



廣州白雲山醫葯集團股份有限公司  
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

# 2019 Corporate Social Responsibility Report

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited



# ABOUT THIS REPORT

This is the 12th Corporate Social Responsibility Report released by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited. The Report discloses the ideas, practices and achievements of the Company's undertakings in corporate social responsibility (CSR) towards the economy, the society, the environment and so on in 2019. We hope to strengthen communication with stakeholders, build consensus, and promote sustainable development through the release of CSR Report 2019.

<b>Time horizon</b>	From January 1, 2019 to December 31, 2019; part of the content herein with a moderate extension to the year before or after.
<b>Report scope</b>	“Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited”, including its subsidiaries and joint ventures, is the reporting entity.
<b>Preparation basis</b>	Sustainability Reporting Guidelines (GRI Standards) issued by Global Reporting Initiative Environmental, Social and Governance Reporting Guide issued by HKEx Guide for Environmental Information Disclosure of Shanghai-listed Companies issued by SSE Guiding Opinions on the Implementation of Corporate Social Responsibility by Central State-Owned Enterprises issued by SASAC
<b>Data sources</b>	All the data used in the Report come from the official documents, statistical reports or relevant public information of the Company.
<b>Reliability assurance</b>	The Company guarantees that the Report is free from any false record, misleading statement or material omission.
<b>Appellations</b>	For the convenience of expression and reading, in the Report, “stakeholders” are sometimes referred to as “you”, and “Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited” is sometimes referred to as “GYBYS”, “the Company” or “we (us/our)”. The abbreviations used herein have the same meaning as those defined in 2019 Annual Report.
<b>Access to the Report</b>	The Report is available in printed or electronic form. You can download the electronic version from the Company's website (www.gybys.com.cn), SSE website (www.sse.com.cn) or HKEx website (www.hkex.com.cn), or get the print version by email (sec@gybys.com.cn) or phone (020-6628 1220).

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## SPEECH BY CHAIRMAN

### We contribute our ideas and solutions to the health and well-being of human beings.

2019 marks the 70th anniversary for the founding of the new China and is also the crucial year for the implementation of “the 13th Five-year Plan”. As a comprehensive pharmaceutical enterprise which integrates medical manufacture, health care, circulation and retail, we have contributed our wisdom and strength to the health of human beings continuously by following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the important speech delivered by General Secretary Xi Jinping during his visitation to Guangdong, and according to the development thought of “year of risk control and efficiency enhancement”, the long-term struggling objective of “health and well-being of human beings”, and the responsibility idea of “spreading love all over the world”.

**We highlight fairness and boost the high quality development of medical health.** By deepening reform, innovating R & D platform and expanding R & D scope, we have boosted the transformation and upgrading and driven development with innovation. With a strong focus on the fairness and access of medical service, we have provided high quality medical service for the mass in many links such as drugs manufacturing, medical service, distribution and retailing. In 2019, we added 7 drug varieties in Essential Drug List. We have been undertaking the project of expired drug recycling for 16 consecutive years and recycled drugs offline from over 6,000 drugstores of over 200 cities nationwide.

**We insist on green development and boost the construction of beautiful China.** By firmly following the idea that “the clear water and green hills are gold and silver mountains”, we kept improving the environment management system, spared no efforts to build a resource-saving and environmentally friendly society, reduced the emission of toxic emission and wastes and propelled the construction of green plant. We also paid special attention to the influence brought by climate change and enhanced enterprise' green competitiveness. In 2019, we totally invested more than RMB 30 million specially for environmental protection and energy conservation.

**We stick to moral transparency and create honest commercial mode.** We intensified company governance and created shared interests for interest-related parties; abided by the commercial ethics standard strictly, made a stand against corruption, dumping and monopoly, laid special emphasis on moral standard and corruption training & education and eradicated bribery and corruption in all business operation process.

**We never stop giving returns to the society and endeavor to build a harmonious society.** We gave priority to product quality safety (QS) in course of development, kept improving product quality management and monitored drug quality safety from different perspectives. We carried out safety check for 4,218 times all year round with a rectification rate of 100%.

High quality talents are a firm foundation for our sustainable development. We safeguarded employees' rights and interests, and also built a career platform for employees to realize their personal value and enhance their sense of belongs and achievements. As the end of 2019, we established a powerful high-level talent team consisting of 3 Nobel Prize winners, 1 innovation team of Guangdong Province, 13 domestic double-employed academicians and Traditional Chinese Medicine masters, 7 foreign expert advisors, 2 full-time experts enjoying national special allowance and nearly 100 doctors and postdoctors.

We implemented the state's poverty alleviation deployment in good faith, performed the poverty alleviation responsibilities actively, carried out diversified poverty alleviation and fed back to the society sincerely. About RMB 1.70 million were invested in targeted poverty alleviation in 2019, helping 27 villagers in 3 poor villages to get rid of poverty.

Under the background of change that never happened over the past ten decades, hygiene and health development faces both opportunities and challenges. With a brilliant future in health field, China is implementing “Healthy China” strategy so as to propel the health for all based on the national willingness. The Company will carry forward the successful hygiene and health experience of 70 years continuously and exert our system and cultural advantages to support our “Chinese Dream” with “Health Dream”, contribute China's special health mode to human beings, improve the health level of human beings and devote ourselves to health and medicine industry!

