastewater and waste discharge	The Company will Improve emissions inspection for environmental pollution.and standardised waste discharge.
Environmental compliance , No environmental administrative punishment incidents occurred	The Company will strengthen pollutant control and standardize environmental management

Corporate Social Responsibilities

The Company is committed to improving social welfare. A number of varieties including Suxiao Jiuxin Wan (速效救心丸), are under the low-price drug list, which fully satisfy the medication needs of most patients. In addition to providing quality pharmaceutical products, we also give back to society in other ways to improve people’s quality of life.

Giving Back to Society

(GRI 413-1)

1. Anti-epidemic Efforts

In 2020, facing the outbreak of COVID-19, the Company has taken the health and safety of its employees as priority and strictly implemented various anti-epidemic policies introduced by the government. The labor union of the Company has always paid attention to the health and safety of employees, and purchased masks, protective supplies and herbal tea for all employees. During the height of the epidemic, work from home arrangements were implemented for general employees to increase work flexibility, while party cadres took the lead in executing their duties to ensure the normal operation of the Company. More than 1,100 party members of the Company made voluntary donations of more than RMB0.14 million.



Zhong Xin Pharmaceutical’s support to fight against the epidemic

The Company actively implemented the instructions and requirements of the governments at all levels on epidemic prevention and control, and effectively grasped the work to ensure stability on the six fronts and security in the six areas. The Company focused on ensuring the production and supply of pharmaceutical products, actively participated in the prevention and control of the epidemic and actively supported the Tianjin medical team aiding Hubei Province, Haihe Hospital, the public security officers in Binhai New District and affiliated entities with anti-epidemic drugs. We also supported the filming of the first anti-epidemic stage drama in China name the Love of Angels.



Anti-epidemic stage drama



2. Village-based Assistance

Since 2013, in response to the work deployment of the municipal party committee and the municipal government to help the poor villages, Zhong Xin Company has sent a total of 6 people in three rounds to the poor villages according to the unified arrangement, and carried out assistance work to help the poor villages find projects, such as planting medicinal herbs (honeysuckle), chili peppers and other crops. As of December 2020, Zhong Xin Company has invested a total of RMB2.505 million in assistance work.

3. Community Services

The Company entered into a strategic cooperation agreement with Tianjin Municipal Bureau of Sports to jointly set up the women's basketball team of Zhong Xin Pharmaceutical, so as to support the comprehensive development of the basketball industry in Tianjin.

In 2020, during the National Popular Science Day, National Science and Technology Activities Week, as well as the Culture and Natural Heritage Day, the Company actively carried out a series of online and offline popular science of Chinese medicine culture and intangible cultural heritage experience activities. The Company opened to the public Zhong Xin Pharmaceutical's nature and humanity museum, the medicine exhibition hall in Tianjin and the Da Ren Tang Chinese medicine culture exhibition hall to actively display the intangible cultural heritage skills and "medicine history", thus enriching the cultural life of residents in the community.



Online and offline exhibition activities of Zhong Xin Pharmaceutical

SGX Five Composition Indices

No.	Major Composition	Section(s)
1	Material Issues	Stakeholder Engagement
2	Policies, Practices and Performance	Chairman's Statement Sustainable Development Philosophy of Zhong Xin Pharmaceutical
3	Statement of the Board	Sustainability Management Structure and Board Statement
4	Objectives	Sustainable Development Philosophy of Zhong Xin Pharmaceutical
5	Reporting Framework	Basis of Preparation of the Report

GRI Standards Content Indices

GRI Standards	Description	Section(s)
102-1	Name of organization	Company Profile
102-2	Activities, brands, products and services	Company Profile
102-3	Location of headquarters	Company Profile
102-4	Location of operations	Company Profile
102-5	Ownership and legal form	Company Profile
102-6	Markets where services are provided	Company Profile
102-7	Scale of the organization	Company Profile
102-8	Information on employees and other workers	Company Profile
102-9	Supply chain	Company Profile
102-10	Significant changes in the organization and its supply chain	Company Profile
102-11	Early warning principle or approach	Company Profile
102-12	External initiatives	Company Profile
102-13	Membership of associations	Company Profile
102-14	Highest organizer statement	Chairman's Statement
102-15	Key impact, risks and opportunities	Chairman's Statement, Sustainability Development Philosophy of Zhong Xin Pharmaceutical
102-16	Values, principles, standards and behavior norms	Compliance Operation
102-17	Mechanism for advice on ethics and concerns	Compliance Operation
102-18	Governance structure	Sustainability Management Structure and Board Statement



