Tianjin Zhong Xin Pharmaceutical Group Corporation Limited

Sustainability Report 2019

Contents

Chairman's Message

Dear Stakeholders,

I am pleased to present the Sustainability Report of Tianjin Zhong Xin Pharmaceutical Group Corporate Limited ("Zhong Xin Pharmaceutical" or "the Company") and its subsidiaries ("the Group").

As a highly reputable pharmaceutical supplier that prides itself in the quality and safety of its products, ensuring product safety has always been our top priority. We regularly review our policies and manufacturing practices, and strictly comply with industrial regulations to ensure that our drugs are safe and efficacious for patients.

Other than ensuring that our products are manufactured and distributed responsibly, we market our products ethically. Our business activities strictly comply with national and industrial standards on product marketing, labelling and advertising. We establish stringent marketing guidelines to ensure that we do not transgress important ethical and legal boundaries.

It is the Group's belief that technological advancement of its products and production process is key to the sustainable development of the business. As such, we have invested significantly in our Research and Development ("R&D") facilities and equipment, as well as pharmaceutical products and production technology, to ensure top-grade product performance and quality for our customers.

I would like to extend my appreciation to all stakeholders, for your support to Zhong Xin Pharmaceutical all these years.

MR LI LI QUN
Chairman

Organisation Profile

Zhong Xin Pharmaceutical has a long history and is an advanced, top-rated enterprise well-known for its innovations in traditional Chinese medicine. Headquartered in China, it was listed in Singapore and Shanghai in 1997 and 2001 respectively.

The Group has eco-friendly Chinese medicine as its core business and integrates production, business management and scientific research in its operations. Its business includes R&D and manufacturing of Chinese medicines, raw materials and preparations, nutraceuticals and numerous pharmaceutical fields. It has a complete industrial and product supply chain and talent pool supporting its manufacturing and distribution of Chinese medicine.

The Company has an extensive network comprising 26 branches, 20 wholly-owned companies and 11 investee companies, which builds a strong foundation for the steady growth and competitive advantages of our two main business segments, namely Chinese medicine and pharmaceutical business.

Adhering to its development goal of "Inheriting and developing the essence of Chinese medicine, and supporting a healthy and quality lifestyle" and its enterprise spirit of "inheritance and innovation", advancement of Chinese medicine dictates the Group's development strategy. Zhong Xin Pharmaceutical is committed to the R&D and manufacturing of high-quality and efficacious Chinese medicine. Currently, Zhong Xin Pharmaceutical owns 499 drug approvals for 17 pharmaceutical drugs. Among them, the formulation of two Chinese medicines are classified "National Treasures". The Group's senior consultant and technology centre honorary director, Professor Zhang Chen Gui, is a distinguished Chinese medicine expert who innovated the formulation of two medicines, namely the Instant Cardio-Reliever Pill and Jing Wan Hong; the formulations of both medicines are classified "National highly secret information". The Group has five Chinese medicines that are nationally protected, 94 patented medicines, 601 herbal medicines, 75 medicines on the National Essential Medicines List ("EML") and 216 medicines on the National Drug Reimbursement List ("NDRL"). The Group is highly regarded in the pharmaceutical industry where it has developed a nationwide marketing network. Many of its high-quality products are exported to more than 20 countries and regions around the world.

At present, the Group has one national enterprise technology centre, five municipal-level enterprise technology centres, one municipality-level modern technology engineering centre on Chinese medicine, one key enterprise laboratory, and a science and technology work station for post-doctoral studies approved by the Ministry of Manpower. The Group has applied for 1,259 patents for inventions and had 748 invention patents which are effectively authorised. It has six well-known Chinese trademarks, namely Da Ren Tang, Le Ren Tang, Long Shun Rong, Song Bai, Jing Wan Hong and Bi Qi. It also has four national representations and ten Tianjin representations of China's intangible cultural heritage.

After years of medical experiments and accumulated experience, the Group has integrated and improved equipment and technologies on Chinese medicine to form an integrated modern Chinese medicine development platform with unique characteristics. It implements the Good

Aquaculture Practices (“GAP”), Good Laboratory Practices (“GLP”), Good Clinical Practices (“GCP”), Good Manufacturing Practices (“GMP”) and Good Supplying Practice (“GSP”) series of standards on a full scale and carries out adequate quality control to ensure product safety and quality.

Zhong Xin Pharmaceutical will continue to explore the development of Chinese medicine to promote the modernisation and internationalisation of Chinese medicine.

Please refer to our Annual Report for financial year ended 31 December 2019 for more detailed information on our organizational profile and financial performance.

Our Sustainability Story

Our Vision

To advocate "Healthy China", protect the nation's health, and be a pioneer of Chinese patent medicine

Our Mission

To always meet our customers' health needs

Sustainability Targets

Zhong Xin Pharmaceutical inherits "adhering to quality beliefs and focusing on people's health" and aspires to streamline our business operations by optimising our supply chain to improve efficiency and conserve resources. The Company will continue to foster and deepen its social responsibility awareness and philosophy of sustainable development, while strictly complying with the laws and regulations of the countries and regions where we operate and distribute. We will continue to uphold fine Chinese traditions and balance economic viability with sustainability and social progress.

Below is a summary of the Group's sustainability targets and performance during the reporting period.

Actual Performance in 2019	
2019 Target	Performance
Reduce resource usage	The Company has : - Formed a regular meeting mechanism for regular reporting on energy usage to strengthen communication on energy management and target control; - Upgraded some production equipment and public equipment to improve energy efficiency; - Implemented the comprehensive smart energy project of the Zhong Xin Pharmaceutical Building for carrying out contract energy management to achieve energy saving, consumption reduction and green smart buildings; - Achieved a reduction of 233.32 tons of standard coal equivalent in the annual energy saving. - Implemented (by The Sixth Chinese Medicine Plant) a water balance test in March. By adjusting the distribution of the pipe network, the water resource recycling was improved, and the level of water management was improved reasonably.
Zero leak of waste and effluents	- Achieved zero serious leakage incident in 2019.
Environmental compliance	- There was no environmental non-compliance in 2019.

Environmental Targets for 2020	
2020 Target	Action Plan
Reduce resource usage	- Implement energy management system, documentation on energy management system, and improve energy management; - Upgrade equipment and facilities to improve energy efficiency; - Develop Smart Energy Online Monitoring Platform to achieve the automatic collection of energy consumption data and real-time energy monitoring through the replacement of smart meters and to harness the role of energy platform and save energy through the statistical analysis of energy consumption data; - Increase the recycling water equipment to enhance the reasonable water utilization level based on existing conditions.
Continuously regulate waste discharge	- Enhance daily operation and maintenance of equipment and facilities, and regulate waste discharge
Environmental compliance	- Improve the monitoring of various environmental emission indicators and the emergency response mechanism for environmental pollution incidents.

Actual Performance in 2019	
2019 Target	Performance
Zero incident of product safety non-compliance	- Achieved zero incident of product safety non-compliance.
Zero incidents of marketing and labelling non-compliance	- Achieved zero incident of non-compliance concerning product information and labelling for self-manufactured products and third party products; - Achieved zero incident of non-compliance concerning marketing communication for self-manufactured products and third party products.
Zero occupational health and safety incidents	- Achieved zero material safety incident occurred in 2019.
Social Targets for 2020	
2020 Target	Action Plan
Zero incident of marketing and labelling non-compliance	- Maintain strict implementation of current marketing management, standards and process.
Zero incident of product safety non-compliance	- Strictly comply with the new Drug administration law, GMP, GSP and other regulatory requirements, and strictly implement the quality management system and work process for drugs by enterprises.
Zero occupational	- Strengthen the investigation and management of hidden dangers and safety production education and training to achieve no material

health and safe production incident	safety accident in 2020.