李楚海

# ABOUT US

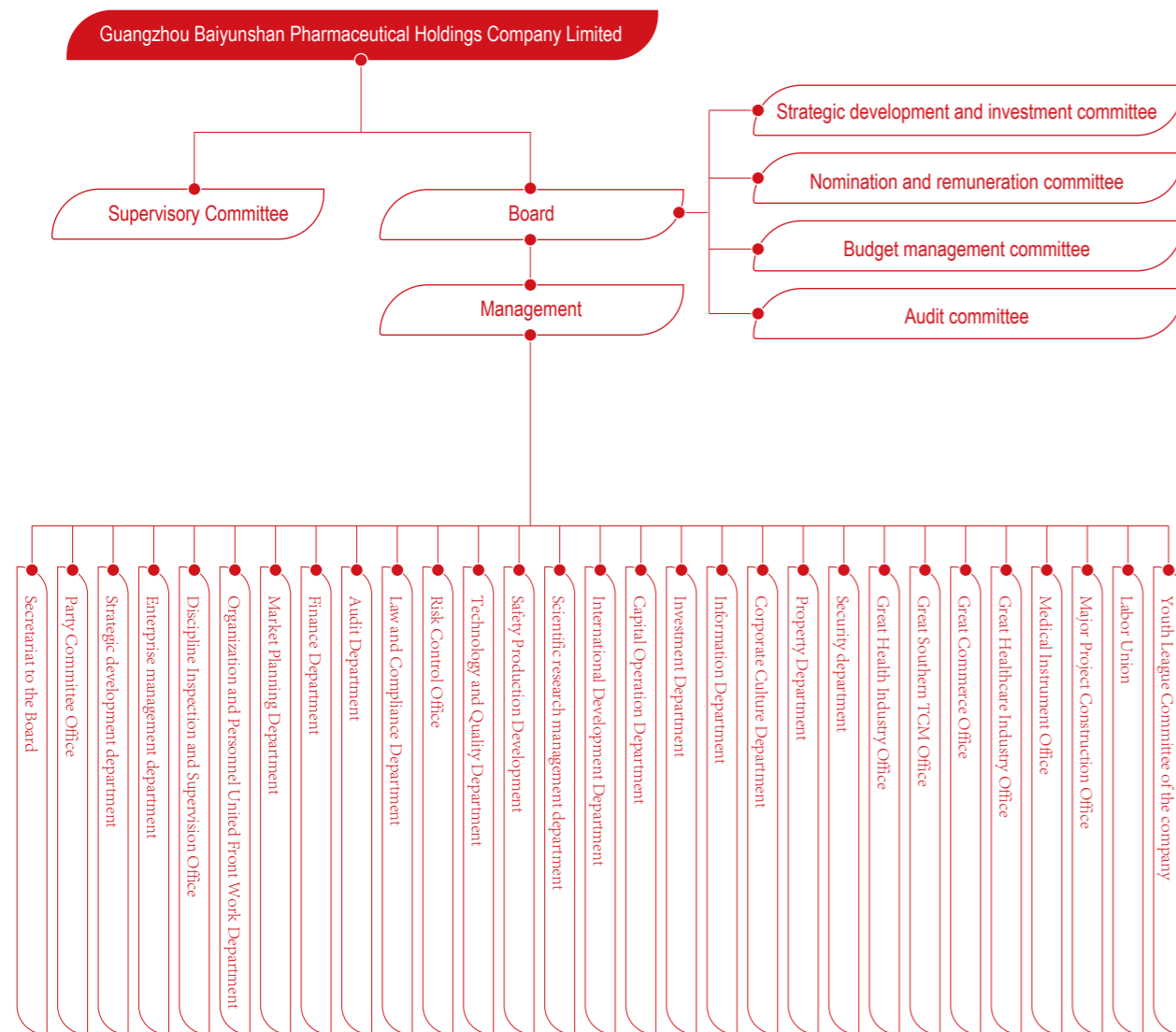
## Corporate profile

### Introduction

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited [A-Shares 600332, H-Shares 00874] is a listed company under Guangzhou Pharmaceutical Holdings Limited (GPHL). We are mainly engaged in R&D, manufacture and commercial logistics distribution of Chinese and western patent medicines, chemical crude materials, natural medicines, biological drugs, chemical raw material intermediates; wholesale, retail and import and export of western medicines, traditional Chinese medicines and medical devices; R & D, production and sales of great health products ; and investment in health services such as medical services, health management, health care and retirement.

### Organizational structure

Our headquarters has set up 29 functional departments to directly manage 36 branches and subsidiaries.



## Business layout

### Four great sectors and three new business forms

As one of the largest pharmaceutical manufacturers in China, we have established four great sectors and three new business forms after years of elaborate creation and accelerated development in the medical health industry. Four business segments are “Great Southern TCM” , “Great Health Industry” , “Great Commerce” and “Great Medical Care” . Three new business forms are “E-commerce” , “Capital Finance” , and “Medical Instruments” .



### Main Products

The main products include Xiao Ke Pill, compound Salvia Milltiorrhiz slice, Ban Lan Gen Granule, Qing Kai Ling series, Zi Shen Yu Tai Pill, Xiao Chai Hu Granule, Hua Tuo Zai Zao Pill, Xia Sang Ju Granule, Xiao Er Qi Xing Cha Granule, Zhuang Yao Jian Shen Pill, An Gong Niu Huang Pill, Shu Jin Jian Yao Pill, Mi Lian Chuan Bei Pi Pa Gao, Ke Gan Li Yan Oral Liquid, etc. The Group boasts clear brand and variety advantages in proprietary Chinese medicines in southern China and even countrywide. The Group’s chemical medicine includes Cefathiamidine, Cefixime, Sildenafil Citrate Tablets (“Jin Ge”), Cefprozil and Amoxicillin etc. Major great health products include Wang Lao Ji Herbal Tea, ganoderma spore oil capsules, lozenges, tortoise herb jelly etc.

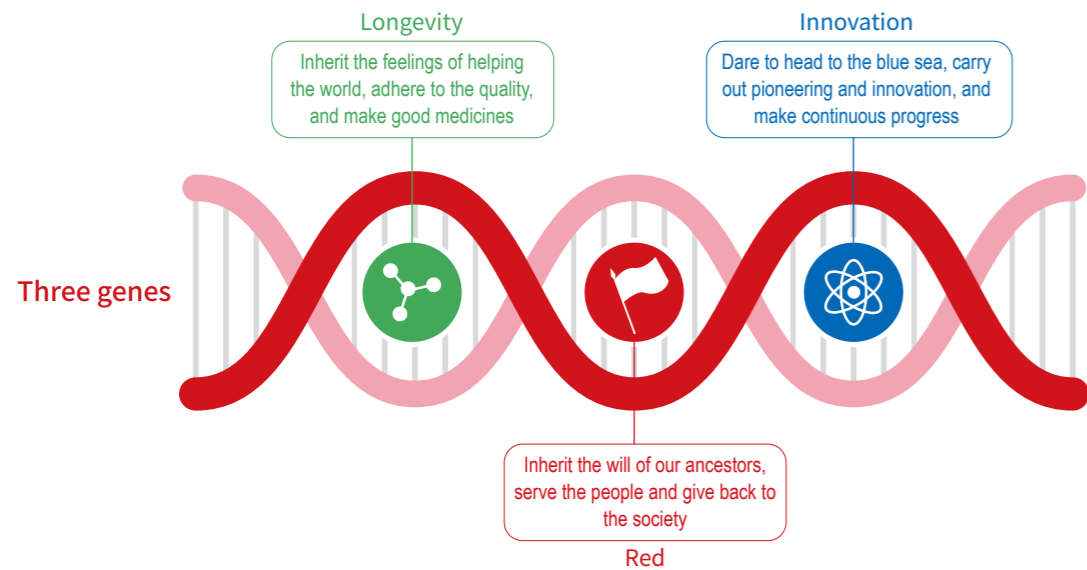
We own 12 Chinese time-honored brand enterprises, 10 of which are century-old ones.





## Corporate culture

We adhere to the genes of red, longevity and innovation, take “spreading love all over the world” as corporate vision, always uphold the core values of “cooperation, relief, honesty, dedication, diligence and innovation”, take “caring for life and pursuing excellence” as corporate mission, and conduct continuous inheritance, innovation and surpassing for a long time.



## Corporate governance

Adhering to the development idea of “improving risk control efficiency” and its business objective, GYBYS insisted the tone of progress in steady operation, focused on strict risk control and improved quality and efficiency. Besides, the Company promoted mixed ownership reform fully and pushed forward the development of 4 business sectors and 3 new formats positively, forging product brand and enterprise brand with great effort.

In 2019, We obtained operation revenue of RMB	65 billion	with an increase of 53.79 % year-on-year
and gained gross profit of RMB	4.13 billion	with an increase of 2.73 % year-on-year
Net profit excluding extraordinary profit and loss of listed company shareholders was RMB	2.75 billion	with an increase of 28.84 % year-on-year



## Sustainable development strategy and management

### Objective of sustainable development

With “spreading love all over the world” as the objective of responsibility philosophy, we constantly contribute intelligence and power to human health.

### Sustainable development strategy and management

We adhere to the responsibility idea of “spreading love all over the world”, integrate it into enterprise development strategy, form the social responsibility work route of “strategy in advance” – “internal practice” – “external communication”, and strengthen the promotion and management of social responsibility indicators system, management system and ESG.



