



中新药业
ZHONGXIN PHARMACEUTICALS



Tianjin Zhong Xin Pharmaceutical Group Corporation Limited

Sustainability Report 2021

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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").

Zhong Xin Pharmaceutical remains committed to the cause of human health. The Company takes "building on the volume and competitiveness of the green traditional Chinese medicine industry" as the strategic priority, adheres to the corporate spirit of "inheritance and innovation", and adopts a patient-centric and clinical value-oriented approach to enterprise development. We regularly review our internal policies and manufacturing practices, continuously 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, taking into account the expectations of stakeholders and long-term planning of sustainable development. During production and product sales operations, the Company strictly abides by the industrial regulations and moral values of the countries and regions where it conducts business operations, 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 routine operations of the Company.

In 2021, the Company took advantage of the mixed-ownership reform of Tianjin Pharmaceutical Group to deepen the reform of system and mechanism, seize development opportunities, tackle risks and challenges, and strive to create a united and stable development environment. The Company actively responded to changes in industrial policies, strictly implemented epidemic prevention policies, and steadily pushed forward the implementation of key tasks such as technological innovation and efficiency improvement, so as to boost the healthy and sustainable development of the Company. In the face of the unprecedented challenges posed by the COVID-19 pandemic, the Company gave top priority to safeguarding the health and safety of our employees. Under the dedicated coordination of the local governments, all units resumed business and production operations in an orderly manner, managed to improve inventory and ensuring supplies at the same time, and effectively implemented "stability on the six fronts and security in the six areas". the "Six Stabilities" (ensuring stability for employment, the financial sector, foreign trade, foreign investment, domestic investment and expectations) and "Six Safeguards" (maintaining security in six areas (job security, people's basic livelihood, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments) campaigns.

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

Zhang Mingrui

Chairman

Company Profile

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

With green TCM as its core business, Zhong Xin Pharmaceutical is equipped with a complete industry chain, product chain and human resources system integrating production, management and scientific research. Its business covers a number of areas including research and development and manufacturing of Chinese herbal medicines, proprietary TCMs, chemical raw materials and preparations, nutritional and health products, and pharmaceutical commerce.

The Company has 43 subsidiaries, 16 wholly-owned and holding companies and 12 investees, laying a solid foundation for the complementary advantages of its two major business segments, TCM manufacturing and pharmaceutical commerce and the steady growth of the Company.

By adhering to the strategic positioning of "building on the volume and competitiveness of the green traditional Chinese medicine industry" 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 TCM playing a commanding role in its business development ideas. The Company's main products cover several major categories, such as cardio-neurology, respiratory medicine, gastroenterology, paediatrics, obstetrics, ophthalmology & otorhinolaryngology and oncology. The Company has secured official approval for 599 medicines belonging to 22 types of preparations, including two "national treasure" traditional Chinese medicines. Suxiao Jiuxin Wan (速效救心丸), invented by Professor Zhang Chengui, senior consultant of Zhong Xin Pharmaceutical and honorary director of its technology centres and a leading expert in TCM preparations, is officially designated as a national classified variety. In addition, Jing Wan Hong (京万红) is a national classified variety. The Company has five product varieties under state TCM protection (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)), 114 product varieties exclusively produced by the Company, 75 product varieties included in the National Essential Medicine Catalogue, 601 decoction piece product varieties and 223 product varieties covered by national medical insurance.



Di Wan intelligent manufacturing base of Zhong Xin Pharmaceutical



Modern Chinese traditional medicine industrial park of Zhong Xin Pharmaceutical



Logistics center 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



Production technique of Angong Niuhuang Wan

The Company has one national-level enterprise technology centre, six municipal-level enterprise technology centres, one municipal-level TCM modern technological engineering centre, one municipal technological engineering centre, a key enterprise laboratory and postdoctoral workstations approved by the Ministry of Personnel. The Company holds 390 patents, 252 of which are invention patents, six famous Chinese trademarks, namely Long Shun Rong, Da Ren Tang, Le Ren Tang, Jing Wan Hong, Song Bai and Bi Qi (痹祺), and 14 representative items of intangible cultural heritage. In particular, the traditional production technique of Da Ren Tang Niu Huang Qingxin Wan (达仁堂牛黄清心丸) was included in the fifth batch of national intangible cultural heritage project in 2021. In addition, the Company's traditional production techniques of Qinggong Shoutao Wan by Da Ren



中国驰名商标

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

Tang (达仁堂清宫寿桃丸), Angong Niuhuang Wan (安宫牛黄丸), Wei Yao by Long Shun Rong (隆顺榕卫药) and Jing Wan Hong ointment compound formula (京万红软膏组方) are also designated as national intangible cultural heritage.

After years of practices and explorations, the Company has integrated and optimised the world's most advanced TCM equipment and technology to form an integrated modern TCM development platform unique to Zhong Xin Pharmaceutical. The Company implements the GAP, GLP, GCP, GMP and GSP series of standards on a comprehensive scale and conducts quality control throughout the process to ensure the safety and efficacy of its products. The Company will continue to promote TMC modernization and internationalization through effective TMC research and development.

As of 31 December 2021, the total assets of the Company rose by 9.46% year-on-year to RMB9,067 million, and the net assets attributable to the parent came in at RMB6,364 million, up 9.57% year-on-year. In 2021, the Company recorded a total operating income of RMB6,908 million, down 4.60% year-on-year, and a net profit attributable to the parent of RMB770 million in aggregate, up 16.24% year-on-year. In particular, the Company recorded a self-operating profit of RMB653 million, up 4.55% year-on-year. The Company maintained sound growth momentum overall.

The Company endeavoured to build major variety products, and strove to increase the penetration of its clinical products in regional markets and hospitals through effective academic and professional

marketing. In addition, the Company refined and optimised the user-end markets, and improved the effectiveness of marketing for core products.

In 2021, the Company recorded basic earnings per share of RMB1.00, paid taxes of RMB535 million, a payroll of RMB649 million, staff benefits of RMB29 million, and RMB216 million in contributions to five social insurance schemes and two provident funds, and provided labour union and education funds of RMB14 million. The Company's social contribution per share calculated based on the above data and relevant formula is RMB2.87. For a detailed review of the Company and its financial performance, please refer to the annual report for the financial year ended 31 December 2021.



Sustainable Development Philosophy of Zhong Xin Pharmaceutical

Strategic positioning

Building on the volume and competitiveness of the green traditional Chinese medicine industry

Pursuit of development

Continue to meet users' healthcare needs

Sustainable development targets

Upholding the brand philosophy of “adhering to quality belief and focusing on people’s health”, Zhong Xin Pharmaceutical is committed to optimising the supply chain, simplifying business operations, continuously improving operational efficiency and saving resources. The Company will actively establish and deepen the awareness of social responsibility and the concept of sustainable development, strictly abide by the laws and regulations of the countries and regions where it operates, and continue to promote the fine tradition of the Chinese nation, seeking 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 FY2021	
FY2021 Targets	Performance
To reduce energy consumption by 100 tonnes of standard coal	The Company further improved energy management system documents, regularly organised 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 and public facilities to improve energy efficiency; The Company further improved the Zhong Xin Pharmaceutical smart energy online monitoring platform project, added energy monitoring points, and refined energy management and control of the enterprise; The Company carried out annual internal and external energy audits to improve the professionalism of energy conservation; Yearly energy amounted to 182.14 tonnes of standard coal.
To continuously standardise waste discharge	Wastewater discharged meet the treatment standards. Hazardous waste was disposed of in accordance with relevant laws and regulations in 2021.
Environmental compliance	No incident of non-compliance with environmental laws and regulations in 2021.
Environmental Targets for FY2022	
FY2022 Targets	Action Plan

To reduce energy consumption by 50 tonnes of standard coal.	<p>The Company will further improve the establishment of energy management system, step up energy measurement at the secondary and tertiary levels, give full play to the role of energy self-inspection and internal audit of the Company, and improve the standard of energy management;</p> <p>The Company will update certain high-efficiency equipment and facilities, apply solar energy and LED lamps to reduce energy consumption and improve energy efficiency;</p> <p>The Company will further improve the monitoring and analysis functions of the intelligent energy online monitoring platform of Zhong Xin Pharmaceutical, increase unit energy consumption indicators for products, and give full play to the role of platform management in energy conservation and smart energy conservation.</p>
To continuously standardise waste discharge	The Company will tighten up the monitoring of various environmental protection discharge indicators and continuously standardise waste discharge.
Environmental compliance	The Company will tighten up pollutant control and standardise environmental management.