GRI Standards	Description	Section(s)
102-40	List of stakeholders	Stakeholder Engagement
102-42	Identification and selection of stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key issues and concerns raised	Stakeholder Engagement
102-46	Defining report contents and topic boundaries	Introduction to the Report
201-1	Directly generated and selling economic values	2020 Annual Report
202-1	Ratio of standard starting salary level by gender to local minimum wage	Employee Benefits
203-2	Significant indirect economic impacts	Ongoing Innovation
205-1	Operating sites that have conducted corruption risk assessments	Anti-corruption
205-2	Communication and training of anti-corruption policies and procedures	Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption
302-1	Energy consumption within the organization	Carbon Management
302-3	Energy density	Carbon Management
302-4	Energy consumption reduction	Carbon Management
303-1	Water sourcing by source	Water Management
305-2	Energy indirect (scope 2) GHG emissions	Carbon Management
305-4	GHG emission density	Carbon Management
305-5	GHG emission reduction	Carbon Management
305-7	Nitrogen oxides (NO _x), Sulphur oxides (SO _x) and other significant air emissions	VOCs Management
306-1	Total discharge by water quality and destination	Effluent and Waste Management
306-2	Total waste by type and treatment method	Effluent and Waste Management
306-3	Material leakage	Effluent and Waste Management
307-1	Non-compliance with environmental laws and regulations	Environmental Objectives and Compliance
401-1	New employees and employee turnover rate	Employee Diversity
401-2	Benefits provided to full-time employees (excluding temporary or part-time employees)	Employee Benefits
401-3	Parental leave	Employee Benefits



GRI Standards	Description	Section(s)
403-1	Worker representatives in the employer/labor joint health and safety committee	Occupational Health and Safety
403-2	Category of work-related injuries, ratio of work-related injuries, occupational diseases, working days lost, absence from work, etc.	Occupational Health and Safety
403-3	Workers with high incidence or high risk of diseases related to their occupation	Occupational Health and Safety
403-4	Health and safety issues in the formal agreements with labor unions	Occupational Health and Safety
404-1	Average hours of training per employee per year	Growth of Employees and the Company
404-2	Employee skills enhancement program and transition assistance program	Growth of Employees and the Company
404-3	Percentage of employees receiving regular performance and career development assessments	Employee Benefits
405-1	Diversity of governance authorities and employees	Employee Diversity
405-2	Ratio of basic salary and remuneration for male and female employees	Employee Benefits
406-1	Incidents of discrimination and corrective actions taken	Employment Objective and Labor Compliance
408-1	Operating sites and suppliers with significant risks of child labor incidents	Employment Objective and Labor Compliance
409-1	Operating sites and suppliers with significant risks of forced or compulsory labor	Employment Objective and Labor Compliance
412-1	Operating sites subject to human rights review or impact assessment	Employment Objective and Labor Compliance
413-1	Operating sites with local community engagement, impact assessment and development programs	Giving Back to Society
416-1	Assessment of the health and safety impacts by the category of products and services	Quality Management Supplier Management
416-2	Non-compliance incidents relating to health and safety impacts of products and services	Product Safety Objectives
417-1	Requirements for product and service information and labelling	Marketing and Labelling
417-2	Non-compliance incidents involving product and service information and labelling	Product Safety Objectives
417-3	Non-compliance incidents involving marketing	Product Safety Objectives
419-1	Non-compliance with laws and regulations in social and economic aspects	Product Safety Objectives Employment Objectives and Labor Compliance





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