#### Social responsibility indicator system

- Prepare the social responsibility indicators manual
- Collect the situation of annual indicators system, and summarize and analyze the data
- Perfect the indicators system according to the actual situation

#### Social accountability management system

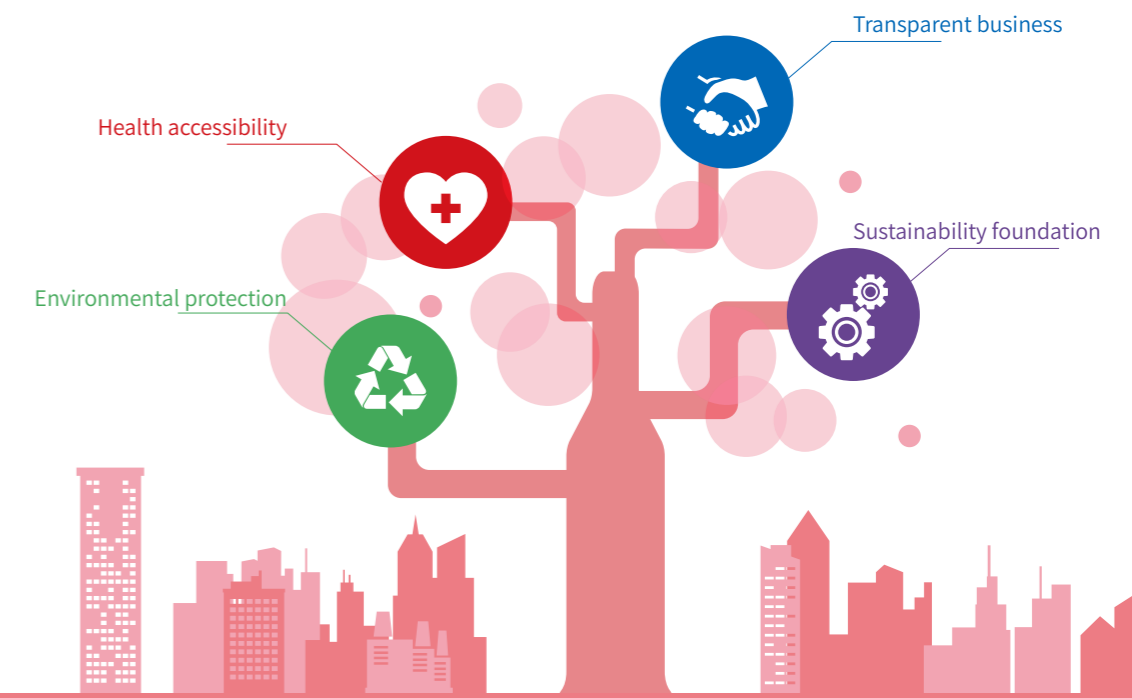
- Release social responsibility management manual
- Organize the group-wide training
- Solidify the social responsibility information management workflow
- Improve the level of corporate social responsibility reporting information disclosure

#### ESG

- Implement ESG guideline import project
- Compare to MSCI indicators of domestic and foreign advanced enterprises in pharmaceutical industry, and study and actively promote the ESG management
- Update company webpages according to MSCI requirements

### Field of sustainable development

Our sustainable development mainly contains four fields, health accessibility, transparent business, environmental protection and sustainability foundation.



## Responsibilities of shareholders' meeting, board of directors and board of supervisors

We performed standard operation in strict accordance with the requirements of Company Law, Securities Law, Shanghai Stock Exchange Listing Rules, Hong Kong Stock Exchange Main Board Listing Rules and other relevant laws and regulations as well as Articles of Association of the Company. We have set up a corporate governance structure, which is composed of shareholders' meeting, the Board and its special committee, the Supervisory Committee and top management. The Board has 11 directors, including 4 independent non-executive directors.

We convened shareholders' meeting in strict accordance with the requirements of Rules of the Shareholders' Meeting of Listed Companies issued by China Securities Regulatory Commission and Rules of Procedure of Shareholders' Meeting released by the Company, and protected the legitimate rights and interests of listed company and shareholders in strict accordance with relevant provisions on voting matters and procedures. We convened meeting of the Board and meeting of the Supervisory Committee in accordance with Rules of Procedure of the Board, and Rules of Procedure of the Supervisory Committee and other relevant requirements.

### In 2019, the Company convened

shareholders' meetings	meetings of the Board	meetings of the Supervisory Committee	meetings of audit committee	meetings of strategic development and investment committee
3	11	8	9	6
meetings of nomination and remuneration committee	meeting of budget management committee	Note: Responsibilities of shareholders' meeting, the Board and the Supervisory Committee, as well as remuneration of executives and ownership structure disclosure are available in annual report of the Company.		
5	1			

## Improve investment and financing capability

Faced with complicated economic adjustment and policies of pharmaceutical industry, we paid more attention to strengthening fund management, intensified internal financing function and contacted and communicated more frequently with all industry related parties to improve investment and financing capability.

**Master industry dynamics and get deep into investment study**

We collected and arranged industry information, tracked market changes, understood industry dynamics and trends in depth, studied policies and market situation, and mastered investment timing.

**Strengthen fund management and solidify financing function**

Taking advantage of the intangible assets and financing capability of listed companies, we expanded financing channels, improved fund utilization efficiency and earning ratio and increased the revenue of listed companies.

**Improve investment level and realize external extension**

We further improved investment management system, managed the risk control, withdrawal and accountability about investment behaviors in a standard manner, and enhanced the management & control level of investment risks. Centering on such fields as medical device, medical service and innovative medicine, we sought for quality investment and capital operation projects positively to fill our development gaps.

**Strengthen professional study and improve business capability**

We organized positively to participate in study and training on policies & regulations, investment, finance, investment & financing management and industry study to enhance professional quality and skills, and get fully prepared for project operation.

### Case

Publish *Big Capital* — *Decoding GYBYS*, restore the whole process of capital operation reciprocating entities.

In 2019, GYBYS published *Big Capital* — *Decoding GYBYS* successfully, which records the business logic and story behind capital operation to present the whole picture about how GYBYS established investment incubation platform, extended resource radius and pioneered asset restructuring crossing SSE, SZSE and HKSE in China through the large and unprecedented restructuring. This book is the first original business book on the restructuring and listing of enterprises in pharmaceutical industry.

## Full risk management

We kept improving risk management system and prevention mechanism. With risk control as the guidance, we Committee and combined it with other resources, including disciplinary supervision, finance, audit, risk control and legal counsels to identify and demonstrate the risks and opportunities that the Company may meet in its operation, upgrade the Company's internal control and risk control measures, and facilitate the steady and healthy operation of the enterprise.

### Highlighted Risk Control Measures



In 2019, GYBYS conducted special audit on over 100 projects, including its equity investment projects, fixed asset projects over RMB 5 million and R&D projects since 2015. We made improvement in standard management, found out 107 problems and brought up 148 improvement and rectification suggestions, facilitating the Company to operate in a complying, highly-efficient and orderly manner effectively.



GYBYS provided risk control training for the middle and senior management of Guangzhou Han Fan in January 2019 and risk control themed training for the backbone staffs of Guangyao Hai Ma in April, 2019.



"2019 GYBYS Practical Training on Full Risk Management" was held in May 2019 at HWBYS Shennong Building. 270 people received training and acknowledged the training effects.

## Capital market

We kept improving the decision-making procedures to ensure efficient operation in accordance with laws and regulations, supported special investment in projects of medicine and health field, made great efforts to investment in and construct sustainable projects regarding public topics, and social benefits.



### Take off in the construction of Greater Bay Area

- GYBYS registered in Zhuhai TCM Science and Technology Industrial Park of Co-operation between Guangdong and Macao, set up "Guangzhou Pharmaceutical (Zhuhai Hengqin) Medicine Industry Co., Ltd."
- Macao Company affiliated to Guangyao Baiyunshan Hong Kong Company setup its wholly-owned subsidiary "Guangyao International (Zhuhai Hengqin) TCM Industry Co., Ltd." in Hengqin, Zhuhai



### Complete the follow-up work after injecting Wang Lao Ji trademark into the listed company

- Inject the asset of "Wang Lao Ji" series trademarks into the listed companies
- Solve the problem of separated trademark using right and ownership of "Wang Lao Ji" series of products



### Initiate the split listing project of GP. Corp

- Centering on the split listing of GP. Corp, promote the resource integration of large business sectors, and introduce strategic investors actively, and promote the public H-share listing of pharmaceutical companies.

## Communication with shareholders

We kept close contact and communication with the capital market, maintains communication with shareholders and disclosing information to them by multiple channels including daily investor reception and roadshows, and enabled domestic and foreign investors to know more about the Company. Our market value remains at RMB 50 billion steadily in the context of deepening the reform of the pharmaceutical industry in 2019.