Actual Performance in FY2021	
FY2021 Targets	Performance
Zero incident of product marketing and labelling non-compliance	We operated without causing any incident of non-compliance with respect to information and labelling of self-manufactured products and third-party products; We operated without causing any incident of non-compliance with respect to marketing of self-manufactured products and third-party products.
Zero incident of product safety non-compliance	No product safety non-compliance incident occurred.
No material work safety incident	No major work safety accidents occurred in 2021.
Social Targets for FY2022	
FY2022 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	The Company will strictly abide by the newly amended Law on Pharmaceutical Administration, GMP, GSP and other regulatory requirements, and strictly implement the drug quality management system and workflow of the Company.
No material work safety incident	We will tighten up the investigation and management of hidden dangers and work safety education and training, seeking to eliminate material work safety incidents in 2022.

Awards

Given the Company's outstanding performance in the pharmaceutical industry, the Company has been granted a number of prestigious awards, including:

- Second Prize of National Science and Technology Progress Award of 2020 (2021)
- National "High and New Technology Enterprise"
- Quality Benchmark Enterprise at the 40th Anniversary National Pharmaceutical Industry Quality Management (QC) Group Activities (2019)
- The List of China Top 100 Pharmaceutical Industrial Enterprises in 2020 - Traditional Chinese Medicine Enterprises (2021)
- Home of National Model Workers (Company Labour Union, 2020)
- National Model Enterprise with Harmonious Labour Relations (No. 6 Chinese Medicine Plant, 2019)
- National "Enterprise Credit Rating AAA Enterprise"
- 2020 Model 10-year Social Responsibility Special Contribution Enterprise (2021)
- 2020 Model Tianjin Most Socially Responsible Enterprise (2021)
-



Awards of Zhong Xin Pharmaceutical in recent years

Membership of Industry associations

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

Compliance Operation

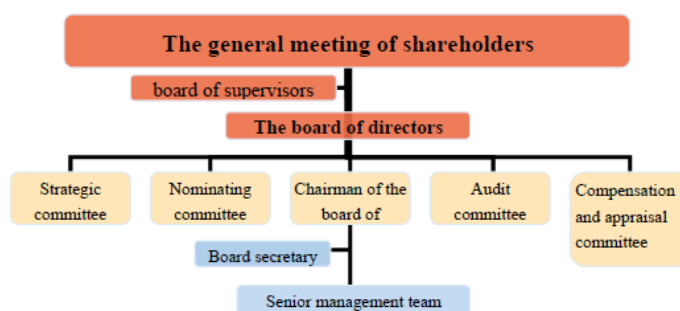
Corporate Governance

Zhong Xin Pharmaceutical, as the first Chinese company with a dual listing status whose S shares are listed on the Singapore Stock Exchange and A shares 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 and 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 Chinese and foreign 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 conform to the requirements set by the Chinese and foreign regulatory authorities regarding the improvement of corporate governance structure and standardised operations.

1. Establishment of Corporate Governance Structure

The Company has set up a corporate governance structure comprising of the general meeting, the board of directors, the board of supervisors and the management board, 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 Company's

board of directors has set up four functional committees, namely the audit committee, the strategy committee, the remuneration and appraisal committee and the nomination committee, all of which perform their respective official duties in accordance with its responsibilities. The Company's board of directors allows full play to the role of independent directors and focuses on protecting the legitimate rights and interests of minority shareholders. The Company's board of directors 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 the four functional committees under the board of directors. In particular, all members of the audit committee are independent directors of the Company. Meanwhile, the Company attaches great importance to the board of supervisors' performance of their official duties. The board of supervisors is entitled to attend the Board meetings and general meetings of the Company and supervises the operations of the Company in accordance with the laws, which further safeguards the interests of all shareholders.



Corporate Governance Structure of Zhong Xin Pharmaceutical

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 2021, the Company mainly performed the following tasks:

During the year, the Company convened one annual general meeting, two extraordinary general meetings, 12 meetings of the board of directors and six meetings of the board of supervisors to deliberate and vote on the relevant resolutions. For details, please refer to the relevant announcements.

The independent directors duly performed their duties and fully understood the operations and internal control system of the Company by reviewing information and interviewing and discussing 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, actively attended the general meetings and the Board meetings and duly deliberated on the relevant resolutions. In 2021, the independent directors issued their independent opinions on various matters including the nomination and appointment of directors and their remuneration, matters relating to tender offers, extension of the performance period of commitment matters made by Tianjin Pharmaceutical Group Co., Ltd. (天津市医药集团有限公司), special report on deposit and actual use of the proceeds, resolution on temporarily supplementing the Company's working capital with idle proceeds, matters related to the share incentive scheme, routine affiliate transactions and other types of affiliate transactions, engagement of auditors, annual reports and summary of annual reports of the Company prepared in accordance with the PRC standards and international standards, and 2020 profit distribution plan. 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 executives during the general meeting

The audit committee duly and diligently performed its duties, 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. In 2021, six meetings were held and all members attended all the meetings in person. During the audit of the 2021 annual report, the audit committee supervised the audit of the annual report by holding meetings via written communication upon commencement of field audit by the external auditor, and decided to submit the audited financial statements of the Company for 2021 to the board of directors for approval after reviewing the financial statements on its own. The audit committee supervised and assessed the implementation of the 2021 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 fully fulfilled its role as a professional committee, actively

promoted the development of the Company's internal control system, stepped up and improved the Company's internal control assessment management, and supervised the Company's internal audit functions to complete the self-assessment of internal control. Furthermore, the audit committee carefully reviewed the quarterly internal audit work summary and the internal audit work plan of the Company, promptly supervised the effective implementation of the 2021 audit work plan of the Company, and provided guiding opinions on the issues arising from the internal audit, which improved the effectiveness of internal audit operations.

3. Information Disclosure and Investor Relations

In accordance with the requirements of the Rules for Information Disclosure, and adhering to the principles of "always applying the most strict criteria", 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 in China and overseas, and ensured the truthfulness, accuracy, timeliness and completeness of the information disclosed in the announcements.



The Company continued to focus on tightening 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 2021, the Company compiled regular reports and temporary announcements in compliance with 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, and stepped up the disclosure of industry information and financial data such as earnings results and scientific research findings against the backdrop of tightening business-specific supervision by the stock exchanges, and consistently improved information density and information quality. During the year, a total of four regular reports of A shares and S shares and 51 provisional reports of the Company were disclosed, covering resolutions passed at 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 and tender offer, 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, visitor reception, network and telephone conference to ensure the truthfulness, accuracy, completeness, timeliness, fairness and openness of the information communicated by the Company to investors. In 2021, the Company interacted and communicated with investors by inviting investors to on-site visits, holding the "2020 Online Results Presentation" and processing feedback received from investors via customer hotline and through other forms of communication. The management communicated and exchanged with investors on earnings results and other information of the Company, which constantly demonstrated its business dynamics and good corporate image.

Standardised Management

In order to ensure the standard of financial management and control of listed companies and prevent operational risks, the Company strictly implemented the internal control system and continuously tightened up the supervision of receivables and prepayments. The Company approved payments in strict compliance with the Management Policies for Prepayments (预付款管理制度) to minimize advance payments. Meanwhile, the Company continuously stepped up asset management, especially the management of accounts receivable, and supervised the enterprise in strictly following the rules, ramped up accounts receivable reconciliation and collection efforts, and continuously monitor the reconciliation quality and risk of loss of accounts receivable.

In addition, the Company conducted prompt analysis of the use of funds to continuously improve the efficiency of fund management. We made capital arrangements on a daily basis, utilized the idle funds to the maximum extent under the premise of ensuring routine production and operation to create capital income, and also reduced cash receipt and payment items, and stepped up bank account reconciliation to ensure capital security.