Noteworthy Awards

The Group has won numerous accolades and awards in recognition of its excellence in the pharmaceutical business such as:

- Excellent Enterprise of the 40th National Pharmaceutical Industry for Quality Management Activities (2019)
- Model Tianjin- Outstanding Contribution Enterprise in the 70th Anniversary of the PRC (2019)
- National Model Enterprise with Harmonious Labor Relations (Sixth Chinese Medicine Plant, 2019)
- National High-tech Enterprise
- National AAA grade Credit Enterprise
- Top 100 Chinese Pharmaceutical Industry Enterprises
- Top 5 Exporting Chinese Patent Medicine Enterprises
- Top 20 Most Competitive Pharmaceutical Listed Companies in China
- Top 100 Comprehensive Strengths of Industrial Enterprises in China's Chemical and Pharmaceutical Industry

Compliance Management

Anti-corruption

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

The Group strictly forbids any form of corruption in the course of business. All business leaders and associates are informed and educated on the Group's zero tolerance for corruption, and have signed the "Commitment on Anti-Commerce Bribery by Business Leaders" to strengthen employee's sense of integrity. The Company formulates the self-inspection and self-correction work plan for the risk prevention and control every year. The Company's 14 wholly-owned and controlled branch companies, subsidiaries and departments carried out self-inspection and self-correction on the responsibilities, business processes, systems and mechanisms and other aspects, in order to effectively prevent the occurrence of various types of corrupt practices. At the same time, the Company actively carried out warning education on typical cases through the use of platforms such as enterprise internal journals, official websites of companies and their affiliates, public accounts and spectaculars to publish articles on integrity education and warning education. In 2019, the Company received no report of corruption.

We promise that in the event of a probable corruption incident, we will conduct independent investigations promptly where required, followed by the implementation of mitigating measures to prevent a recurrence.

Whistle-blowing Policy

The Group has a mailbox and phone line designated for whistle-blowing purposes, and there is anti-corruption staff handling whistle-blowing reports at all times. The Group deals with all kinds of whistle-blowing reports according to the Administrative Measures on Discipline Inspection, Supervision and Reporting Procedures of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited

Interested Party/Persons Transactions

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions. All interested person transactions will be properly documented and submitted to the Audit Committee for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

In 2019, there were two categories of interested person transactions. For the first category, the Company had daily transactions with the interested parties, such as purchasing and selling goods. These transactions were conducted in accordance with the General Mandate approved by shareholders at the annual general meeting. As such, these transactions were compliant with SGX listing requirements. For the second category, the Company signed a financial services agreement with interested party Tianjin Pharmaceutical Group Finance Co., Ltd. based on the principle of "Equal Choice, Mutual Benefit and Development and Win-win". The agreement is valid from 1 July 2017 to 30 June 2020. Tianjin Pharmaceutical Group

Finance Co., Ltd. provides financial services such as settlement and intermediary business services, deposit services and credit business. The transactions were reviewed and approved at the 2017 first extraordinary general meeting on 30 June 2017.

Dealing in Securities

The Group has adopted and implemented policies in line with the best practices of Singapore Exchange Securities Trading Limited ("SGX-ST") regarding the dealing of shares of the Company. The Group has advised Directors and all key executives not to deal in the Company's shares during the period commencing one month prior to the announcement of the Company's interim, half-yearly and full-year results and ending on the date of the announcement of the results. The Group also recommends its Directors and officers not to deal in the Company's securities based on short-term considerations.

Structure of Sustainability Management and Statement of the Board

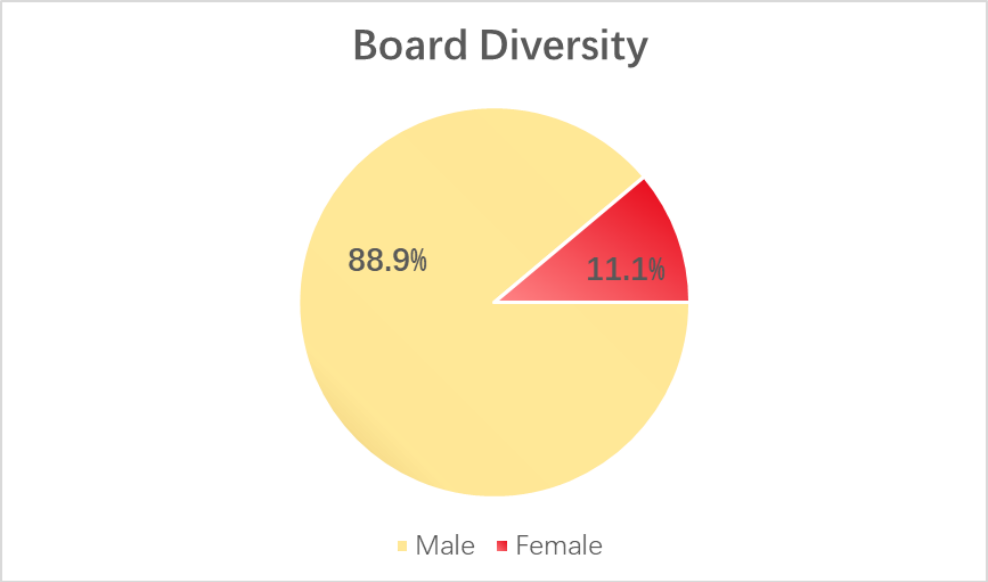
At Zhong Xin Pharmaceutical, sustainability is prioritised at the board level. We have established a Sustainability Task Force chaired by the secretary of the Board and comprised of persons-in-charge of departments to implement and manage the Company's sustainability measures.

The Board incorporates sustainability issues into the operation strategies of the Company. The Board reviews and approves the material economic, environmental and social issues identified by the Sustainability Task Force, and ensures that the issues identified are well-managed and monitored by the Task Force.

Please refer to the Corporate Governance Report in our 2019 Annual Report for more information on corporate governance practices and risk management structure.

Board Diversity

(GRI 405-1)



Zhong Xin Pharmaceutical values employee diversity at all levels of the organization. In 2019, the proportion of female Board members declined as a result of normal change of work positions. In addition, the Board had two Singaporean independent directors. We believe that a diverse board would allow the directors to give full play to their capabilities in the corporate governance and help create a working atmosphere of fair competition and mutual respect in our Group, thus ultimately enhancing the Group's performance.

Stakeholder Engagement

The Company believes that sustainable growth is dependent on meeting and exceeding the expectations of its key stakeholders, for which we had identified material issues based on their importance to stakeholders. We engage in meaningful and productive dialogues with our stakeholders to understand their needs and actively participate in various industry and government forums to keep abreast of any material stakeholder issues.

We identify key stakeholders as groups which have material impact on or could be impacted by our operations. The following table summarises our key stakeholders under such definition, engagement platforms and their key concerns:

Stakeholders	Engagement platforms	Key concerns	Read more in the following sections
Customers and consumers	• Annual reports • Product quality feedback	• Quality and safety of products • Certificate of pharmaceutical product ("CPP") • Compliance with local health and safety regulations • Compliance with local marketing and labelling regulations	• Product Health and Safety • Marketing and Labelling
Employees	• Performance appraisal system	• Employee health and safety • Remuneration • Staff benefits • Compliance with local labour laws	• Our People, Our Assets
Suppliers	• Suppliers assessment	• Product quality and compliance	• Managing Our Suppliers
Governments and industrial/standard associations	• Quarterly announcements on SGX • Annual reports • Sustainability reporting • Communication meetings on government policy	• Compliance with industrial requirements • Environmental compliance	• Employee Health and Safety • Product Health and Safety • Marketing and Labelling • Social Compliance
Community	• Engagement in community services	• Environmental impact • Social development	• Giving Back to Society • Environmental Awareness

Shareholders and investors	• Annual reports • Investor relations management • Annual general meetings	• Financial result of the Company • Anti-corruption	• Anti-corruption and Anti-commercial Bribery • Product Health and Safety

Basis for Preparation

This sustainability report published by the Company was prepared in accordance with the Global Reporting Initiative (GRI) Standards' " Core" option, covering Zhong Xin Pharmaceutical's performance on sustainability during the reporting period from 1 January 2019 to 31 December 2019.

The GRI Standards we chose as reporting framework is a globally-accepted reporting standard for sustainability, which presents the topics from the economic, environmental and social aspects. This report also complies with the "Comply or Explain" requirements on sustainability reporting under Rule 711B of the SGX Listing Manual.

Neither the GRI Standards nor the SGX Listing Manual requires external assurance on report. The Group's Sustainability Task Force has assessed that external assurance is not required as the Group is laying the foundations for a sustainability reporting framework this year.

This report supplements the Group's 2019 Annual Report. Detailed section reference for GRI Standards can be found at the GRI Standards Content Index section of this report.