We attached importance to protect the privacy and interests of shareholders, improve our confidentiality mechanism, strengthen confidentiality responsibility, enhance confidentiality education about key fields and enhance technical protection to eliminate online secret disclosure. Unless laws and regulations to do so, we will not disclose shareholder information without the consent of shareholder.



### Information Disclosure Channel

- The Company' annual and interim reports
- All temporary announcements submitted to SSE and HKEx
- Website sector of the Company
- Annual general shareholders' meeting



### Communication and Exchange Activities

- Communication and road show with long-term investors that disclose performance regularly
- Investors' exchange conference and strategy conference
- Reception of daily visiting investors, investors' consultation by telephone and letter, exchange on E interaction platform, and other regular activities.

At the end of 2019, the Company prepared and disclosed about 250 regular reports, such as annual report, quarterly report and interim report, and temporary announcement, according to information disclosure requirements.





# Special Subject: Performing Deeds and Revitalizing, Overcome Difficulties and March Forward for 70 Years

The history of a nation is the foundation for the nation to secure its life and develop. Every enterprise is the product of the era. 70 years of hard work, 70 years of struggling, 70 years of true heart and 70 years of brilliant achievement! Along with our country's prosperity and boom, GYBYS, in the medicine and health industry, has marched for 70 years together with the medicine and health cause of the new China. From "few trained doctors and very little medicine" to "country with pharmaceutical power", people's health have been improved to a large extent, and the paces towards a healthy China are unstoppable.

GYBYS explored actively and keep going forward with no fear of difficulties. It gains Chinese characteristics and shows Chinese intelligence. Shoulder to shoulder, it has developed into one of the largest groups in the pharmaceutical industry in China together with the pharmaceutical industry of new China, from a small-scale pharmaceutical enterprise that has dispersed and distant affiliates in the south of the Five Ridges at the beginning of the establishment of the country. In 2019, China has become the second largest medicine market in the world, burdening 1/3 bulk drug supply to the whole world.

## Inherit red genes, the constant mission

Driven by responsibility and proceed with confidence. In the long development history, GYBYS pays attention to the inheritance of "red genes", which is the "secret recipe" with which GYBYS can follow the pace of the time closely.



State-owned enterprises have always been the "ballast stone" that vitalizes real economy and maintain social steadiness. Their reform and innovation promotes the high quality development progress of Chinese economy. GYBYS that inherits "red blood" and forges ahead proactively is an epitome of state-owned enterprises of the new China since its establishment 70 years ago.

## Insist on innovation drive, the vivid practice of constant exploration

Bear the mission in mind and safeguard health. In terms of research and development, GYBYS, centering on national strategies, insisted on driving enterprise development by innovation, walking the front innovation line of the pharmaceutical industry.

- Utilize international resources and synchronize innovative development.**  
 GYBYS deems collaborative innovation as the important connotation of innovation-driven development strategy. It introduced the owners of Nobel Prize in Physiology or Medicine as the dean and chief scientist of Guangyao General Institute for the plan to promote technological innovation.
- Research and develop emergency industry, forge healthy China.**  
 In order to help forge "healthy China", GYBYS, aiming at the emerging industries represented by the new generation IT, AI and bio-medicine, focuses on researching and developing protein biological drugs, new antineoplastic drugs and stem cells and precision medical, devoting to building "health industry 4.0".
- Guangdong-Hong Kong-Macao Greater Bay Area, the new opportunity of the new era.**  
 In the new era, GYBYS, located in the core of the Greater Bay Area, has welcomed new development opportunities and historical missions. Devoted to the construction of the Greater Bay Area actively, the Company plays a critical role in leading scientific research and innovation enterprise and strengthens industrial docking and cooperation.

New era, new expectation and new action. From 1949-2019, a dream of 70 years. From steady progress to quick development, from disease treatment to health maintenance, from demonstrative research to scientific & technological development, from constant expansion and deepening of scientific research in the service field, GYBYS forges ahead essentially by laying emphasis on the enhancement of talent team construction, disease prevention and control, the accessibility to medicine and health, and guarantee of medicine quality and effective service of people's health. It infused its social responsibilities into enterprise mission, and realized harvest in both spiritual civilization and material civilization, letting the enterprise spirit of "spreading love all over the world" goes to every corner of the world.

In 2019 which marks the 70th anniversary of the founding of the new China, GYBYS kept inheriting essence and insisted on innovation to further dig its own features and advantages, and improved its innovative service level and capability, so as to make contributions to the construction of healthy China, maintaining human health and realization of the great revival of the Chinese nation!



# ACCESS TO HEALTH CARE

The healthy development of human is not only the primary condition for the development of social productivity, but also one of the ultimate goals that all human's social production activities pursue.

## Challenge

Coronavirus disease 2019 (COVID-19) puts people's health and welfare under great challenge. There are still lots of disease prevention and control difficulties that the medicine science needs to tackle awaiting to be solved through medical innovation. In 2019, new medical reform policies are gradually implemented, policies such as medical insurance control costs, tightening prescription rights for Chinese medicines, aggravating adverse reactions of Chinese medicines have hindered the development of the Chinese medicine industry; the "4 + 7" centralized drug procurement has been formally implemented and expanded, and confidence of enterprises in the development of generic drugs is greatly affected.

Medical resources are distributed not uniformly and laid out unreasonably, leading to weak fundamental medical condition.

Operating pressure on enterprises from medical insurance control fees, tender price reductions, and secondary bargaining. Due to the polarization between the rich and the poor, the pricing of drugs is expensive for the people in part of the regions.



## Opportunity

The new "Drug Administration Law" was formally implemented to encourage innovation. Innovative drugs, biopharmaceuticals, and generic drugs that passed the consistency evaluation ushered in national policy support. The state attaches great importance to the development of the traditional Chinese medicine industry and encourages important reform policies such as the inheritance and innovation of traditional Chinese medicine, providing new growth space for the pharmaceutical market.

As population keeps growing and the aging progress paces up and the medical guarantee system is improved constantly, the increasing health demand of the public is gradually released. In 2019, a new round of the Essential Drug List was adjusted, and the medical insurance catalogue medicines were expanded again. National Health Commission further promotes the construction of primary medical institutions.

People's health concept is constantly improving, and China has become one of the fastest growing countries in the global drug consumption.

## Copying Strategy

In accordance with the state's relevant policies to encourage the creation of new drugs, give play to the role of innovation, continue to improve the drug research and development system, enrich the innovation drug product echelon. Continue to promote the research and development of new proprietary Chinese medicine products, give full play to the advantages of traditional Chinese medicine brands and other resources, adhere to the "emphasis on both Chinese and Western", and do a good job in the coordinated development of chemical drugs, proprietary Chinese medicines, and traditional Chinese medicine pieces.

Help grassroots medical development actively, carry out medical activities for public welfare, promote and popularize health knowledge and enhance medical accessibility, and improve the service level and service capacity of primary hospitals.

Adopt fair and reasonable pricing policy, attach importance to the transformation of business model, and broaden the drug supply channels. Pay close attention to the implementation of hierarchical diagnosis and treatment, make timely adjustment of marketing strategy, actively sink channels, and improve product market penetration.



## Main Achievement

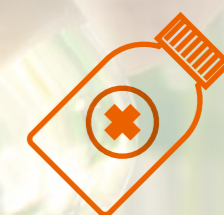
Invest RMB **592** million in R&D and innovation.

There are currently **251** products being researched; **44** invention patents and **17** utility model patents have been obtained.