In early 2021, the audit department of the Company formulated the audit work plan for 2021 based on the Key Points of the 2021 Audit Work of Zhong Xin Pharmaceutical, and fully implemented the requirements of the audit committee based on the general arrangements made by the Company. The audit matters include special audit of sales operations, special audit of account receivables, special audit of contract management, special audit of financial statement data, special audit of economic responsibilities and special audit of informatization. For the audit issues discovered by internal and external auditors and the Audit Bureau of Tianjin, the audit department of the Company established a ledger of audit issues and implemented rectification and sales account management, reviews and re-examination, pushed forward reforms and business development through the audit, supervised relevant units to improve related processes, eliminate loopholes, and improve risk prevention and control. While supervising the implementation of the system and rectifying the system defects, the Company is committed to continuously enhancing risk awareness and prevention awareness of the responsible personnel through guidance and communication. Furthermore, based on the risk-oriented principle, the Company actively carried out internal control self-assessment activities, focused on high-risk areas, and actively tracked and rectified the system defects discovered during the annual internal control self-assessment.

Anti-corruption

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

The Company actively prevents and controls any form of corruption during business operations. The Company undertakes that if any instance of corruption is discovered, an independent investigation will be conducted immediately and measures will be taken to prevent such recurrence.

The supervision office under the discipline inspection committee is responsible for the systematic discipline inspection and supervision of the Company, and performs its supervision duties on all employees of the Company. The Company usually arranges discipline inspection and supervision cadres in the headquarters and its subsidiaries, and constantly improves the ideological quality, work competence and professionalism of such cadres through various forms of training and education.

The supervision office under the discipline inspection committee of the Company further stepped up integrity education and anti-corruption education. In early 2021, in order to enhance the integrity awareness of senior cadres, 64 officials from the headquarters and the subsidiaries were organised to visit the Tianjin Warning Education Centre and participate in the education exhibition with the theme of “Comprehensive Party Self-Governance”. Anti-corruption reminders are transmitted before each holiday. The Company organised studies on typical cases of disciplinary violations and anti-corruption video sessions throughout the year to continuously enhance the anti-corruption awareness of party members and cadres in the corporate system from both positive and negative aspects.

In early 2021, the Company and the related discipline inspection and supervision organisation conducted special inspections around the integrity risk points in routine operations. The Company established a total of 20 inspection teams, which dispatched 108 persons and visited 171 sites. No clues to relevant problems were discovered through investigation, which effectively prevented the occurrence of corruption practices. In the middle of the year, a survey was conducted on the Company's material procurement activities, which laid the foundation for accurate and effective supervision of procurement. In 2021, no significant risk of corruption was detected during the risk assessment, and the Company did not receive any reports of corruption incidents.



Whistleblowing Mechanism

The supervision office under the discipline inspection committee of the Company receives tip-offs 24/7 through channels such as email and whistleblowing hotline. Furthermore, 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 processes such tip-offs in a timely manner by means of conversation, enquiry and collection of relevant proofs. Upon receiving the tip-offs, the matters reported and details of the whistleblowers and the person against whom the complaint is lodged shall be kept confidential in accordance with the principle of “maintaining the democratic rights of the parties involved in the case”. After completing the investigation of the tip-offs, for anonymous reports, 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, it will give the whistleblowers feedback on the results of inspection.

In 2021, the supervision office under the discipline inspection committee of the Company handled 100% of the tip-offs received. No unsatisfactory comment was received against the feedback from the real-name whistleblowers. The discipline inspection committee of the Company issued four rectification proposals regarding the management-related risk points discovered during the inspection, facilitating the continuous improvement in the standard of enterprise management of the Company.

Interested Party Transactions (Related-Party Transactions)



With respect to transactions with interested parties, the Company has adopted internal policies and formulated review and approval procedures for such transactions. 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 without jeopardizing the interests of the shareholders.

In 2021, the Company had two related-party transactions. Firstly, the Company had routine related-party transactions with related parties such as purchase and sale of goods, purchase of raw materials and printing of pharmaceutical packaging. The Company disclosed the related-party transactions at the general meeting, and obtained the approval and authorization at the annual general meeting, in strict compliance with the requirements of the Shanghai Stock Exchange and the Singapore Stock Exchange. 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, mutual 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 transactions were reviewed 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

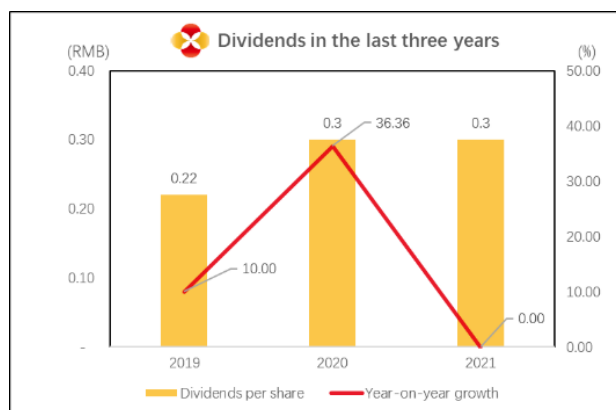
2023.

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. All directors and core senior management are advised not to deal in the shares of the Company during the period commencing one month before the publication of the interim, semiannual or annual results announcement of the Company and ending on the date of announcement of the results. Directors and senior management are further advised not to deal in the Company’s securities borne out of short-term considerations.

Dividend

The Company attaches importance to the reasonable investment returns to investors, 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, further enhances the awareness of return to shareholders, insists on paying a large proportion of cash dividends to shareholders in profitable years, so as to better



Dividends in the last three years of Zhong Xin Pharmaceutical

protect the legitimate rights and interests of investors, and strives to maintain the consistency and stability of profit distribution policies. The profit distribution plan for 2020 was reviewed and approved at the 2020 annual general meeting of the Company, pursuant to which, on the basis of the total share capital of 773,643,076 shares on the equity registration date of the implementation of equity distribution, a cash dividend of RMB3.0 (tax inclusive) for every 10 shares was distributed to all shareholders, with total cash dividends of RMB232,092,922.80 (tax inclusive) paid out in line with our commitment to repay the investors with concrete actions. The cash dividends of the Company for the year accounted for 35.08% of the net profit attributable to owners of the parent in the consolidated statements of the Company for 2020.

On 29 March 2022, the Company held the first meeting of the board of directors in 2022, reviewed and approved the profit distribution plan and submitted it to the general meeting of shareholders. Pursuant to the plan, on the basis of the total share capital on the equity registration date of the implementation of equity distribution, a cash dividend of RMB5.0 (tax inclusive) for every 10 shares was distributed to all shareholders.



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.

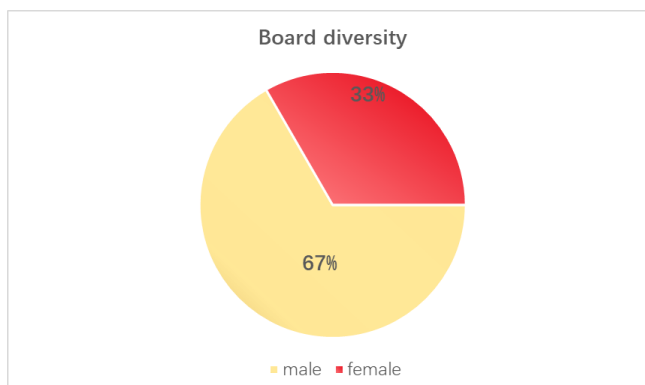
The board of directors incorporates sustainable development issues into the Company's business strategy, and reviews and approves the material issues relating to economic, environmental and social impacts selected by the task force to ensure that the task force strictly manages and supervises these materiality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

For more information about the Company's implementation regulations on corporate governance and risk management structure, please refer to the section titled Corporate Governance in the 2021 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 Singaporean independent directors serving on the Company's board of directors, 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 working atmosphere that encourages mutual respect, and ultimately improve the Group's performance.



Stakeholder Engagement

The Company firmly believes that the key factor to sustainable development is to meet and go beyond the needs of stakeholders, so we select material issues based on their respective importance of issues to stakeholders. We have conducted effective communication with all stakeholders, actively solicited their needs and opinions, and also participated in industry and government seminars to keep abreast of 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 summarises 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 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 labour 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 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 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 2021 to 31 December 2021). The GRI Standards, the reporting framework selected by us, is a globally recognised 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, and external verification is therefore not required for the time being. This report is supplemental to the 2021 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 titled “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 labour	

Unfree or forced labour	
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 highly reliable drugs, and exercising strict quality control to ensure Product 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 “China Pharmaceutical Brand Chart” in 2021

Quality Management

(GRI 416-1)

The Company prompts its subsidiaries to continuously improve the compliance level, and minimize the quality risks to ensure the quality of drugs as well as the safety and efficacy of patients’ medication, in strict compliance with the requirements of drug regulations.