The Company's material topics were identified based on their impacts on our internal and external stakeholders, as outlined in the Stakeholders Engagement section. Material topics and boundaries identified in this report are set out as follows:

Material Topics	Boundaries (i.e. segment, country or subsidiary)
ECONOMIC	
Market Presence	The Group
Indirect Economic Impacts	
Anti-corruption	
ENVIRONMENTAL	
Energy	Manufacturing
Water	
Emissions	
Effluents and Waste	
Environmental Compliance	The Group
SOCIAL	
Employment	The Group
Occupational Health and Safety	Group-wide including manufacturing
Training and Education	The Group
Diversity and Equal Opportunity	
Non-discrimination	

Child Labour	
Forced or Compulsory Labour	
Human Rights Assessment	
Local Communities	
Customer Health and Safety	Manufacturing and distribution (includes distribution of self-manufactured and third party products)
Marketing and Labelling	
Socioeconomic Compliance	The Group

Customer Health and Safety

At Zhong Xin Pharmaceutical, serving public health with nutritional and health products and services is our top priority. We endeavour to produce consistent, quality products and we enforce strict quality control to ensure product health and safety. We are very interested in the application of state-of-the-art technology, and work closely with our suppliers, customers, government departments and research institutions to ensure our products are of satisfactory quality.

Quality Management

(GRI 416-1)

The Group strictly complies with the laws and regulations of the People's Republic of China on Drug Administration and GMP. Eight industrial enterprises under Zhong Xin Pharmaceutical have obtained the Chinese GMP certification.

Long Shun Rong Pharmaceutical Factory, Da Ren Tang Pharmaceutical Factory, Le Ren Tang Pharmaceutical Factory and No. 6 Chinese Medicine Plant passed the annual audit of ISO10012 measurement management system. Long Shun Rong Pharmaceutical Factory achieved AAA stage "Certificate of Conformity for Measurement Management System" of the State.

In 2019, five Zhong Xin pharmaceutical manufacturers were awarded the Tianjin Pharmaceutical Production A-level Enterprise (Reliable Medicine Factory). In addition, a total of 12 quality control circles of Zhong Xin Pharmaceutical won the first prize in the national pharmaceutical industry. The Group was acclaimed as an "Exemplary Enterprise of Good Product Quality" for the 40th Anniversary Quality Management Team Activities Organized by China Pharmaceutical Quality Management Association (QC)". In 2019, 2 projects of the Company won third prizes in the Tianjin Quality Excellence Competition.

Manufacturing

Zhong Xin Pharmaceutical's Quality Control Policy	Serving public health is our top priority
	Consistent quality products and strict quality control
	Use of latest technology
	Close collaborations with suppliers, customers, government agencies and research institutions to maintain progress
	Strict compliance with international GMP, domestic GMP and drug regulations
	Pay close attention to environmental protection

We have established a comprehensive quality management system covering all aspects of GMP, and we encourage our affiliates to strictly implement the same quality management standards for pharmaceutical production. The Group strictly implements our quality management system and establishes responsibility over product quality. We have enhanced

quality monitoring and data analysis on key aspects of the production process, and we identify quality and safety hazards in a timely manner to prevent product accidents.

According to established work plans and for prevention and control of problems and risks, The Group assigns senior quality management staff every year to conduct internal audits and random checks on the quality standards of its subsidiaries. Through the internal audits, enterprises are required to strictly implement quality management standards for pharmaceuticals, reduce quality hazards in the production process, and ensure that our pharmaceuticals are of satisfactory quality. This ensures the safety and effectiveness of patients' medications.

Distribution (Includes distribution of self-manufactured products and third party products)

In 2019, our subsidiaries renewed their Pharmaceutical Trade Licenses which are within validity period. To safeguard our product quality management at a group level, all wholesalers and retailers engaged by our affiliates are required to comply with national GSP regulations.

In 2019, ten pharmaceutical stores belonging to the Group were rated “Tianjin A-level assured pharmacies”, and three of them were named “Tianjin Exemplary Pharmaceutical Retail Enterprise” in 2019.

Marketing and Labelling

(GRI 417-1)

The Group has stepped up efforts in operation compliance and requires front-line marketing staff to strictly implement legal, compliant and ethical marketing practices. Our subsidiaries and associates implement "Code of Conduct for Drug Promotion" and proper marketing regulations, and we heavily penalise any non-compliant marketing activities that take place at our enterprises.

Distribution of Self-manufactured Products

We comply strictly with local regulations regarding marketing and labelling for of all our products, as we strongly believe in being truthful and transparent with our consumers, in keeping with our reputation as a pharmaceutical supplier.

In 2019, the Company relied on scientific research results to carry out promotion in the academia and expand sales to end customers. At the same time, the Company strengthened the control of Contract Sales Outsourcing(CSO) companies, revised the related management system and oversaw its implementation. Pursuant to the “Tianjin Zhong Xin Pharmaceutical Group Print Media Advertising Policy”, the Group standardises the product advertising activities of its subsidiaries and provides clarity on the advertising process. All advertising contents are required to comply with China’s Advertising Laws and have to be submitted to the relevant management departments for approval prior to release to ensure regulatory compliance of our marketing activities.

All medicines manufactured by the Group have a legal drug approval, and our drug labelling practices strictly comply with the requirements of the "Drug Instructions and Label Management" regulations (Order No. 24) under the State Food and Drug Administration.

Distribution of Third-party Products

The third party medicines distributed by Zhong Xin Pharmaceutical are procured from qualified and certified suppliers. During the first qualification examination, the labels of the procured medicines were examined to ensure that the medicines were in compliance with the "Drug Instructions and Label Management" regulations (Order No. 24) under the State Food and Drug Administration as well as drug quality standards.

Managing our Suppliers

(GRI 416-1)

At Zhong Xin Pharmaceutical, we placed emphasis on the quality of all our manufactured and distributed products. As such, we go through rigorous and stringent checks, and uphold high standards when assessing our suppliers to ensure high product quality.

Manufacturing

We adopt an electronic procurement system to streamline our supplier selection process. Based on the principle of best quality for the lowest price, suppliers are comprehensively assessed according to seven factors, namely capacity, capital, delivery, controls, return policy and contracts. All suppliers are evaluated by the management before engagement, establishing an accountable and objective supplier selection process.

We select suppliers that have competitive advantages in the supply of raw materials and Chinese herbs to ensure that we have competitive advantages in terms of our supply chain.

Distribution of Third-party Products

We adopt a collaborative supply chain information platform, and constantly establish innovative business ideas, clear business principles and effective business strategies to provide our customers with comprehensive pharmaceutical distribution, value-adding and logistic services. Pharmaceutical companies in the Group actively responded to market changes brought about by the "two invoices' system" and " quantity-specific procurement" and other policies, extended cooperation with suppliers and customers, optimized product varieties and procure higher sales in the end markets. In addition to maintaining its advantageous market position in established regions, the Company is actively exploring new markets. In 2019, our pharmaceutical companies started to innovate their business models by expanding the O2O model.

Our procurement officers are kept abreast on the latest market information on pharmaceutical product quality and adverse drug reactions to prevent the Group from procuring products of adverse quality. In order to ensure the quality and safety standards of our distributed products, we only procure from reputable pharmaceutical suppliers with high quality and good value.

We are also more stringent in the evaluation of suppliers whose products are prone to problems during drug sampling.

We conduct an annual assessment of our existing suppliers to assess their operations and trustworthiness, as well as an overall analysis of their product sales to ensure the product quality of our suppliers and the profitability of our distribution business.

Product Safety Targets and Compliance

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

In 2019, there was no incidence of non-compliance violating relevant laws on product safety nor any incidents violating relevant laws on marketing and information dissemination.

In order to maintain strict compliance with product safety regulations and achieve our product safety targets in 2020, we have reviewed our performance in 2019 and developed an action plan for 2020.

Product Safety Performance in 2019	
2019 Target	Performance Update
Zero incident of marketing and labelling non-compliance	- Achieved **zero** incident of non-compliance concerning product information and labelling for self-manufactured products and third party products - Achieved **zero** incident of non-compliance concerning marketing communications for self-manufactured products and third party products
Zero incident of product safety non-compliance	- Achieved **zero** product safety non-compliance
Product Safety Targets for 2020	
2020 Target	Action Plan
Zero marketing and labelling compliance incident	- Maintain strict compliance with marketing and labeling policies, practices and measures
Zero product safety incident	- Continue to comply with the Drug Administration Law, other regulations and requirements including GMP and GSP, strictly implement the Group's product quality management system and workflow

Research and Development

Essential medicines are medicines that satisfy the medical and health needs of the population. They are selected with due regard to public health relevance, evidence on efficacy and safety, and comparative cost-effectiveness. The EML applies to both Chinese and Western medicines, and focuses on medicines for common diseases and chronic diseases, especially major diseases and drugs for the elderly, women and children. The EML is applicable to medical and health institutions at all levels. As such, we endeavour to put our medicines on the EML for the opportunity to serve the community.