**7** types of medicine are newly added to Essential Drug List.

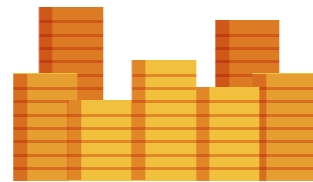
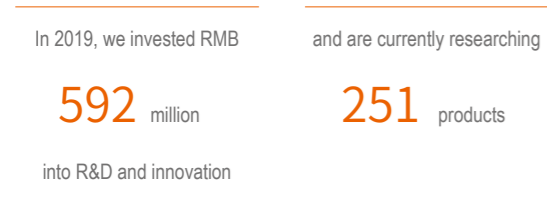
**321** products and **455** description have been included into the Essential Drug List

**108** pharmaceutical retail outlets by the end of 2019



# Innovation for health and well-being

The medical industry of the 21st century lays emphasis on quality, effect and value. Innovation is the key of pharmaceutical enterprises to explore development and solve public medical problems. Interested parties of the industry all over the world have started to seek for cost-effective innovation methods and provide science and technology-driven intelligent medical solutions. GYBYS transforms scientific and technological results, improves R&D system and protect its intellectual property rights to facilitate the innovation of treatment plans and service the health benefits of human.



## Transformation of scientific and technological achievements

Transformation of scientific and technological achievements is an important basis for promoting the application of new drugs. We positively participate in the revision of policies & regulations, apply scientific and technological achievements, enrich health resources and enhance the availability of pharmaceutical products.

### Banxia Baishu Tianma Decoction, Huangqi Guizhi Wuwu Decoction

Pan Gao Shou studied ancient books, found out the original plan and place of origin of medicine, processed procedures and literature and other research data to contribute, finished trial production of honey fried samples to new medicine development.

### R&D in pulmonary disease treatment with Mi Lian Chuan Bei Pi Pa Gao

Complete pulmonary acute inflammation reduced by PM2.5 project, and all test contents of flu prevention effect and mechanism research with Mi Lian Chuan Bei Pi Pa Gao and form research report, and apply scientific research in the development of Chinese patent drugs.

### Development of Sugar-free cough Zhi Ke Pi Pa Dew (Sugar free)

Complete establishing sugar-free cough Zhi Ke Pi Pa Dew (Sugar free) project and studying process quality, and preparing field inspection data, and promote project progress and R&D orderly.

We paid close attention to and participated in the development and revision of policies and regulations actively, including *Drug Administration Law* and *Vaccine Administration Law* to express our opinions and speak our words. Upon the entrustment of Center for Drug Evaluation, we prepared *Technical Guidelines for the Production Process Change of TCM on Market* (revision draft) together with Guangzhou Pharmaceutical Profession Association as one of the ten drafters of our country in order to revise technical guiding principles for a batch of drugs in 2019.

## R&D system improvement

We implemented “enterprise backed up by science and technology” engineering with great efforts. We optimized the construction of scientific and technological innovation platform, accelerated the R&D of new medicine, biomedicine, and high-end generic drugs, built the highland of innovation talents, strengthened project management and improved the level of scientific research projects.

**More national titles added to the scientific research platform**

The “National Laboratory Dog Resource Library” of Guangyao General Institute was upgraded to national platform for scientific and technological resource sharing and the only laboratory dog resource library of our country.

**More important R&D achievements are made**

We accelerated the investment in Great Southern TCM R&D fund, increased the assessment incentive for scientific research innovation and speeded up product R&D.

**More leading talents in the scientific research team**

We introduced three Nobel Prize winners successfully — winner of 2013 Nobel Prize in Physiology or Medicine, Randy W.Schekman, was invited to serve as the chief scientist of the Group and Guangyao General Institute. As of the end of 2019, GYBYS owns 3 Nobel Prize winners, 13 domestic academicians and National Chinese Medical Science Masters.

**In-depth consistency evaluation of generic drugs**

We carried out the consistency evaluation of generic drugs actively, shouldered the responsibility for meeting the public’s demand for medicine, guaranteed medicine safety and effectiveness to promote the upgrade and structural adjustment of pharmaceutical industry and enhance international competition capability.



**Case** Declare for the small variety of drugs production project to MIIT to guarantee production and supply

In 2019, GYBYS and GrandPharma took the lead to build the complex and establish the second batch of central small variety of drugs (drugs in shortage) production bases, and obtained the approval of MIIT in November, in order to guarantee the production and supply of these small variety of drugs, shoulder social responsibilities actively and contribute actual power to public health.

In 2019, GYBYS had

1	2	3
national platform	provincial engineering technology centers	provincial enterprise technology centers
National Laboratory Dog Resource Library	Guangdong Engineering Technology Research Center for Precision Medical Biotechnology Products Guangdong Engineering Technology Research Center for Freeze-dried Rabies Vaccine for Human Use (Vero Cell)	Xing Qun Technical Center Guangzhou Bai Di Technical Center Chen Li Ji Technical Center



As of the end of 2019, the company has accumulated **10** national scientific research platforms and **39** provincial scientific research platforms.

National R&D institution	National technical center of enterprise		Postdoctoral working station
<b>7</b>	<b>1</b>		<b>2</b>
Provincial technical center of enterprise	Provincial engineering technology center	Provincial key laboratory	provincial engineering laboratory
<b>17</b>	<b>18</b>	<b>4</b>	<b>1</b>
Municipal engineering technology R&D center	Municipal technical center of enterprise	Municipal key laboratory	
<b>14</b>	<b>14</b>	<b>6</b>	

### Intellectual property protection

Intellectual property right protection has great significance to the R&D and innovation of pharmaceutical enterprises. It can drive R&D and guarantee interests in R&D results. As a national IPR demonstration enterprise, GYBYS assesses IPR each year according to relevant requirements of SIPO.

In accordance with the requirements of Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, Law of the People's Republic of China for Countering Unfair Competition and other laws and regulations, we observes and improves Measures for Handling Major Intellectual Property Matters and other intellectual property protection systems has defined the declaration, management, protection and innovation incentive of intellectual property according to Enterprise Intellectual Property Management, and has implemented intellectual property protection in R&D, production, sales and marketing links.

Xing Qun, Jing Xiu Tang, Guang Hua, Guangzhou Han Fang, and Tian Xin were recognized as the national intellectual property superior enterprises in 2019, and Chemical Pharmaceutical Factory and Wang Lao Ji passed the national intellectual property management system certification.

### Clinical and production approvals

In 2019, we applied for **8** production approvals and supplementary application approvals in total

Chemical Pharmaceutical Factory	Guangzhou Han Fang	Qi Xing
<b>2</b>	<b>1</b>	<b>5</b>

obtained **1** clinical approval



**13** production approvals (including supplementary application approvals)

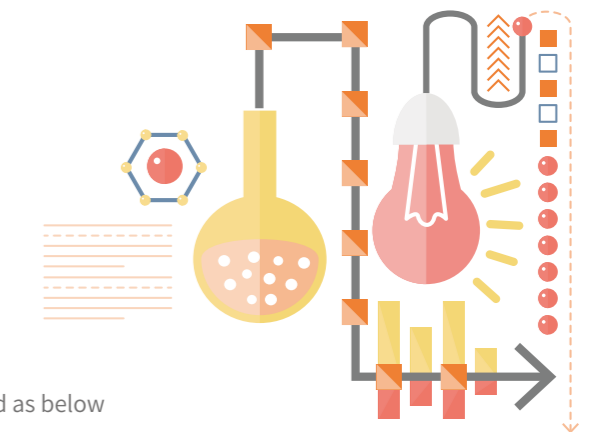
Chemical Pharmaceutical Factory	Baiyunshan Pharmaceutical General Factory	Tian Xin
<b>1</b>	<b>1</b>	<b>1</b>

Cheng Li Ji	Guang Xi Ying Kang	Qi Xing
<b>1</b>	<b>3</b>	<b>5</b>

Guangzhou Han Fang
<b>1</b>

### Scientific awards

We won		
first prize	second prize	third prizes
<b>1</b>	<b>1</b>	<b>2</b>



of provincial and ministerial science and technology award as below

- "Effect Evaluation and Application of Disease Susceptibility based TCM" project that Jing Xiu Tang participates in won the first prize of 2019 Guangdong Provincial Science and Technology Award;
- "Establishment and Application of the TCM Effect Evaluation System under the Guidance of Emotion Pathopoiesis Theory" that Jing Xiu Tang participates won the second prize of Science & Technology Progress Award of the Ministry of Education;
- "Study on Pharmacokinetics and Bioequivalence of Domestic First-to-File Sildenafil Citrate Tablets" that Baiyunshan Pharmaceutical General Factory participates in won the third prize of Hunan Provincial Science & Technology Progress Award;
- "Research and Application of Jiuwei Buxue Oral Liquid" project that Guangxi Ying Kang declares won the third prize of Guangxi Provincial Technical Invention Award.