With the introduction of the newly revised Drug Administration Law, the GMP certification has been cancelled and the regulatory authorities now tightens up routine supervision through various methods such as follow-up inspection and unannounced inspection. In 2021, the industrial enterprises under the Company were inspected 18 times in total by regulatory authorities, and the commercial enterprises were inspected 46 times in total by regulatory authorities. The Company was inspected 431 times in total comprising random inspections at national level and local provincial level and other random inspections, with 192 qualified reports issued. No unqualified report has been received thus far. In 2021, the Company successfully passed the inspections conducted by various drug regulatory authorities and product random inspections, details of which are as follows:

Inspections in FY2021			
Type of inspection	Unit inspected	Number of inspections	Number of unqualified inspections
Inspection by the drug regulatory authorities	Industrial enterprises	18	0
	Commercial enterprises	46	0
Number of random product inspections	Industrial enterprises	267	0
	Commercial enterprises	164	0

In accordance with the work plan and guided by issues and risk prevention and control, the Company organised the quality management backbone or third-party consulting companies to conduct quality internal audit, unannounced inspection and drug assessment inspection for its subsidiaries. In 2021, the Company conducted 85 quality audits in total, including 19 quality audits for manufacturing enterprises (including public testing platforms) and 66 quality audits for operating enterprises.

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 the Company's nine industrial enterprises have passed the PRC GMP certification or GMP compliance inspection. 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 2021, a total of 14 quality control group projects of Zhong Xin Pharmaceutical won the first-class award at the National Pharmaceutical Industry Achievement Awards, and two of them won the first-class award at the 2021 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 changes in market conditions, we continuously improve the level of standardised product management. In 2021, the Company participated in the formulation of two industrial and national standards, and formulated and revised 300 sets internal control standards.

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 enforces drug quality accountability at all levels in strict compliance with the system requirements, tightens up quality monitoring and data analysis of key segments, and promptly 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 for consumers is ensured.

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

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

In 2021, the relevant authorities successively issued policies such as (Interim) Administrative Measures for Post-Marketing Changes of Drugs, Implementation Opinions on Comprehensively Strengthening Drug Regulatory Capacity Building, (Interim) Administrative Measures for Drug Inspection. The Company actively conducted self-inspection to ensure the continued legal compliance of drug production and operation, and duly fulfilled the main responsibility for drug quality.

The Company actively organised relevant personnel to participate in training and exchange meetings such as the Seminar on Precise Inspection of Sales Expenses of Pharmaceutical Enterprises and Emergency and Self-Rescue, and continuously enhanced the understanding of the compliance policy regarding sales expenses, effectively managed and controlled business risks, and conducted business activities in an orderly manner.

Marketing and Labelling

(GRI 417-1)



Zhong Xin Pharmaceutical's brands appeared at the Exposition on China Brand and the China Brand Day Online

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. Numerous quality products are sold to, and warmly received in, more than 17 countries and regions around the world. The Company actively expands cooperation channels, conducts strategic cooperation with major clients such as Shanghai Pharmaceuticals, Jointown Pharmaceutical, SYPM Pharmacy, Dongguan Sinopharm, etc., completes regional integration, coordinates business negotiations, and develops untapped markets. Its sales channels include medical market, retail market, third terminal market and online sales channels. The Company continues to deepen terminal promotion activities such as the National Fan Day with the concept of "Common drugs, selected from Zhong Xin Pharmaceutical" and the "Gratitude of Zhong Xin Pharmaceutical, Healthy Month", supplemented with popular holidays such as the "Labour Day, Mother's Day, Children's Day, Dragon Boat Festival, Father's Day, National Day, New Year, Spring Festival" to empower terminals, and joins hands with major chain pharmacies to carry out the "Health Class" community promotion events, holds lectures on self-medication and health care, and invites doctors to provide free clinics for community residents. The Company organises a training and propaganda team to hold exchange meetings with store managers and store employees of various chains to promote corporate culture and product knowledge.

All drugs manufactured by Zhong Xin Pharmaceutical have been granted with official drug approval documents, and the drug labels conform to 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 of which are national drug quality standards).

The Company duly fulfilled the main responsibility of pharmacovigilance as holder of the drug marketing license. To ensure drug safety for end consumers, the Company completed the revision of the safety information of the drug inserts of Suxiao Jiuxin Wan (速效救心丸),

Liuwei Dihuang preparations (六味地黄制剂) and Dahuoluo preparations (大活络制剂) in 2021 in accordance with the requirements of the National Medical Products Administration.

The Company conducts drug marketing and labelling activities in strict compliance 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 regulatory compliance in marketing operations. For the merchant solicitation business, the Company achieves end-to-end documentation and standardised management of “information release, tender assessment, 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 advertisement copy, monitor the status of advertising, strictly comply with the Pharmaceutical Administration Law and the Advertising Law, standardise the implementation plan of marketing, and ensure legal and regulatory compliance in product promotions.

Sales of Products of Enterprises Unaffiliated to 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 conform to 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 assessing suppliers to ensure the quality of products.

Pharmaceutical Manufacturing

In 2021, the Company made every effort to promote 10 industrial enterprises (Long Shun Rong, Da Ren Tang, Le Ren Tang, No. 6 Chinese Medicine Plant, Zhong Xin Pharmaceutical Plant, Xinxin Pharmaceutical Plant, Xinfeng Pharmaceutical Plant, Decoction Pieces Factory, Da Ren Tang Bozhou, and Herbal Medicine Company) to complete the online operation of the digital procurement platform (SRM).

The Company adopts electronic procurement system for the procurement of Chinese herbal medicines to optimise the supplier selection process, and formulates annual, monthly and temporary procurement plans based on annual demand, inventory and changes in market

conditions. A comprehensive assessment 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 build on 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. High-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 cost-effectiveness 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 well-known production region of Ligusticum Chuanxiong Hort, jointly established Dujiangyan Zhongxin Chinese Medicine Plantation Co., Ltd. (都江堰市新中药材种植有限公司) (hereinafter referred to as “Dujiangyan Plantation Base”) in 2013 to standardise the plantation of Ligusticum Chuanxiong Hort. The Dujiangyan Plantation Base combines ecological planting and wildlife breeding during the breeding stage to ensure stable quality and genuineness of the breeding sources. In the field, the Company insists on using organic fertilizers to ensure the quality of raw materials and effectively protect the soil environment in the place of origin.

The active ingredient content of Ligusticum Chuanxiong Hort produced at the Dujiangyan Plantation Base is higher than the pharmacopoeia requirement, 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 local residents.

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. Furthermore, the Company broadened the sources of procurement leveraging the supplier resources of the Alibaba platform, improved the efficiency of procurement, and succeeded in minimizing procurement costs.

Sales of Products of Enterprises Unaffiliated to Zhong Xin Pharmaceutical

While ensuring strict compliance with the new GSP requirements, Zhong Xin Pharmaceutical’s Zhong Xin Pharmaceutical Plant completed the automatic data exchange and set up a complete platform of enterprise system and warehouse management system, 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 Centre.

To regulate procurement practices, Zhong Xin Pharmaceutical Plant has formulated the Procurement Management System of Zhong Xin Pharmaceutical Plant to set up the files of qualified suppliers and strictly select suppliers. 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.

Product Safety Objectives and Compliance

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

In FY2021, 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 FY2022, the product safety performance in FY2021 has been reviewed and the plan for FY2022 has been formulated.

Actual Performance in FY2021	
FY2021 Targets	Performance
Zero incident of product marketing and labelling non-compliance	Zero incidents of non-compliance with information and labelling of self-made products and third-party products Zero incidents of non-compliance in the marketing of self-made products and third-party products
Zero incident of product safety non-compliance	Zero incidents of product safety non-compliance
Product Safety Targets for FY2022	
FY2022 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 strictly comply with the new version of the Drug Administration Law, GMP, GSP and other regulatory requirements, and strictly implement the drug quality management system and workflow of the Company and enterprises



Technology Research and Development

The Company invested RMB142,050,400 in technology development throughout the year. Based on the technological strategic positioning of “serving production, supporting sales and leading the future”, guided by market demand, the Company continues to carry out new product research and development, secondary development of key varieties, and explore the clinical use value of key varieties.