As at December 2019, the 2018 National EML is the latest edition, and it includes 75 Chinese patent medicines and 601 Chinese herbal medicines manufactured and distributed by Zhong Xin Pharmaceutical.

Continuing Innovation

GRI 203-2

1.Technology Centres

We have one national enterprise technology centre, Tianjin Zhong Xin Pharmaceutical Group Co., Ltd. Technology Centre ("Zhong Xin Pharmaceutical Technology Centre") and five Municipal Enterprise Technology Centres.

Zhong Xin Pharmaceutical Technology Centre

At the Technology Centre there are highly-advanced equipment such as ultra-performance liquid chromatography-tandem mass spectrometer ("UPLC-MS/MS"), gas chromatography-mass spectrometer ("GC-MS"), atomic absorption spectrometer, automated mercury analysers and medium pressure liquid chromatography ("MPLC") systems. We also have advanced experimental and small-scale equipment from countries such as Germany, Japan, Singapore and Denmark to further develop the technical capabilities of the Group.

The research team comprises researchers with diverse academic backgrounds and professions, where nearly 30% of the front-line researchers possess masters or doctoral degrees. In addition, we have technical committees, expert advisory committees and post-doctoral research stations to facilitate and execute the R&D of our technologies. Over the years, Zhong Xin Pharmaceutical Technology Centre has undertaken numerous major projects for the National Development and Reform Commission and the Ministry of Science and Technology to research on new drug projects. Extensive, prompt and high-quality product researches are also provided for internal and external parties. Many of the Chinese medicine chemical reference substances it developed have been adopted and used by prestigious international organisations including *European* Pharmacopeia *Commission.* Notably, Zhong Xin Pharmaceutical Research Centre was accredited by China National Accreditation Service for Conformity Assessment ("CNAS") and its inspection and test reports comply with international standards and are widely accepted in the international arena.

After years of development, Zhong Xin Pharmaceutical Technology Centre has gradually transformed into an important technology platform for the Group to develop new medicines and intellectual property rights. This is one of our core strengths which ensures and propels the Group's technological advancement.

Municipal Enterprise Technology Centres

Our municipal enterprise technology centres have modern analytical equipment and solid preparation pilot test equipment that can adapt to the needs of new drug R&D, drug analysis and testing, such as high-performance liquid chromatography ("HPLC") systems, gas chromatographs, evaporative light scattering detectors ("ELSDs"), thin-layer chromatographic scanners and UV spectrophotometers. They are able to meet multiple purposes such as development of new drugs, process and standard research as well as drug analysis and testing, Researches are mainly focused on new drug R&D and secondary development of our key products.

We are committed to the development of our R&D teams, and they are technically skilled, diverse and innovative.

We invest significantly in collaborations with Tianjin University of Traditional Chinese Medicine and other research institutes, and established a close technical cooperation relationship with scientific research institutes through the Ministry of Science and Technology and the Tianjin Science and Technology Innovation Project.

Through the R&D of new products, we expand our product variety, and improve on our key products through secondary development. We aim to accelerate the commercialization of scientific research results and focus on enhancing intellectual property protection in the course of new technology development. Our Reassessment Project for Weichang An Wan Series won the third prize of the 2019 Tianjin Science and Technology Advancement Award

2. Development of Equipment and Technology

The Group's main products are traditional Chinese medicine products and there are 17 dosage forms of our products, including tablets and pills. In order to ensure product quality and improve production efficiency, we focus on developing leading technologies and introducing advanced equipment for the manufacturing of Chinese medicine.

In 2019, Long Shun Rong Pharmaceutical Factory purchased a new boiling granulator. The production capacity of this equipment reaches 200kg / can. The equipment adopts HMI man-machine interface operation, frequency conversion speed control, and has the functions of top spray granulation and granule drying. The characteristic of this equipment is that the material is transported in a completely sealed manner, and the feeding and discharging of materials are performed in a sealed vacuum conveying structure. Therefore, leakage of dust is avoided while labor work is reduced.

Le Ren Tang Pharmaceutical Factory purchased 2 pill machines. The equipment adopts PLC programmable controller and HMI human-machine interface touch screen control to realize

automatic production, improve the uniformity of pills, achieve 98% of one-time uniformity of pills more than, improve production efficiency and one-time pass rate. In addition, Le Ren Tang Pharmaceutical Factory has installed two BGB-150D high-efficiency coating machines and one BGB-75D high-efficiency coating machine for the coating processes for product series such as Tongmai Yangxin Wan and Weichang An Wan. This type of equipment is composed of a PLC programmable controller and HMI man-machine interface to form a control system which realizes a three-tier system of authorization, conforms to GMP requirements, improves product quality and reduces production wastage.

The Sixth Chinese Medicine Plant purchased two filling machines for the filling process of Suxiao Jiuxin Wan, and purchased a drip pilling machine for the drip pilling process of Qingyan Di Wan. The filling equipment features accurate pill count and fast filling speed, which can meet the filling requirements of the company's dripping pills. The drip pilling equipment increases the number of drippers, so that the production capacity is improved. Process parameters are set through touch screen, and the operation of work station is controlled by the PLC. It features easy observation, high production efficiency, easy cleaning, and automatic operation.

Zhong Xin Pharmaceutical Factory has upgraded the capacity of the extraction workshop. The modified multi-functional extraction tank and double-effect concentrator are suitable for atmospheric decoction, pressure decoction, warm immersion, heat reflux, forced circulation and percolation, aromatic oil extraction and organic solvent recovery process. The upgraded facility carries the benefits of energy saving, environmental protection, lower production cost and improved efficiency.

Xinxin Pharmaceutical Plant purchased a Feite tablet press machine. This machine has a maximum production capacity of 700,000 tablets per hour and uses a control software program independently developed by Feite. The equipment is significantly better than ordinary tablet press machines in terms of transmission, pressurization, filling, feeding, punch guides and control systems. The machine is equipped with multiple imported precision sensor, and is capable of high-speed real-time data processing, ensuring that each punch can be measured at multiple points. The measured value is thus more accurate, the product quality is more stable and at the same time scrap rate is reduced amid an improved production efficiency, resulting in effective pollution control. The machine adopts Feite's patented revolve table full replacement technology, which can directly replace revolve table with clean one, which cut down cleaning time of the tablet press machine when changing batches and varieties, and enhanced the utilization rate of the machine.

The Group values the development of our existing pharmaceutical manufacturing processes, and endeavours to achieve our goal of “guaranteed quality, reduced costs and increased efficiency” through process development. In 2019, a total of 11 process improvements were implemented, and five process improvement projects have been completed. Through process improvement, Da Ren Tang reduced the working hours for the production of Qingfei Xiaoyan Wan by 60 hours. Zhong Xin Pharmaceutical Factory increased the content of Coptis chinensis extract and the stability of Scutellaria baicalensis extract

3. Collaboration with Universities and Research Institutions

The Group has always valued education and R&D. As such, we conduct regular research collaborations with university research institutions on pharmaceutical raw materials to enhance the medical value of our products.

The Group collaborated with Zhejiang University to conduct in-depth research on the pharmacodynamics and mechanism of Tongmai Yangxin Pill to improve ventricular remodelling. The Group conducted an in-depth study on key pathological links related to Tongmai Yangxin Pill 's intervention in the ventricular remodelling process. Taking Tongmai Yangxin Pill as the research subject, under the guidance of Chinese medicine theory, study on the efficacy of Tongmai Yangxin Pill was made through a number of means such as molecular biology technology, cells and comprehensive animal models. The study confirmed the efficacy and mechanism of action in enhancing ventricular remodelling, thus providing experimental basis for Tongmai Yangxin Pill to raise its technological content and market competitiveness and for clinical application.

The Group cooperated with the Second Affiliated Hospital of Xuzhou Medical University and Beijing Ditan Hospital to carry out a multi-center clinical study on Weichang An Wan's effect on gastrointestinal reactions after chemotherapy for cancer prevention and treatment. The results show that: the joint application of Weichang An Wan and tropisetron has synergistic effects on gastrointestinal reactions. The combination of the two can improve the therapeutic effect of gastrointestinal reactions caused by chemotherapy and reduce the adverse reactions caused by tropisetron itself.