As of the end of 2019, GYBYS won

second prizes of national scientific and technological award	second prize of national technical invention award	provincial and ministerial science and technology awards	municipal and district-level science and technology awards
<b>2</b>	<b>1</b>	<b>41</b>	<b>32</b>

### Invention patents

In 2019, GYBYS' applied for

national invention patents	utility model patents
<b>44</b>	<b>17</b>

and were granted

national invention patents	utility model patents	foreign invention patent
<b>17</b>	<b>8</b>	<b>1</b>

As of the end of 2019, there were **464** invention patents



**450** domestic patents **14** foreign patents





**Case** Establish wholly-owned intellectual property subsidiary of GYBYS to promote the industrialization progress of intellectual property

Through strategic development and many times of demonstration, GYBYS established its wholly-owned subsidiary "Guangzhou Chuangying GYBYS Intellectual Property Ltd." in 2019 to strengthen intellectual property protection and operation, and build a sustainable intangible asset operation platform.

-  Complete the infrastructure construction of Guangzhou Chuangying GYBYS Intellectual Property Ltd. and Establish the effectively-coordinated trademark management system and realize paperless trademark authorization and licensing approval process gradually.
-  Improve authorization management methods, strengthen the pre-approval of authorization business and establish public monitoring and reporting mechanism, and set up a scientific elimination mechanism gradually.

## Improvement of access to health care

Improving patients' accessibility to medical treatment and enhancing medical accessibility can help improve people's living quality and benefit their health. GYBYS established pharmacovigilance system gradually in 2019 to ensure fair and reasonable pricing, and assisted grassroots medical conditions by conducting responsible marketing, promoting health knowledge and practising health welfare to ensure the medical health service are widely covered in domestic and foreign level in a fair and accessible manner, so as to provide quality medical solutions for patients and medical staffs.

### Pharmacovigilance system

We gave high support for monitoring medicines after they are launched to the market. We got ourselves involved in setting up pharmacovigilance system in 2019, and all our drug production enterprises have set up special institutions, equipped full-time personnel and built complete management systems according to the requirements of Announcement of the State Drug Administration on Reporting Adverse Reactions Directly by Holders of Drug Marketing Authorization (2018 No. 66 Document).

In accordance with national regulations, the Company's monitoring demands and feedback from enterprise users, we investigated qualified pharmacovigilance software system providers. As of the end of 2019, Baiyunshan Pharmaceutical General Factory, Tian Xin, Zhong Yi, Ming Xing and Nuo Cheng have used post-market pharmacovigilance software system. Baiyunshan Pharmaceutical General Factory has used pre-marketing pharmacovigilance software system for innovative drugs.



The 7th China Pharmacovigilance Conference held on the 14th -15th Nov. 2019 was supported by GYBYS.

## Fair and reasonable pricing

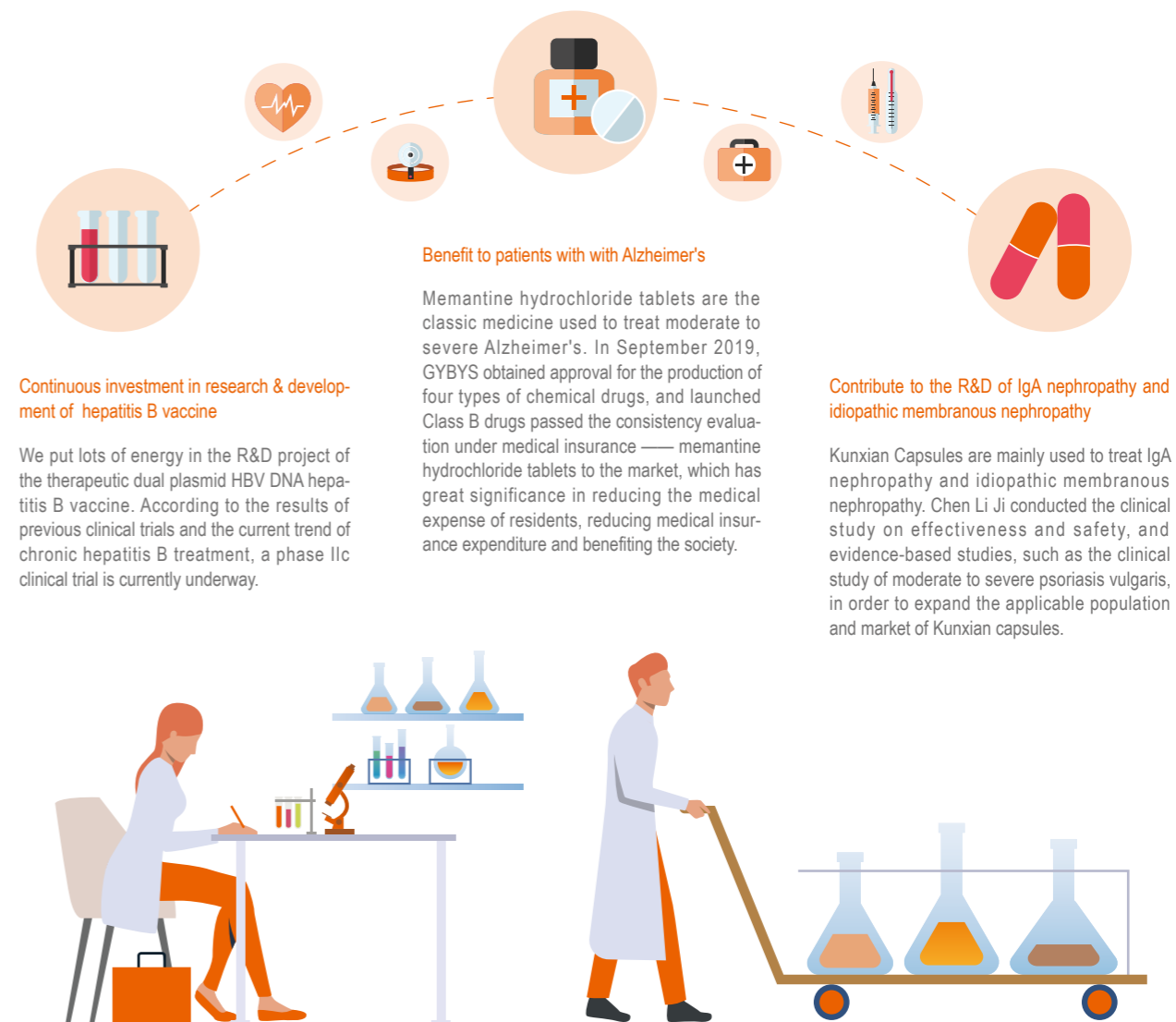
Drug expenses are an important component to the economic burden of patients; fair and reasonable drug pricing is an important way to effectively ensure patients' access to drugs and medical services. In order to promote fair and reasonable pricing and enhance patients' affordability, we set "recommended retail prices" for drugs, and accept the supervision by pricing departments of all provinces, to ensure that patients can obtain drugs at fair and reasonable prices, combined with our own production and operation costs and market supply-and-demand situation.

In terms of terminal prices of drugs, in strict accordance with relevant requirements of Anti-monopoly Law of the People's Republic of China, we do not intervene in terminal prices of drugs, to protect fair market competition and maintain consumers' interests.

Note: Our international business has not involved patented drugs, so it does not involve issues related to non-exclusive voluntary licenses.