A total of 19 new product R&D projects were carried out during the year. Bufei Keli (补肺颗粒), in particular, was in phase II of clinical research and is undergoing statistical analysis of test data and inspection of participating units. The Company carried out generic consistency assessment on three varieties, among which Tiapride Hydrochloride Tablets (盐酸硫必利片) has obtained the Approval for Supplementary Application of Drugs from the National Medical Products Administration in September 2021, and passed the generic consistency assessment in terms of quality and efficacy. The Company carried out 50 secondary development projects for major variety products, and conducted in-depth research on major variety products in respect of pharmacodynamics, mechanism of action, clinical re-assessment and renewal approval under the category of protected TCMs. Among them, the research on real-world clinical assessment 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 for the treatment of lung cancer. We carried out clinical research on the delay of coronary heart disease’s PCI post-operative myocardial remodeling based on a combination of disease and syndrome with Tongmai Yangxin Wan (通脉养心丸), and assessed 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 TCM to prevent post-MI myocardial remodeling and heart failure. The Company carried out the randomised, double-blind single simulation, placebo-control, parallel and multi-centre clinical research on the treatment of chronic stable angina (qi stagnation and blood stasis) with Suxiao Jiuxin Wan (速效救心丸), assessed the effectiveness of long-term intake of Suxiao Jiuxin Wan for the treatment of chronic stable angina, observed the impact of long-term medication on the efficacy of Suxiao Jiuxin Wan in acute exacerbation, and the results showed that Suxiao Jiuxin Wan was more effective than placebo in the treatment of chronic stable angina pectoris, and with the prolongation of medication time, the efficacy of Suxiao Jiuxin Wan gradually increased, which further clarified the clinical use value of Suxiao Jiuxin Wan. The Company carried out research on the substitution of antelope horn in Qingfei Xiaoyan Wan (清肺消炎丸). Through systematic research on the substitution of antelope horn medicinal materials, we aim to solve the problem of drug use restrictions brought by antelope horn as an endangered animal medicinal material, and provide scientific research ideas and directions for the future research on the substitution of endangered and precious medicinal materials of traditional Chinese medicine, and promote sustainable development of the TMC industry.

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 review conducted by China National Intellectual Property Administration, and further developed the Company's intellectual property management system. The Company was granted with 30 patents during the year, including four invention patents. Our rich academic results provided strong support for product expansion and efficiency enhancement.

In 2021, a total of nine varieties of Suxiao Jiuxin Wan (速效救心丸), Tongmai Yangxin Wan (通脉养心丸), Biqi Jiaonang (痹祺胶囊), etc., were added to the "Clinical Application Guidelines of Chinese Patent Medicines for the Treatment of Advantageous Diseases" led by the State Administration of Traditional Chinese Medicine. This guideline is the first evidence-based practice guideline for proprietary TCM that targets general practitioners and western physicians, and is jointly researched and compiled by Chinese and western medicine experts. It plays an important role in highlighting the unique advantages of TCM, promoting the formation of a combination of traditional Chinese and western medicine, and improving the predicament of restricted use of TCM in medical institutions.

The Company attaches great importance to the protection of property rights and continuously strengthens the management of intellectual property rights. In 2021, 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 inspection conducted by China National Intellectual Property Administration, and further developed the Company's intellectual property management system. The Company was granted 25 patents during the year, including nine invention patents, and a total of 252 valid invention patents. Our rich academic results provided strong support for product expansion and efficiency enhancement.

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 TCMs and 601 types of decoction pieces of Zhong Xin Pharmaceutical are included in the 2018 National Essential Drug List. Compared with the 2012 Essential Drugs List, there are 5 new varieties in the 2018 version, all of which are proprietary TCMs. 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 Centre

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

Zhong Xin Pharmaceutical Technology Centre

Tianjin Zhong Xin Pharmaceutical Technology Centre is a national-level enterprise technology centre with a technology committee and an expert advisory committee, and a post-doctoral research centre for enterprises of Zhong Xin Pharmaceutical. In order to further promote innovation and enhance the core competitiveness of the enterprise, Zhong Xin Pharmaceutical Technology Centre actively explored the mechanism of collaborative innovation, engaged in cooperation between enterprises, higher education institutions and research institutes (“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 externally, which fully fulfilled its role in promoting the commercialisation of scientific research findings.

Our technology centre is equipped with state-of-the-art instruments sourced in China and overseas, including ultra-high pressure liquid chromatography instruments: quadrupole tandem electrostatic field orbitrap mass spectrometer (UPLC-MS-MS), 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 foreign countries 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 Centre 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 master's or doctoral degrees. Over the years, Zhong Xin Pharmaceutical Technology Centre has undertaken a number of major projects 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 TCM chemical control products of our in-house R&D team have been adopted and applied by well-known 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 Centre 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 Centre 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 Company's main source of proprietary intellectual property rights and major new varieties of TCM, and is one of the main forces to maintain Zhong Xin Pharmaceutical's leading position in technology development.

Municipal-level Enterprise Technology Centres

Our municipal-level enterprise technology centres are equipped with a number of modern analytical equipment such as high performance liquid chromatography instruments, gas chromatography instruments, evaporative light scattering detectors, thin-layer scanners, ultraviolet spectrophotometers and 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.

Every enterprise technology centre focuses on scientific research team building, and has assembled a scientific research team with complete professional technology skills, reasonable age structure, strong vitality and innovative spirit.

We have stepped up efforts in industry-university-research partnerships, invested heavily in cooperation 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 diversified our corporate product mix through new product R&D, explored the clinical use value of products through secondary product development, and accelerated the commercialisation of scientific research findings. In 2021, led by Academician Liu Changxiao of Tianjin Pharmaceutical Research Institute and Zhang Chengui, chief technical expert and lifelong senior consultant of the Zhong Xin Pharmaceutical, as representatives of major cooperative enterprises, the project of "Innovative Research and Development Theory and Key Technologies of Traditional Chinese Medicine and Its Application Based on 'Substance-Pharmacokinetic-Efficacy'" won the second prize of National Science and Technology Progress Award in 2020.

While developing new technology products, the Company paid due attention to effective protection of intellectual property rights, and completed technical confidentiality and patent application work in a timely manner. In 2021, the protection of TCM varieties of Tongmai Yangxin Wan (通脉养心丸) was approved for renewal.

2. Enhancement of Equipment and Technology

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 TCMs. In 2021, the Company introduced production lines and production equipment such as tea preparation production lines, aluminum-plastic packaging production lines, outer packaging production lines, true emulsification mixers, drum dryers, and high-speed tablet presses.

In 2021, to improve product quality, reduce costs, and enhance the standard of production process, the Company carried out 13 process improvement projects, including the change of coating agent solvent for Jinqi Jiangtang Pian (金芪降糖片), and the production process optimisation project for dried tangerine peel of Huoxiangzhengqishui (藿香正气水). 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 stable supplies in the market, the Company carried out research on new product inner packaging materials.

3. University Research and Development and University Scientific Research Institutions

Zhong Xin Pharmaceutical has always attached great importance to 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 has jointly built and shared cooperative projects with the Chinese herbal medicine base of Tianjin University of Traditional Chinese Medicine. In order to realize the

large-scale, standardised and industrialized planting of authentic Chinese medicinal materials and meet the requirements for the construction of the national Chinese medicinal materials GAP base, Zhong Xin Pharmaceutical carried out the project of "Research on Co-construction and Shared Technology of Chinese Medicinal Materials Base" in collaboration with Tianjin University of Traditional Chinese Medicine. As the executive director, the Company organised the company's subsidiary medicinal materials company and TCM decoction piece factory to join the "Co-construction and sharing alliance of Chinese medicinal materials base". The Company steps up exchanges and cooperation with key enterprises in the TCM industry, scientific research institutions of traditional Chinese medicinal materials and relevant experts, and promotes the establishment of a guarantee system for the supply, quality and cost of authentic medicinal materials.