The Group cooperated with the First Affiliated Hospital of Tianjin University of Traditional Chinese Medicine to carry out the pharmacodynamics and acute toxicity test research of Qingfei Xiaoyan Wan's pediatric medicine. The results show that Qingfei Xiaoyan Wan has extremely low toxicity and has high clinical safety in pediatric applications, providing a theoretical basis for the application of Qingfei Xiaoyan Wan in pediatric medication.

The Group cooperated with Tianjin University to carry out research on improving the effect of Jinqi Jiangtang Tablets on diabetes associated with hypertension. Through the study of joint application of Jinqi Jiangtang tablets and different types of hypertension drugs (calcium channel blockers, angiotensin Ⅱ receptors) Antagonists, diuretics) on the insulin sensitivity and blood pressure regulation of fructose-induced insulin resistance hypertensive rats, a theoretical basis has been established for the clinical use of Jinqi Jiangtang tablets combined with antihypertensive drugs to treat diabetes with hypertension.

4. Newly developed drugs beneficial to the pharmaceutical industry

The Group is committed to the enterprise spirit of "inheritance and innovation" and we strongly encourage and invest in our R&D staff to promote active innovation. We are currently researching on a new drug that tonifies the lungs, jointly developed by the Zhong Xin Pharmaceutical Research Centre and Da Ren Tang Pharmaceutical factory. Under China's Drug Registration, the pharmaceutical compounding preparation of this drug is not marketed in China and is used in the treatment of the stable phase of chronic obstructive

pulmonary disease ("COPD"). We have obtained clinical approval for the drug in September 2014 and are currently in Phase II of the clinical research. This research project is funded by the Group's Science and Technology Innovation Project, and received support from the Tianjin New Drug Creation Technology Special Project in 2015. It was also considered a national major new drug creation project in 2017. In 2019, all medical records were admitted.

At present, the clinical treatment of COPD in the stable period mainly relies on Western medicine. The main drugs for treatment are bronchodilators, glucocorticoids, expectorants, etc., However, the side effects are largely due to long-term application, and costs are high, causing substantial negative burden for the society and economy. Besides, repeated infections of patients cannot be avoided, which may result in worsening of the disease and eventually pulmonary heart disease. This in turn erodes patients' quality of life and even endangers their lives. In recent years, the use of traditional Chinese medicine on the treatment of COPD has received extensive attention, and its safety and effectiveness have also been clinically recognized. Through syndrome differentiation and treatment of traditional Chinese medicine, it can effectively alleviate chronic cough, sputum, dyspnoea and other symptoms, and also improve a patient's immunity, nutritional status, and overall disease resistance. It reduces recurrence and aggravation of the disease, thereby promoting a patient's recovery from the disease and ultimately improving the patient's quality of life.

The prescription of the new drug is composed of Codonopsis, Angelica, Cornus, and Ephedra, etc. It has the functions of tonifying the lung and spleen, benefiting the kidney and relieving asthma, and removing stasis and phlegm. It is a Chinese herbal compound which has been developed following studies of a large volume of clinical data for the treatment of chronic obstructive pulmonary disease in stable period and chronic bronchial asthma. When the new drug is released in the market, it will fill the gap in the current stable COPD treatment using Chinese patent medicines, and improve the wellbeing of patients with the disease.

Our People, Our Assets

The Company is committed to the development, safety and wellbeing of our staff. We value and fairly compensate the contributions of all our staff. We strive for zero fatal accident at all manufacturing sites and have implemented measures to ensure employees' health and safety.

Occupational Health and Safety

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

The Company has always adhered to the policy of "put safety and prevention first with comprehensive management", and puts the occupational health and safety of our employees first. The Company endeavours to implement laws and regulations related to safety production, and fully implements various safety production requirements.

The Company supervises all affiliated companies to strictly implement the responsibility of safety production in according with the safety production responsibilities and annual safety production target. In 2019, we entered into safety production responsibility letters with the party and government leaders of the Company's affiliated companies, which required

affiliated companies to sign safety production responsibility letters with departments, teams, and individuals. They included the inspection results into the annual assessment through safety spot checks, mutual checks and inspection to monitor their safety production practices. The Company holds regular workplace safety meetings to communicate and implement safety measures established by the senior management.

The Company establishes a safety production risk evaluation system. Based on the safety production standardization system, the Company implements the safety production risk evaluation system of Zhong Xin, evaluates the safety production status of the Zhong Xin Pharmaceutical and its affiliated companies, and makes safety production management more scientific and targeted. In addition, the Company also continuously strengthens emergency management, continuously increases investment in safety production, innovates safety production management models, and improves safety production management. The Company strives to build a long-term safety production mechanism and sets the bottom line thinking.

Taking into account the actual situation, the Company has continuously strengthened the implementation of responsibility and safety production system through supervision and inspection and professional assessment. The leadership team carries out safety production inspections. The safety technology department teamed up with the safety management experts committee of Zhong Xin Pharmaceutical to conduct in-depth safety inspections and mutual inspections of the affiliated companies, and to investigate and reform the discovered safety hazards, and eliminate in a timely manner to ensure safe production.

We maintained production safety at a stable level and in a favourable trend in 2019.

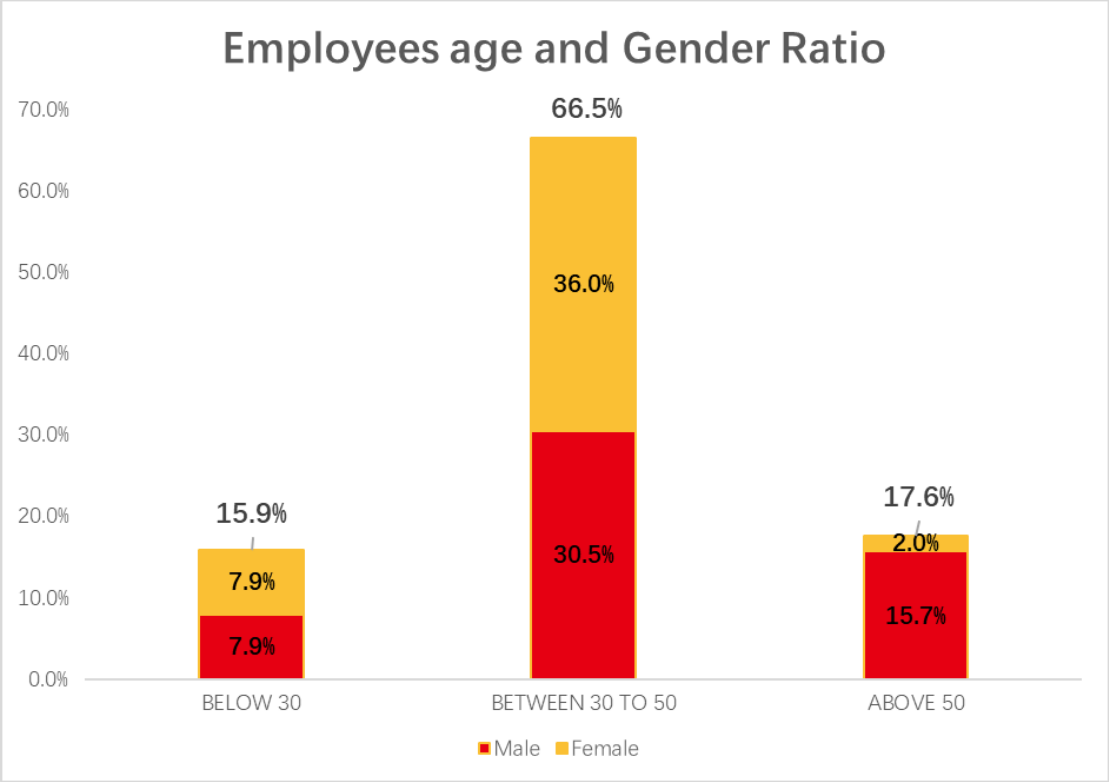
In 2019, the major injury rate, lost days, work-related fatalities, serious fires and explosions and major mechanical failure accident were 0%. No worker was found to be engaged in high-risk occupations or at high risk of diseases.

Our Workforce

(GRI 401-1, 405-1)

The Company treats all employees fairly and does not discriminate against gender or age in staff employment. The Company strictly abides by the principle of equal work for equal pay. Our employee diversity is a major force in driving change and innovation in the Company.