## Promote the prevention and treatment of diseases

Starting from disease prevention and treatment, we innovated rare disease treatment research and development ideas, in order to seek for breakthrough from the disease type of rare diseases and cancers, reduce the harms brought by disease, guarantee the public's health equity, improve health welfare actually and construct healthy China together.



## Help with the development of primary care

In response to national policies, we enhanced the knowledge level of grassroots medical staffs and endowed the development of grassroots medicine by promoting adding the medicine types of GYBYS to national medical insurance declaration, grassroots doctor training, online and offline academic exchange and training.

### Case Great Southern TCM sector declares for including the medicine of GYBYS to national medical insurance

In 2019, Great Southern TCM sector of GYBYS organized to hold medical insurance declaration conference. In the conference, we provided information about our "clinically necessary, safe and efficient and reasonably priced" drugs, made application for recommending including these drugs to national insurance, and canceled "the defined scope of payment" of Qing Kai Ling. After a series of efforts, results on medical insurance declaration were achieved.

As of the end of 2019, **7** types of Greater Southern TCM drugs of GYBYS were added to 2019 national medical insurance directory

cumulatively **455** description of **321** products have been included in the directory



### Case HWBYS takes multiple measures to promote the development of grassroots medical development

HWBYS holds large symposiums and invites experts to endorse in order to improve product influence, teach disease prevention & control knowledge and improve the understanding of grassroots medical staffs of many diseases and their treatment. It held expert salons to improve their intimacy and establish expert files, and department meetings to promote academic opinions. It held village doctor training and got deep into grassroots medical condition and provided directional medical training for doctors. After many large academic meetings, departmental meetings and village doctor training, the grassroots medical development level is gradually improved.

## Innovate marketing mode

Market and marketing are critical to improving medical accessibility. Taking the current new situation of Internet + medical health into full consideration, we conducted online and offline multi-channel responsible marketing from the perspective of public convenience and benefit, and expanded the business coverage in all regions.

### Case GP Corp. promoted the difficulty tackling war of big retail "lane change for growth" to promote the network and regional coverage of retail stores.

China Association of Pharmaceutical Commerce evaluated and selected the first batch of "Drugstores up to the Service Standard for Drugstores Selling Special Drugs" and GPC Prescription Pharmacy Heping West Store and Jianmin Pharmacy Huilong Store were selected successfully, signaling that GP.Corp has formed standard management system and sustainable operation mode in terms of DTP business.

### Carry out product training and implement responsible marketing

We provide professional product knowledge training, online marketing practice training and offline joint training and study with research institute for business personnel, so as to improve the product recognition of all sales personnel and promote responsible marketing.

### Expand online sales and standardize E-commerce management

For drugs, food and other categories of products, we developed layered management systems. According to them, products of drug categories will be operated and managed by the people health teams of the enterprises affiliated to the Company. These enterprises shall not set up "GYBYS Official Flagship Store" in relevant platforms, or put unauthorized products on the shelves of the Group's official flagship store.

### Strengthen offline sales and promote chain sales

We united the sales power of the enterprises affiliated the Company through GYBYS Marketing and organized to dock with Top 100 enterprises, and promoted cooperation with them and strengthened offline sales combination through strategic alliance.



## Popularize health knowledge

In order to cope with the accelerated development of the era of internet and the the public's improvement in health awareness, we attached importance to the popularization of correct and timely health knowledge, focused on the common improvement of the public in health philosophy and further enhance our disease prevention capability.

### Case Pan Gao Shou promoted healthy lung caring knowledge, and was honored "the Most Popular Science Popularization Base of Guangzhou City"

Pan Gao Shou popularizes the classification of Pan Gao Shou cough and TCM culture about lung care and treatment on its WeChat public account, and the official WeChat account of The First Pharmacy News and Strategic Chain. It dug new health knowledge and hot promotion points on cough classification, haze prevention with TCM, lung care and protection and public welfare popularization, attracting wide attention of the industry and citizens.

In 2019, Pan Gao Shou was honored "the Most Popular Science Popularization Base of Guangzhou City" in municipal evaluation and selection of municipal science popularization bases, and won the title of "excellent science popularization messenger" of Panyu competition area of "2019 Science Popularization Contest".



the Most Popular Science Popularization Base of Guangzhou City



Public welfare popularization in schools



Promote lung health knowledge to the public



## Practice health welfare

We attached importance to return the society, helped the development of health welfare and devoted to providing medical support that is as fair as possible for community public. We expanded medical accessibility from drug recycling and donation to create good social atmosphere.

### Case Insist on expired family drugs for 16 years and create upgrade health welfare strategies

GYBYS transforms the recovery of expired medicines from public welfare activities into a long-term mechanism to help waste sorting. We invest tens of millions RMB and benefited more than 600 million people each year. 2019 marked the 16th anniversary of the expired family drugs recycling activity of GYBYS. This year, we innovated and improved "expired family drugs recycling (free replacement) mechanism" again, and included "recycling of expired family drugs" into its public welfare strategy, in order to facilitate its green sustainable development. Throughout the year, we have recycled drugs in more than 6,000 offline drugstores of more than 200 cities around the country to practice the responsibilities of corporate citizens.



On August 13, 2019, GYBYS held "Help Refuse Classification, Upgrade Drug Recycling — Kickoff Ceremony of GYBYS 8.13 Expired Family Drugs Recycling Activity" at Hainan BFA International Convention Center



#### Tips

Expired family drugs project of GYBYS is where we started expired family drugs recovery in the beginning. It makes more people, especially young people, learn about, understand and participate in refuse classification, in order to realize long-term and sustainable development. Drug supervision departments of many provinces and cities, including Hubei, Zhejiang, Xi'an and Nanning enacted relevant documents about "expired family drugs recycling mechanism" successively. After the expired drugs are collected in more than 200 cities, couriers in different cities will label them, and indicate the information such as the recovery point, the operator, the recovery unit and the date of recovery. Hazardous goods transportation transfer them to qualified waste disposal plants. After being processed by professionals, they are put into a pyrolysis gasification incinerator with a maximum temperature of more than 1,200 degrees for harmless destruction to prevent expired drugs from flowing to gray areas.



Wang Lao Ji implemented "let love come home on time" project and "Donation of Wang Lao Ji Fund to Cooperative Universities and Setup of Wang Lao Ji Fund of RMB 19 million in the Second Batch of Universities" and other projects.



GP.Corp donated RMB 500,000 to the "severe disease rescue" project to Orphan Society Education Guangdong; Hainan Guangyao Chenfei Pharmaceutical Co., Ltd. donated RMB 105,000 to the "Guangyao Chenfei Education Foundation" project of Hainan Project Hope Foundation.



In July 2019, Shangping Town Area of Heyuan suffered serious flooding disaster. GYBYS gathered affiliated enterprises to donate drugs for detumescence and pain killing, blood sugar reduction and virus infection prevention to Heyuan Shangping Public Health Center.



In June 2019, after a magnitude 6.0 earthquake occurred in Changning County, Yibin City, Sichuan, GYBYS immediately launched an emergency rescue mechanism, organized to arrange relief materials and drugs, and organized its subsidiaries to deliver supplies worth RMB 500,000 to Yibin.



## Help developing countries

We cooperated with developing countries and participated in improving their national medical capabilities, expanded international business constantly and promoted the business communication with Southeast Asia regions to help enhance local medical level and improve medical accessibility.

Provide medical resources and endow the development of medical service

Stabilize drug supply and help improve medical conditions



We focused on organizing excellent medical resources, such as professors and doctors, in the industry to hold medical academic exchange activities in Southeast Asia, help local medical teams to improve their business level and promote business exchange.



We carried out trade cooperation and export many types of drugs to Vietnam, Indonesia and Pakistan steadily to ensure local urgent need and basic medicine, and improved their medical rescue level.