In collaboration with the First Affiliated Hospital of Tianjin University of Traditional Chinese Medicine, the Company carried out a randomised, double-blind, placebo-controlled, parallel multi-centre clinical trial for the treatment of advanced non-small cell lung cancer (Qi and blood deficiency syndrome), which manifested 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 partnered up with Jinan Central Hospital affiliated to Shandong University to carry out a real-world study on the effectiveness and safety of Wei chang an wan (胃肠安丸) in the treatment of rotavirus enteritis for children, observe the remission time of Wei chang an wan (胃肠安丸) in the treatment of rotavirus enteritis, and explore the clinical advantages and clinical medication recommendations of Wei chang an wan (胃肠安丸) in the treatment of rotavirus enteritis. In 2018, Wei chang an wan (胃肠安丸) was added to the "Interpretation of Clinical Pathway - Pediatric Internal Medicine Volume", which is the only recommended Chinese patent medicine for rotavirus enteritis in this clinical pathway. The research results of the project will further enhance the product's grade as an evidence-based medicine, and scientifically guide the clinical application of the product.

The Company collaborated 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 with Tongmai Yangmin Wan (通脉养心丸) based on a combination of disease and syndrome, and assessed 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 Bufe Keli (补肺颗粒), which is jointly developed by Zhong Xin Pharmaceutical Research Centre and Da Ren Tang Pharmaceutical Plant and belongs to the category 1.1 of traditional Chinese medicine, is used for the treatment of stable chronic

obstructive pulmonary disease (the “COPD”), and 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 Major National Scientific and Technological Special Project for Significant New Drugs Development in 2017. At present, the project is in phase II of clinical study and data statistics are being collected and the audit of the participating units are underway.

Thus far, clinical treatment for stable COPD has been primarily 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, giving rise to considerable social and economic burdens. 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 TCM has received wide attention, and its safety and effectiveness are recognised with clinical results. The treatment of COPD with TCM has gained traction in recent years. Through TCM diagnosis and treatment, 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 Bufeī 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 TCM compound formula for the treatment of stable COPD and chronic persistent bronchial asthma based on abundant clinical data summarising such diseases. Once the new drug is launched, it will make up for the gap in the treatment of stable COPD with TCM and bring good news to COPD patients.



Caring for Employees

The Company is committed to safeguarding the development, safety and well-being of its employees. It appreciates the contribution of all employees and provides them with fair remuneration. We endeavor to eliminate fatal accidents in all workplaces and have adopted work safety measures in the workplace to ensure the health and safety of our employees. In 2020, the labour 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 adheres to the work safety management concept of "people-oriented, life first", and strictly implements the work safety policy of "safety first, precaution crucial and comprehensive governance", and forms an all-round and full-coverage safety network from the aspects of organisation, system, risk, emergency response, supervision and feedback, safety culture, etc., and is committed to reducing the potential work safety and occupational health risks in the workplace and create a healthy and safe working environment for employees.

In 2021, the Company's work safety situation remained stable, without any major work safety accidents or new occupational disease patients reported. The Company rigorously implements the main responsibility for work safety and occupational disease prevention and control in strict compliance with the national laws and regulations on the prevention and control of occupational diseases, regulates the Company's occupational health management, and improves the Company's occupational health electronic record. Through occupational health publicity training, the Company further enhances employees' awareness of occupational hazard protection. The Company conducts Occupational Health and Safety inspections to reduce accident risks and improve safety and stability factors.

In 2021, the Company continued to promote the development of safety culture, strived to build an intrinsically safe enterprise paying due attention to safety education and training, reinforced the awareness of red lines, and enforced the main responsibility. The Company organised the main person in charge of the Company, in-charge leaders and safety management personnel to publicise and implement the new "Work Safety Law" and the "Amendment to the Criminal Law of the People's Republic of China", especially made a special interpretation of the new "Work Safety Law" and the penalty clauses of the Criminal Law, summarising the "red line" clauses, citing the case analysis of several major accidents, enhancing the awareness of red lines and responsibility, and improving the standard of safety management and safety skills.

The Company continued to promote the dual prevention mechanism of safety risk management and control and hidden danger investigation and rectification, updated and improved the risk distribution map and risk management manual of its affiliated enterprises, summarised and compiled the "one map and one manual" (i.e. risk distribution map and risk management manual), which improved the ability to control risks and manage hidden dangers.

Starting from the actual situation, the Company goes deep into its affiliated enterprises to organise and carry out various work safety inspections and hidden dangers investigation and governance actions, and conducts investigations and reforms for the discovered safety hazards, and eliminates the safety hazards in time to ensure safe production.

In 2021, the Company maintained a stable track record of work safety, and fulfilled various work safety targets, with major injury rate of 0%, working hours loss of 0%, work-related death accident of 0%, major fire and explosion accidents of 0%, and major equipment accidents of 0%. No employees worked on jobs or positions of high risks or high incidence of specific diseases.

Employee Diversity

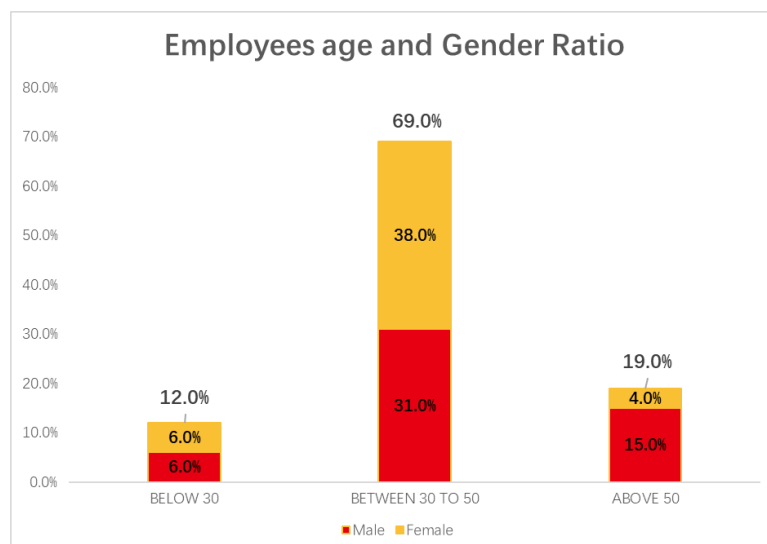
(GRI 401-1, 405-1)

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



Orientation program for new hires

In FY2021, the Company had a total of 4,650 employees and 19 new employees, with employment rate of 0.4%. 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 Labour Contract Law and its implementation regulations, and have entered into labour contracts with all employees to tighten up the management of labour 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 pays for all its employees contributions to pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and the housing provident fund, and offers other benefits, with timely full payment guaranteed. Physical examinations for employees are organised regularly to reduce and avoid occupational hazards. The Company cares about the physical and mental health of its employees.

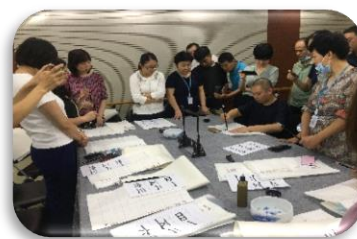
The Company conducts performance-based management of employees, and implements various forms of regular performance appraisal according to the nature and category of the employees' positions to ensure that employees' contributions are fairly rewarded. In particular, the senior management is subject to 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 benefit from the development achievements of the Company, the Company continuously improves its remuneration system and incentive mechanism to ensure that the remuneration level of the employees is commensurate with the Company's performance growth. The Company has further broadened the channels for

employees to share the returns of corporate development through the corporate annuity scheme and restricted share incentive scheme.

In 2020, the 50 employees went on maternity leave, and all of them were retained by the Company upon expiry of maternity leave, representing a retention rate of 100%. In 2021, the number of employees on maternity leave was 32. Among them, 17 employees have returned to work, and the remaining 15 employees are still on maturity leave, and they will also be retained by the Company, representing a retention rate of 100%.