In FY2019, our total staff strength stood at 4,720 employees. A total of 157 employees were hired, equivalent to a new hire rate of 3.33%. The graph below shows the gender and age distribution of the Company’s employees.



Note: According to China's prevail policy, the retirement age of male employees is 60 years old, retirement age of female workers is 50 years old, and the retirement age of female employees in the management position is 55 years old. As such, most female employees over 50 years old have retired, resulting in a higher male-to-female ratio for employees above 50 years old.

Employee Benefits

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

The Company ensures that our employees are rewarded with competitive wages and benefits in line with industry standards. The wages for our employees are well above the minimum wages standard in Tianjin. The Company implements performance management for employees, and implements various forms of regular performance appraisal according to the nature and type of employees' positions, to ensure that they are compensated fairly based on their contributions.

In addition, all employees are entitled to a range of benefits, including pension funds, medical insurance, work-related injury insurance, childbirth insurance, unemployment insurance and housing accumulation funds.

In 2019, a total of 52 employees were entitled to maternity leave. After the maternity leave expires, the Company continues to use them, and the return-to-work rate is 100%.

In order to fully mobilize the enthusiasm of employees and share the achievements of our enterprise development with employees, the Company continuously improves its remuneration system and incentive mechanism. With the performance growth, the Company

ensures the corresponding increase in the employees' salary level, and at the same time, actively enriches the employees' cultural and sports life, and ensures the implementation of assistance to employees in need.

The trade union of the Company subsidises more than 200,000 CNY to the trade unions of our subsidiaries every year to fund their establishment of employees' cultural activity centre. The trade union carries out activities such as a chorus video competition to celebrate the 70th anniversary of the founding of the People's Republic of China, a fishing contest for employees and a party for single employees, and making love umbrellas for various enterprises to enrich and care for employees' lives. It further promotes the construction of a mobile APP service platform for our trade union, and currently the APP usage rate has exceeded 90%, establishing a new work pattern of hierarchical management and integration linkage.

Combining with the actual system, the trade union of the Company has purchased two mutual insurances from the city's trade union for all employees for two consecutive years, approximately 480,000 CNY. Since 2013, the Company has continuously amended and improved the Administrative Measures for Helping Employees in Need of Zhong Xin Pharmaceutical (《中新药业困难职工帮扶工作管理办法》), clarified identification standards for employees in need, established files for employees in need, implemented the dynamic management, increased efforts in assistance and strived to achieve precise assistance. As of December 2019, our trade union has assisted more than 890 employees in need, and funded a total of 4.45 million CNY, making employees in need really feel the warmth of the organization and the care of the enterprise.

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited implements performance management for employees, and implements various forms of regular performance appraisal according to the nature and type of their positions. Among them, the annual remuneration appraisal is carried out for the senior management personnel, while the management performance appraisal, physical appraisal and sales performance appraisal are carried out for the management personnel, sales personnel and production personnel according to positions.

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited implements the principle of equal work for equal pay for employees' wages and benefits, regardless of gender, in accordance with the provisions of the signed labor contract

Co-development between the Employees and the Company

(GRI 404-1, 404-2)

The Company attaches great importance to the construction of talent team, and facilitates the growth of its employees in Zhong Xin Pharmaceutical through the combination of training centre and the positions. Relying on the training center, taking job competence as the core, and providing talent assurance for the Company as the goal, we have built five professional training platforms in respect of management, professional technology, marketing, production operation and scientific research for the employees, and provided ongoing systematic training programmes for employees of different positions.

Taking the strategic goal of "Distinguished Employee Development Platform" as the direction of work deployment and by virtue of the training center, Zhong Xin Pharmaceutical has made full use of the knowledge management platform and focused on the construction of training pattern of Zhong Xin Pharmaceutical with the training centre as the carrier, to provide foundation and guarantee for constructing a high-quality and high-level talent team.

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited further promotes the construction of its talent team, revitalizes the existing talents, builds five professional training platforms in respect of management, professional technology, marketing, production operation and scientific research for its employees by relying on the training center, taking position competence as the core, and providing talent assurance for the Company as the goal, while continuing to increase the reserve and stock of advanced talents and provides ongoing systematic training programmes for employees of different positions, so as to facilitate the growth of employees in Zhong Xin Pharmaceutical. In 2019, taking into account the position requirements, the training center carried out a series of professional skills training. Participants of this training included various personnel involved in research and development, technology, quality, production line, marketing, management, etc.

This ensures that the Company has a pool of skilled talents, which is vital to our development in the pharmaceutical industry.

The Group has conducted 791 training courses for a total of 15,598 person-times throughout 2019, and total training hours amounted to 8,254 hours.

Workforce Targets and Compliance

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

The Group endeavours to be a socially responsible employer. There was no incidence of discrimination, child labour, forced or compulsory labour and human rights violation in 2019.

In order to maintain strict compliance with labour laws and regulations and achieve our workforce targets in 2020, we have reviewed the effectiveness of our workforce strategies in 2019 and developed an action plan for 2020.

Workforce Performance in 2019	
2019 Target	Performance Update
Promote employee development	- Achieved 100% participation in employee training that focused on employee development and conducted training programmes on management, professional technology, marketing, production operations and scientific research for employees of different positions
Zero incident of non-compliance with labour regulations	- Achieved zero incident of non-compliance with labour regulations

Zero occupational health and safety production incident	- No major safety production incident in 2019.
Workforce Targets for 2020	
2020 Target	Action Plan
Promote employee development	- Achieve 100% participation in employee training that focused on employee development and conducted training programmes on management, professional technology, marketing, production operations and scientific research for employees of different positions
Enhance of employee recruitment	- Strengthen personnel recruitment and give more priority to high-end colleges and universities, extend the recruitment scope of colleges, strengthen the promotion of employee recruitment and expand the scope of its influence.
Zero occupational health and safety production incident	- Strengthen the investigation and management of hidden dangers and safety production education and training, aiming for no major safety production incidents in 2020.

Environmental Awareness

The Company regularly monitors our energy consumption from daily operations, and continuously and effectively improves our environmental sustainability measures based on the data collected. Our management is delegated environmental responsibilities, and sustainability efforts are effectively implemented on a group-wide level.

In 2019, we organized and conducted energy audits to analyse our energy management and performance, investigate issues and defects, explore our potential in and identify the direction of energy saving, which reduces our energy consumption and increases our energy efficiency. This brings economic, social and environmental benefits to the Company, thereby helping us achieve the goal of saving energy, reducing consumption and increasing energy efficiency.

We implemented various energy conservation measures in 2019, primarily including update of air compressors and installation of a set of local intelligent integrated control equipment at Long Shun Rong Pharmaceutical Factory, replacement of chillers and blowers at Le Ren Tang Pharmaceutical Factory, suspension of the operation of a station service transformer for backup use at No. 6 Chinese Medicine Plant, upgrade and renovation of moisture removal pipelines of tumble dryers and replacement of 210 series steamer gas-distribution cylinders at Da Ren Tang Pharmaceutical Factory, reduction of corporate capacity of idle power and renovation of capacitor cabinet device at Xin Xin Pharmaceutical Factory as well as renovation of cooling tower equipment and air conditioning heat pipe technology at Zhong Xin Pharmaceutical Factory. The aforementioned projects, once completed, are expected to save energy of 233.32 tonnes of standard coal every year.

The Company will continue to improve our energy utilisation in 2020 by implementing our energy management system, evaluating our energy efficiency and implementing energy conservation measures.

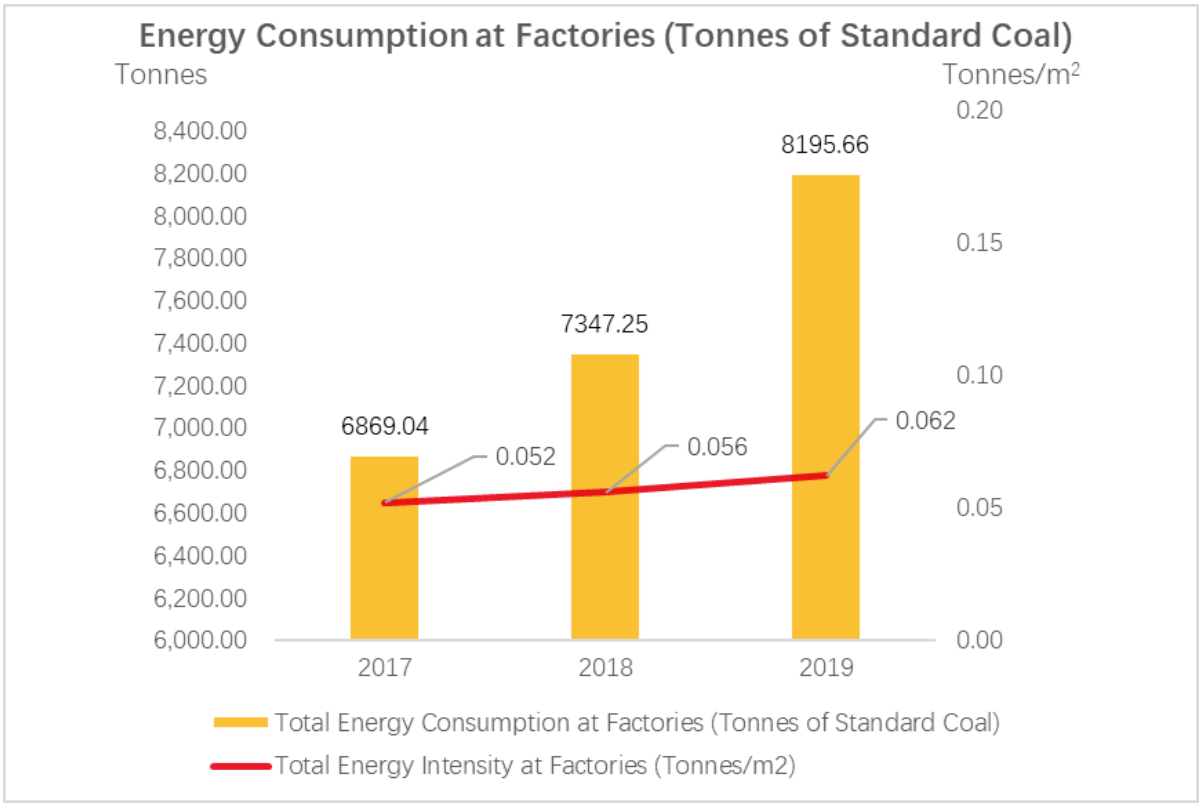
Carbon Management

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

The Company has achieved positive results in energy conservation by increasing the energy efficiency of our equipment and performing energy audits. We also save water through steam and condensation recovery and other measures while reducing the energy consumption for hot water supply.

Manufacturing of Pharmaceutical Products

We have implemented equipment improvements and upgrades in 2019 to improve the management of our carbon footprint. We endeavour to achieve our goal of energy conservation and lower energy consumption by designing sustainable factories and choosing energy-efficient equipment. We have also expedited the improvement of our existing factory equipment for energy conservation purposes to increase energy utilisation efficiency.



The increase in our total energy consumption and total energy intensity was due to an increase in production at our factories. We will continue to monitor our energy use on a real-time basis to better manage our energy consumption.

Long Shun Rong Pharmaceutical Factory

In 2019, the factory replaced the air compressors and installed local intelligent integrated control equipment for 179,000 CNY. With the operation of intelligent equipment, we achieved our goal of energy conservation and lower energy consumption while meeting our requirements for use.

The air compressors reduce the energy loss during the process of driving by adopting a new coupling driving method. With significant improvements in the operation patterns, the integrated control equipment becomes more intelligent and is able to effectively increase the full-load operation efficiency and reduce the no-load electricity consumption of the auxiliary air compressors, which allows us to reduce our electricity consumption by 95,000 kWh (equivalent to 11.7 tonnes of standard coal) and save approximately 64,000 CNY of electricity expenses every year.

Le Ren Tang Pharmaceutical Factory

In order to improve production efficiency as well as conserve energy and production inputs, Le Ren Tang Pharmaceutical Factory replaced the refrigerating machine, blower units, dust removers and gas cookers. Upon completion of these projects, 632,000 kwh (equivalent to 77.7 tonnes of standard coal) of energy can be saved every year.

No. 6 Chinese Medicine Plant

In order to promote reasonable electricity consumption and conserve energy, No. 6 Chinese Medicine Plant suspended the operation of a station service transformer at the plant for backup use, which reduced both the basic electricity expenses and no-load loss of the transformer. 87,000 kWh (equivalent to 10.7 tonnes of standard coal) of no-load loss in electricity is expected to be saved every year.

Da Ren Tang Pharmaceutical Factory

In FY2019, the factory upgraded and renovated the moisture removal pipelines of tumble dryers and replaced the 210 series steamer gas-distribution cylinders, which allows us to save 7.0 kwh (equivalent to 8.6 tonnes of standard coal) of energy every year.

Xin Xin Pharmaceutical Factory

In FY2019, the factory renovated the capacitor cabinet device, which was put into use in July 2019. 112,000 kWh (equivalent to 13.8 tonnes of standard coal) of energy was saved in the second half of the year as compared with the first half.

Zhong Xin Pharmaceutical Factory

In FY2019, the factory renovated the cooling tower equipment and air conditioning heat pipe technology for 1,330,400 CNY, which, once completed, is estimated to save 902,000 kWh (equivalent to 110.9 tonnes of standard coal) of energy every year.

Volatile Organic Compound Management

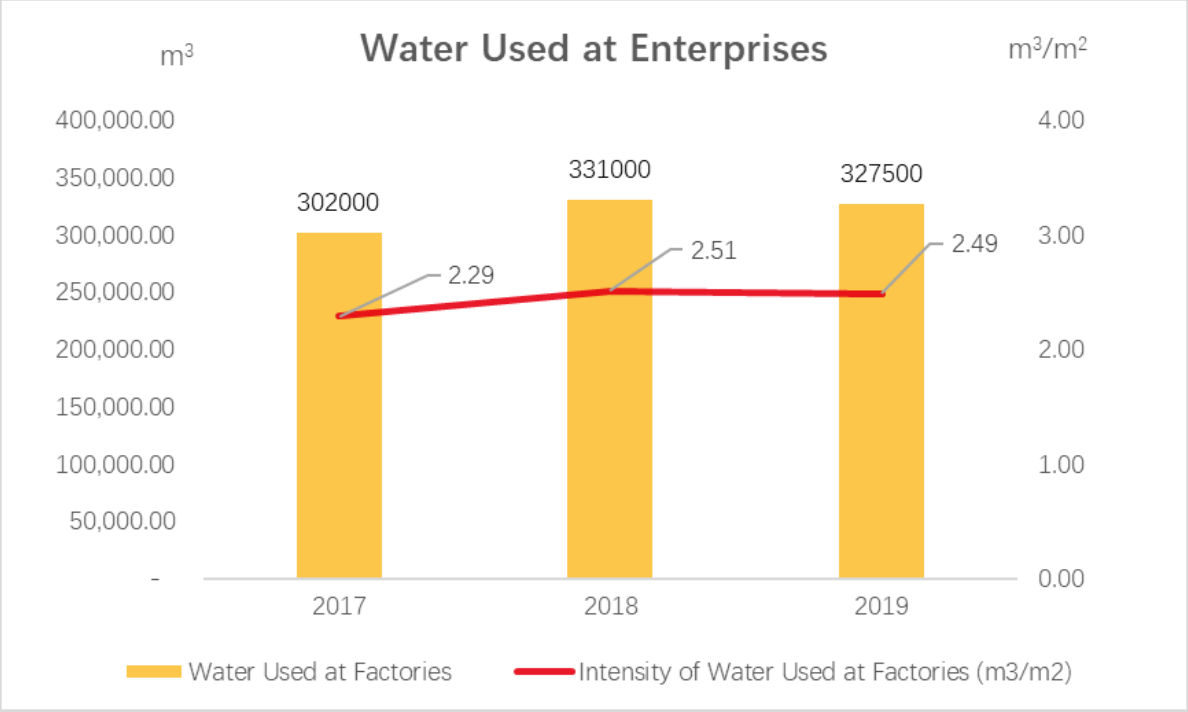
(GRI 305-7)

In 2019, the Company further strengthened the management of volatile organic compounds (VOCs) to mitigate any possible release of VOCs into the air during manufacturing. The affiliated enterprise of the Company has made great improvements in the treatment of VOCs and optimized the treatment facilities of exhaust gas to ensure the compliance with emission standards.