The labour union of the Company focuses on enhancing its democratic management functions, and 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 prompt announcements to employees, with 100% of the Company's employees entered into and duly performed the related contracts. At the same time, to ensure the provision of assistance and support for employees with special difficulties, since 2013, the labour union of the Company has continuously revised and improved the Measures for the Administration of Provision of Assistance and Support to Employees with Special Difficulties of Zhong Xin Pharmaceutical to clarify the recognition criteria for employees with special difficulties, establish files for employees with special difficulties, implement dynamic management and step up support efforts so as to achieve targeted assistance. As of December 2021, more than 1,150 employees with special difficulties received assistance worth more than RMB5.85 million in total, enabling the employees with special difficulties to truly feel the care of the Company. The labour union of the Company has purchased two mutual assistance insurance schemes for all employees of the Company in four 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 labour union, with a capital expenditure of approximately RMB1.00 million.

The Company insists on making allocations to the activity subsidy funds for the labour union of its affiliated enterprises to support the organisation of employee cultural activities in the sum of more than RMB0.20 million each year. The labour unions at all levels actively organise and carry out cultural and recreational activities such as calligraphy interest groups, basketball and badminton games, etc., which are popular among employees, and constantly enrich the lives of employees.



Chinese calligraphy class

Growth of Employees and the Company

(GRI 404-1, 404-2)

Committed to the strategic goal of "building the ideal development platform for employees" as strategic development direction, the training centre of Zhong Xin Pharmaceutical provides the foundation and guarantee for building a high-quality and high-calibre talent team. While



continuously expanding the talent pool of high-end professionals, we further pushed ahead talent teambuilding and revitalize existing talents. With the training centre serving as the backbone, position competence as the core, and guaranteeing talents for enterprises as the goal, we built five vocational training platforms for employees, namely management, professional technology, marketing, production and operation and scientific research. We also provide continuous and systematic training courses for employees of various positions to accelerate their development in Zhong Xin Pharmaceutical. In 2021, a total of 768 training sessions were held, with a total of 6,576 training hours and employee attendance of 21,996, covering personnel in R&D, technology, quality control, frontline production, marketing, management, etc. divisions

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 Labour Compliance

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

The Group is committed to being a socially responsible employer. In FY2021, there were no incidents of serious discrimination, child labour, forced or compulsory labour or 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 labour contracts, and the principle of equal pay for equal work is maintained regardless of gender.

Actual Performance in FY2021	
FY2021 Targets	Performance
To promote employee development	In 2021, we carried out a series of professional skills training based on job requirements, and the training covered research and development, technology, quality, production line, marketing, management, etc. personnel.
To protect employees’ rights and interests	In 2021, we determined 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 work safety incident	No major work safety incidents in 2021
FY2022 Targets	
FY2022 Targets	Action Plan
To promote employee development	We will continue to encourage all employees to attend the training activities, pay due attention to 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 work safety incident	We will tighten up the investigation and management of hidden dangers and work safety education and training, seeking to eliminate major work safety incidents in 2022.

Environmental Awareness

The Company regularly monitors energy consumption in routine 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 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 reduced water consumption through measures such as recycling of steam condensate, concentrated water recovery and reuse, and reduce energy consumption required by hot water supply.

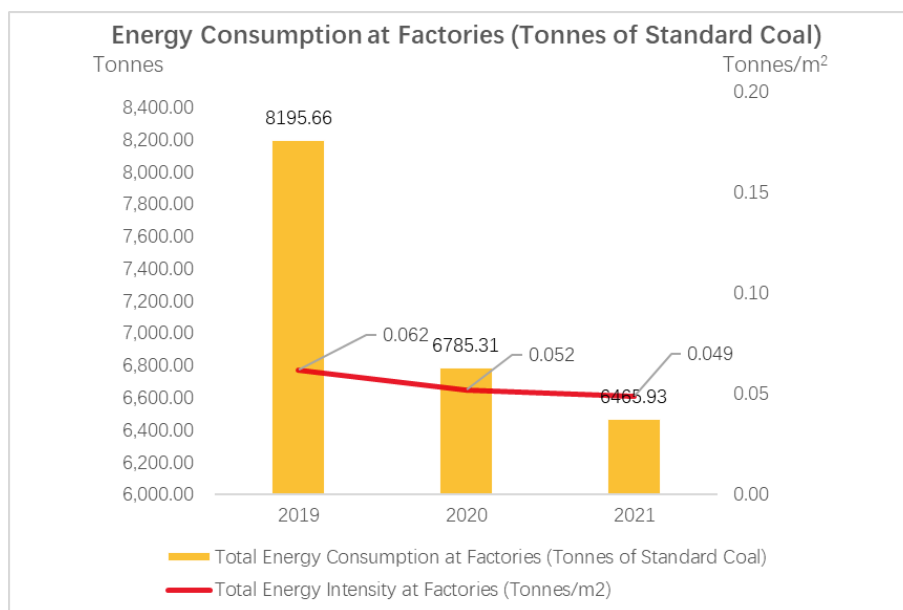
Pharmaceutical Manufacturing



Smart dripping pill manufacturing base

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

In FY2021, total energy consumption came in at 6,465.93 tonnes of standard coal, representing a decrease of 319.38 tonnes of standard coal as compared to the year 2020. 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, selecting high-efficiency energy-saving equipment, solar energy facilities and low-power lighting fixtures, and accomplished the energy saving and consumption reduction plan formulated in the previous year. In 2021, the subsidiaries under the Company achieved overall energy savings of 182.14 tonnes of standard coal for the completed projects. On the other hand, the Company's calculable output has increased, further improving energy efficiency.



Long Shun Rong Pharmaceutical Plant

In FY2021, Long Shun Rong Pharmaceutical Plant replaced electric water heaters with solar water heaters to reduce power consumption, saving 6,000 kWh of electricity (equivalent to 0.74 tonnes of standard coal) in the year.

Le Ren Tang Pharmaceutical Plant

To improve production efficiency, save energy, improve the environment, and reduce consumption and emissions, Le Ren Tang Pharmaceutical Plant updated its drying equipment and adopted high-efficiency equipment to perform the production tasks. Upon completion of the project, the consumption of diesel oil was reduced, and the annual energy saving of 141.56 tonnes of standard coal was realized.

No. 6 Chinese Medicine Plant

To save energy, in 2021, the Company renovated solar street lamps and steam pipelines, and implemented measures such as deactivating transformers. It is expected that the annual power consumption will be saved by 103,400 kWh (equivalent to 12.71 tonnes of standard coal).

Da Ren Tang Pharmaceutical Plant

In FY2021, the Company carried out the replacement of all workshop lighting with LED lamps, with a total investment of RMB20,000. It is expected to save about 50,000 kWh of electricity (equivalent to 6.1 tonnes of standard coal) during the year.

Xinxin Pharmaceutical Plant

In FY2021, the Company replaced all the lighting fixtures in the warehouse, and replaced the original 14 high-pressure mercury lamps with LED lamp shades, resulting in an annual power saving of 3443 kWh (equivalent to 0.4232 tonnes of standard coal).

Zhong Xin Pharmaceutical Plant

In FY2021, Zhong Xin Pharmaceutical Plant invested RMB376,000 to implement projects such as the replacement of LED lighting in the extraction workshop and comprehensive warehouse, the addition of windows in the office area, the recycling of condensed water in the workshop, the improvement of the secondary and tertiary energy metering systems, and the phased deactivation of refrigerators and other projects. Upon completion of these projects, the annual power saving is estimated to be 167,700 kWh (equivalent to 20.61 tonnes of standard coal).

Management of Volatile Organic Compounds

(GRI 305-7)

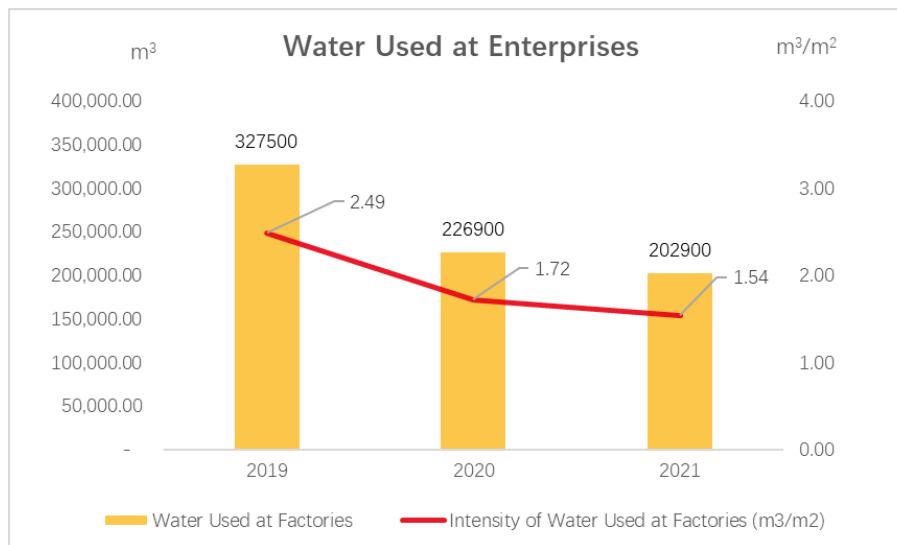
In response to the latest Emission Standards of Air Pollutants for Boilers (DB12/151-2020) implemented in Tianjin in 2020, a special work meeting was held to encourage enterprises to optimise the measures to control the boiler exhaust gas emission indicators. At the same time, the Company carried out 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 duly implements the supervision and management of the production and operation of each enterprise during heavy pollution weather, urges all enterprises to adopt the “enterprise-specific policy” 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 FY2021 was 202,900 cubic meters, a decrease of 24,000 cubic meters compared to 226,900 cubic meters in 2020. The decline is attributable to the adoption of water-saving measures to reduce consumption and the change of product structure.

Effluent and Waste Management

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

Zhong Xin Pharmaceutical takes active 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.

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

The Company has no serious leakage accident in 2021.

Environmental Objectives and Compliance

(GRI 307-1)

On the basis of the Company's environmental protection system, the Company regulates the operation of pollutant control facilities of various enterprises, the compliance of pollutant discharge, and emergency management of environmental emergencies, etc., determines the key points and key links of ecological environment management, tightens up supervision and inspection, and continuously improves the systematic, normative and scientific nature of the company's ecological and environmental protection management. In FY2021, 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 FY2022, we have reviewed our environmental performance in FY2021 and formulated our plan for FY2022.

Actual Performance in FY2021	
FY2021 Targets	Performance
To reduce energy consumption by 100 tonnes of standard coal.	The Company further improved the energy management system documents, regularly reported the energy use in meetings, and strengthened communication concerning the energy management process and the control of goals; The Company updated and upgraded some production equipment and public equipment to improve energy efficiency; The Company further improved the intelligent energy online monitoring platform of Zhong Xin Pharmaceutical, added energy monitoring points, and refined enterprise energy management and control; The Company carried out annual internal and external energy audits to improve the professionalism of energy conservation; The Company implemented energy-saving projects during the year, and the annual energy saving achieved a reduction of 182.14 tonnes of standard coal.
To improve level of reasonable water consumption	On the basis of relevant existing equipment and facilities, the enterprise enhanced water-saving measures and personnel awareness of water-saving, and increased the control of primary water consumption and the water consumption amount per unit output value of ten thousand Yuan decreased by 16.53% year-on-year. Among them: Long Shun Rong Pharmaceutical Plant renovated the concentrated water for reuse, and Zhong Xin Pharmaceutical Plant renovated the steam condensate water system to increase the utilization of condensate water and improve the level of reasonable water consumption.
No major environmental leakage	No major environmental leakage in 2021
To continue to regulate wastewater and waste discharge	The discharge of wastewater met the standard, and the hazardous waste was disposed of in compliance with regulations in 2021
Environmental compliance and no environmental administrative punishment incidents occurred in 2021	No environmental administrative punishment incidents occurred in 2021

Environmental targets for FY2022	
FY2022 Targets	Action Plan
To reduce energy consumption by 50 tonnes of standard coal.	The Company will further develop the energy management system, increase the level of energy measurement at the second and third levels, give full play to the role of enterprise energy self-inspection and the Company's internal energy audit, and improve the level of energy management; The Company will update certain high-efficiency equipment and facilities, apply solar energy, LED lamps, etc. to reduce energy consumption and improve energy efficiency; The Company will further improve the monitoring and analysis functions of the intelligent energy online monitoring platform of Zhong Xin Pharmaceutical, increase unit consumption indicators for products, and give full play to the role of platform management and intelligent energy saving.
To improve level of reasonable water consumption	On the basis of relevant existing equipment and facilities, the enterprises should reasonably increase the measuring instruments and facilities, tighten up the monitoring of water use, further improve the efficiency of water use, and improve the level of reasonable water use.
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	The Company will tighten up pollutant control and standardise 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



Zhong Xin Pharmaceutical Employees volunteered to fight epidemic

Since the outbreak of COVID-19, the Company has taken the health and safety of its employees as top priority and strictly implemented various anti-epidemic policies introduced by the government. The labour union of the Company always paid due attention to the health and safety of employees, and purchased masks, Qinggan drink (清感饮) 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.



Guarantee supply and fight the epidemic



Zhong Xin Pharmaceutical support to fight the epidemic

Zhong Xin Pharmaceutical actively complied with the instructions and requirements of the governments at all levels on epidemic prevention and control, and effectively carried out the “Six Stabilities” and “Six Safeguards” campaign, and strive to ensure the production and supply of medicines. In order to fully support the fight against the epidemic, the subsidiaries of the Company adjusted production capacity and flexibly increased the arrangement and production of Qinggan Drink (清感饮) during the period of against Omicron in Tianjin. The Company has always cared about the front-line staff in the fight against the epidemic. Since

the outbreak of the epidemic, the Company has donated drugs and other epidemic prevention materials to many epidemic prevention units such as the Tianjin Epidemic Prevention Headquarters. The majority of cadres and employees also actively responded to the call of the Tianjin Municipal Party Committee and the Municipal Government, volunteered to fight the epidemic, devoted themselves to voluntary service work such as nucleic acid testing, and joined the forefront of Tianjin's epidemic prevention with practical actions.

2. 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. The units under the Company actively participate in community public welfare activities such as free diagnosis, consultation and health care by the hospital medical expert team.

In recent years, the units under the Company, such as Modern Chinese Medicine Industrial Park, Tianjin Pharmaceutical Exhibition Hall, Zhong Xin Pharmaceutical Natural and Humanities Exhibition Hall and Da Ren Tang Chinese Medicine Cultural Exhibition Hall have actively opened up places such as TCM cultural dissemination bases and popular science bases to citizens from all walks of life. The relevant units of the Company take the opportunity of science and technology weeks and open days to actively carry out popular science activities for the common people, and continuously strengthen exchanges and interactions with all walks of life. Through publicity in the pavilion, holding exhibitions, experiencing various activities such as traditional skills of "rubbing honey pills (搓蜜丸)", "acupuncture (打金戳)" and "golden packaging (裹金衣)", popularize the TMC culture and knowledge, and tell the stories behind the development of Chinese medicine and enterprises, we strive to carry forward the "Tianjin medicine culture" with intangible cultural heritage skills.



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

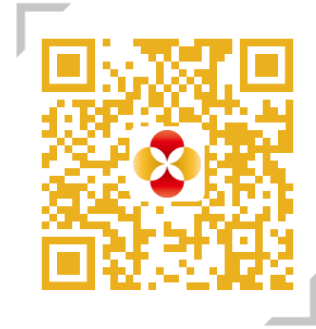
GRI Standards	Description	Section(s)
102-1	Name of organisation	Company Profile
102-2	Activities, brands, products and services	Company Profile
102-3	Location of headquarters	Company Profile
102-4	Location of operations	Company Profile
102-5	Ownership and legal form	Company Profile
102-6	Markets where services are provided	Company Profile
102-7	Scale of the organisation	Company Profile
102-8	Information on employees and other workers	Company Profile
102-9	Supply chain	Company Profile
102-10	Significant changes in the organisation 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 organiser 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	2021 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 organisation	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 (NOx), Sulphur oxides (SOx) 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/labour 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 labour 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 Labour Compliance
408-1	Operating sites and suppliers with significant risks of child labour incidents	Employment Objective and Labour Compliance
409-1	Operating sites and suppliers with significant risks of forced or compulsory labour	Employment Objective and Labour Compliance
412-1	Operating sites subject to human rights review or impact assessment	Employment Objective and Labour 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 Objective and Labour Compliance



微信公众号
Wechat official account



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