The Company earnestly monitored and managed the production and operation of each enterprise under heavily polluted weather in compliance with all environmental laws and regulations as well as implementation requirements of the nation and Tianjin municipality, and each enterprise was urged to adopt the measures of "one policy for one enterprise" to formulate its own emergency measures as required by local environmental protection authorities.

Water Management

(GRI 303-1)



The Company actively worked to reduce water use and increase water efficiency in our daily operations while maintaining the needs for increase the production at our factories. In 2019, our total water consumption was 327,500 cubic metres, representing a steady decrease as compared with 331,000 cubic metres in 2018.

Effluents and Waste Management

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

Zhong Xin Pharmaceutical actively implements measures to minimise the environmental impact of our operations and compliantly manage the waste and effluents produced during manufacturing.

Factory effluents mainly comprise manufacturing wastewater and domestic wastewater produced in the workshops, which is discharged according to the required standards after compliant treatment. The post-treatment water quality meets the requirements of the Integrated Wastewater Discharge Standard (GB8978-1996). After the treated discharge meets the required standards, it will be discharged to the municipal sewage pipe network, following which it will finally be discharged to the municipal sewage treatment plant.

Hazardous wastes mainly comprise industrial solid wastes, which are outsourced to qualified hazardous waste treatment units for disposal in accordance with the relevant laws and regulations.

There was no serious leak of effluents and waste in 2019.

Environmental Targets and Compliance

(GRI 307-1)

There was no incidence of non-compliance with environmental laws and regulations in 2019. In order to maintain strict environmental compliance and achieve our environmental targets in 2020, we have reviewed our environmental performance in 2019 and developed an action plan for 2020.

Actual Performance in 2019	
2019 Target	Performance Update
Reduce coal consumption and carbon emission by 100 tonnes	The enterprise : - Formed a regular meeting mechanism for regular report on energy usage and strengthened energy management communication and target control; - Upgraded certain production equipment and public equipment and improved energy efficiency; - Implemented the comprehensive smart energy project of Zhong Xin Pharmaceutical Building, carried out contract energy management and achieved the goals of energy saving, consumption reduction and green smart building; - Achieve energy savings of 233.32 tonnes of coal consumed throughout the year.
Improve water efficiency	- No. 6 Chinese Medicine Plant implemented a water balance test in March to analyze the condition of pipeline and the rationality of water use. By adjusting the distribution of the pipeline, it increased the recycling of water resources and improved the water efficiency reasonably.
Minimize the emission of volatile organic compounds	- The emission of volatile organic compounds is further reduced by upgrading the environmental equipment in 2019, and all indicators met the requirements of relevant national laws and regulations.
Zero leak of effluents and waste	- No significant spills in 2019.

Environmental compliance	- No incident of non-compliance with environmental laws and regulations in 2019.
Environmental Targets for 2020	
2020 Target	Action Plan
Continue to reduce coal consumption and carbon emission by 100 tonnes	- Implemented energy management system construction, formed energy management system documents and improved energy management level; - Upgraded certain equipment and facilities and improved energy efficiency; - Built smart energy online monitoring platform of Zhong Xin Pharmaceutical, realized automatic collection of energy consumption data and real-time energy monitoring by replacing smart meters and harnessed role of energy platform for smart energy conservation through statistical analysis of energy consumption data.
Improve water efficiency	- The enterprise increased recycling water equipment and improved water efficiency on the existing basis.
No significant environmental spills	- Improved maintenance and operation of equipment and facilities to prevent significant environmental spills.
Continuously standardise waste discharge	- Improved maintenance and operation of equipment and facilities and standardised waste discharge.
Environmental compliance	- Improved emissions inspection and emergency response plan for environmental pollution.

Corporate Social Responsibility

As a company that focuses on improving the wellbeing of the population, we strive to do our best in giving back to the community and enhance the people's quality of life through various means other than supplying quality medicine.

Giving Back to Society

(GRI 413-1)

Since 2013, the company has assisted the municipal government in the deployment of resources and assistance to villages. Based on the unified arrangement, we sent our staff (6 people in 3 rounds) to the villages to assist in voluntary works and help villagers create more employment and business opportunities through new projects such as planting herb (honeysuckle), pepper and other crops.

As of December 2019, the company has incurred a total of 2.365 million CNY in charitable initiatives.

SGX Five Primary Components Index

S/N	Primary Component	Section Reference
1	Material Topics	Stakeholder Engagement
2	Policies, Practices and Performance	Chairman's Message Our Sustainability Story
3	Board Statement	Governance and Statement of the Board
4	Targets	Our Sustainability Story
5	Framework	Reporting Practice

GRI Standards Content Index

GRI Standards	Disclosure Content	Section Reference
102-1	Name of the organisation	Organisation Profile
102-2	Activities, brands, products, and services	Organisation Profile
102-3	Location of headquarters	Organisation Profile
102-4	Location of operations	Organisation Profile
102-5	Ownership and legal form	Organisation Profile
102-6	Markets served	Organisation Profile
102-7	Scale of the organisation	Organisation Profile
102-8	Information on employees and other workers	Organisation Profile
102-9	Supply chain	Organisation Profile
102-10	Significant changes to the organisation and its supply chain	Organisation Profile
102-11	Precautionary Principle or approach	Organisation Profile
102-12	External initiatives	Organisation Profile
102-13	Membership of associations	Organisation Profile
102-14	Statement from senior decision-maker	Chairman's Message
102-15	Key impacts, risks, and opportunities	Chairman's Message, Our Sustainability Story
102-16	Values, principles, standards, and norms of behaviour	Ethics and Integrity
102-17	Mechanisms for advice and concerns about ethics	Ethics and Integrity
102-18	Governance structure	Governance and Statement of the Board
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-46	Defining report content and topic boundaries	Reporting Practice
201-1	Direct economic value generated and distributed	Annual Report 2019

GRI Standards	Disclosure Content	Section Reference
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employee Benefits
203-2	Significant indirect economic impacts	Continuing Innovation
205-1	Operations assessed for risks related to corruption	Anti-corruption
205-2	Communication and training on 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 Intensity	Carbon Management
302-4	Reduction of energy consumption	Carbon Management
303-1	Water withdrawal by source	Water Management
305-2	Energy Indirect Greenhouse Gas Emissions (Scope 2)	Carbon Management
305-4	Greenhouse Gas Emissions Intensity	Carbon Management
305-5	Reductions in GHG Emissions	Carbon Management
305-7	Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions	Volatile Organic Compound Management
306-1	Total water discharged by quality and destination	Effluents and Waste Management
306-2	Total waste by type and disposal method	Effluents and Waste Management
306-3	Significant spills	Effluents and Waste Management
307-1	Non-compliance with environmental laws and regulations	Environmental Targets and Compliance
401-1	New employee hires and employee turnover	Our Workforce Diversity
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Benefits
401-3	Parental Leave	Employee Benefits
403-1	Formal joint management-worker health and safety committee	Occupational Health and Safety
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety
403-3	Workers with high incidence or high risk of diseases related to his/her occupation	Occupational Health and Safety
403-4	Health and safety topics covered in formal agreements with trade union	Occupational Health and Safety

GRI Standards	Disclosure Content	Section Reference
404-1	Average hours of training per year per employee	Training and Progression
404-2	Programmes for upgrading employee skills and transition assistance programs	Training and Progression
404-3	Employee percentage of Regular Performance and Career Development Review	Employee Benefits
405-1	Diversity of governance bodies and employees	Our Workforce Diversity
405-2	Ratio of basic salary and remuneration of women to men	Employee Benefits
406-1	Incidents of discrimination and corrective actions taken	Workforce Targets and Compliance
408-1	Operations and suppliers at significant risk for incidents of child labour	Workforce Targets and Compliance
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Workforce Targets and Compliance
412-1	Operations that have been subject to human rights reviews of impact assessments	Workforce Targets and Compliance
413-1	Operations with local community engagement, impact assessments, and development programs	Giving Back to Society
416-1	Assessment of the health and safety impacts of product and service categories	Quality Management, Managing our Suppliers
416-2	Incidents of non-compliance concerning the health and safety impact of products and services	Product Safety Targets
417-1	Requirements for product and service information and labelling	Marketing and Labelling
417-2	Incidents of non-compliance concerning product and service information and labelling	Product Safety Targets
417-3	Incidents of non-compliance concerning marketing communications	Product Safety Targets
419-1	Non-compliance with laws and regulations in the social and economic area	Product Safety Targets, Workforce Targets and Compliance