Chemical Pharmaceutical Factory started business cooperation with Pakistan and will supply cefixime to Pakistan stably for a long term.



Provide medical antibiotics and basic drugs for chronic diseases for Southeast Asia, such as Hua Tuo Zai Zao Pills to developing countries such as Vietnam and Indonesia. Qi Xing held a joint lecture to introduce Indonesian traditional Chinese medicine experts and consumers to Huatuo Zaizao Pills and Jindan Pills.



# ETHICS AND TRANSPARENCY

Ethics and transparency have gradually developed into the core part of CSR strategy. Supplier management is a critical part to determine product quality.

## Challenge

The supervision law of the People's Republic of China was promulgated, and the intensity of state supervision was increased. There are frequent cases of corruption in the medical field.

There are lots of material suppliers whose level is different, leading to enterprises' trouble in supplier selection.

## Opportunity

With the improvement of national supervision, the business environment will become more transparent, enterprises will be urged to build high-quality disciplinary inspection and supervision teams, enhance their ability of daily supervision and discipline inspection, and attach importance to the construction of a clean enterprise culture.

The state's implementation of the new version of the pharmaceutical production quality management standard has increased many new requirements for suppliers, and put forward more and more specific standards for pharmaceutical enterprises, so as to urge enterprises to continuously improve the management system and standardize management.

## Coping Strategy

Strengthen the construction of Party style and clean government, promote "three nos" mechanism, hold clean culture activity, carry out clean style and accept the public's reports by letter, visit, telephone and internet.

Manage suppliers by level to make suppliers make clear their responsibilities and obligations in cooperation.

## Main Achievement

GYBYS has cultivated a team of discipline inspection and supervision, totaling more than **4,000** people. The commission for discipline inspection talked to **368** people.

Suppliers were audited for **530** times this year.





## Business ethics (anti-bribery and anti-corruption control)

We insisted on anti-corruption work with stop, strengthened accountability, promoted “3 nos” mechanism together and took many measures and held rich and colorful clean culture activities to create clean culture of “taking medicine before diseases occur”.



### ● Improve management system and establish “simplistic rules” for “no corruption”

We developed systems, including Rules for Enhancing Responsibility, Performance and Accountability of the Leadership and Admonition and Encouragement Work System (Trial), and solidified supervision over the projects, funds and employment of enterprises affiliated to the Company.

### ● Improve supervision system and weave the “iron cage” locking “corruption”

We improved scientific and technological corruption prevention capabilities, accelerated the construction of “In-corrupt Guangyao 128 Clean Work Platform” system, and enhanced the restriction and monitoring over power operation. Then, we prepared Instruction Manual for In-corruption Risk Prevention & Control and Common Disciplinary Offence Forensics of State-owned Enterprises to arrange the commonly seen in-corruption risks of state-owned enterprises, helping enterprise employees to better recognize corruption risks and improve their ideological understanding.

### ● Plant in-corruption culture and cultivate “in-corruption - oriented” “spirit”

We kept improving the construction of “Guangzhou Anti-corruption and Clean Government Education base”, Shennong Caotang Traditional Chinese Medicine Museum, held in-corruption lecture regularly and “in-corruption and purification” themed speed contest, warning education and other family customs construction activities, building “no desire of corruption” ideological defense line firmly.

### Case

#### Tian Xin solidified “two responsibilities” and construct party style and clean government firmly

Tian Xin realized “one post double responsibilities” actively, revised and signed the Company’s 2019 Party Style and Clean Government Construction Responsibility Book, Commitment to In-corruption Practice and In-corruption Convention. In order to further construct a clean government, Tian Xin inspected risk points that happen easily and frequently more, further intensified tendering and bidding management, and enriched in-corruption education forms, kept strict management and great care, and had conversations with “key minority” and carried out omni-bearing, multi-angle and interesting warning education activities within the whole company.

## Transparent operation

GYBYS, upholding the philosophy of law abidance and compliance, transparent operation, advocates fair and impartial development. We defend our bottom line of compliance, prevent legal risks and ensure fair and complying operation process and no tolerance to rule breaking, corruption or impartial competition, and developed complete protection policies for reporters, so as to secure the healthy development of enterprises based on “honesty” and “justice”.

## Legal operation

We strictly observed moral rules and relevant laws & regulations, identified, evaluated and arranged operation compliance risks and took measures to manage and make improvement, so as to ensure the compliance and transparency of business and operation activities. In August 2019, we combed the standard management of equity investment and rectified and improved special work, assisted in reviewing whether joint-venture agreements, articles of association, international systems, and the procedures of meetings on decision making of major matters, appointment and dismissal of important cadres, investment decision making of major projects and use of large amount of fund and decisions made in the meeting are legal and complying, in order to create a good business operation environment.

## Legal risk prevention and control

We promoted legality propaganda steadfastly, responded to the call of law popularity, and communicated closely with the external proactively. On 11 April 2019, we participated in “Greater Bay Area Intellectual Property Right Protection Seminar” to contribute to the rule of law construction of Guangdong-Hong Kong-Macao, including the establishment of the mechanism of coordinated development of IPR.

## Whistleblower protection policy

GYBYS encouraged the external to monitor, and received reports by letter, visit, telephone and network, and handled problem clues found in daily monitoring. With reference to petitioner protection documents issued by Guangzhou Municipal Commission for Discipline Inspection, GYBYS implement whistleblower protection policy, do not disclose any information about any petitioner, give a reply to the petitioner secretly, and send a written reply by EMS, in order to secure whistleblowers’ rights and safety. Whistleblowers will no longer have any concerns. Within the reporting period, we accepted 39 reports by letter and visit and 39 conservation inquiries to bring the restriction role of daily monitoring into full play.

## Supply chain management

For pharmaceutical enterprises, supplier selection affects quality stability, safety and efficiency of product directly, and brings profound influence on social environment. Therefore, GYBYS is devoted to establishing and maintaining a powerful and continuous supply chain, improving internal supervision and controlling the potential risk of supply chain link effectively.

## Supply chain management

In terms of supplier management, we review the qualification & scale, apparatus equipping, herb planting and QA system of supplier in a scientific manner in accordance with supplier audit specification, supplier management rules, quality agreements signed with supplier through negotiation and supplier assessment measures.

As per the risks brought by supplier's materials to product quality, we manage our suppliers at different levels, so that suppliers can clearly know the responsibilities and obligations they should bear in cooperation, improve their quality awareness and service level constantly and ensure normal production and operation and stable product quality of industrial enterprises.

### Rating system

In 2019, we executed rating system according to comprehensive evaluation during supplier audit (classified into Class A, B, C and D).

Supply Department summarized and classified according to data and feedback in the standing books that Warehousing Department and Manufacturing Department recorded. Every half a year, the platform will summarize and evaluate the data suppliers provide, and inform them to make rectification or improvement after annual summary.

Scoring Dimensions	Score
Pass rate	40
Delivery term	40
Online defect	20



### Case

Cai Zhi Lin and WLJ Great Health held "Quality Advocacy and Growing Base Experience Sharing Meeting of TCM Suppliers"

On 24 December 2019, Cai Zhi Lin and WLJ Great Health held "Quality Advocacy and Planting Base Experience Sharing Meeting of TCM Suppliers" jointly in Guangzhou Meizhou Industrial Transfer Park. In the coming year, we will control medicine quality strictly and require suppliers to improve equipment performance in a targeted manner, and research and develop new processing equipment to meet our standards.



Meeting Participants Visited WLJ Great Health Meizhou Plain Liquid Extraction Base and Cai Zhi Lin Meizhou Base

We urged suppliers to establish complete QMS and strengthen the whole-process quality management of production and operation to ensure safe, stable, controllable and traceable product quality.

### Source tracing

Execute "6 integration" standard management, and GACP Code for Quality Management of Chinese Medicinal Herbs Planting and Harvesting to make sure the source of Chinese herbal medicine is traceable and guarantee herb quality.

### Quality control

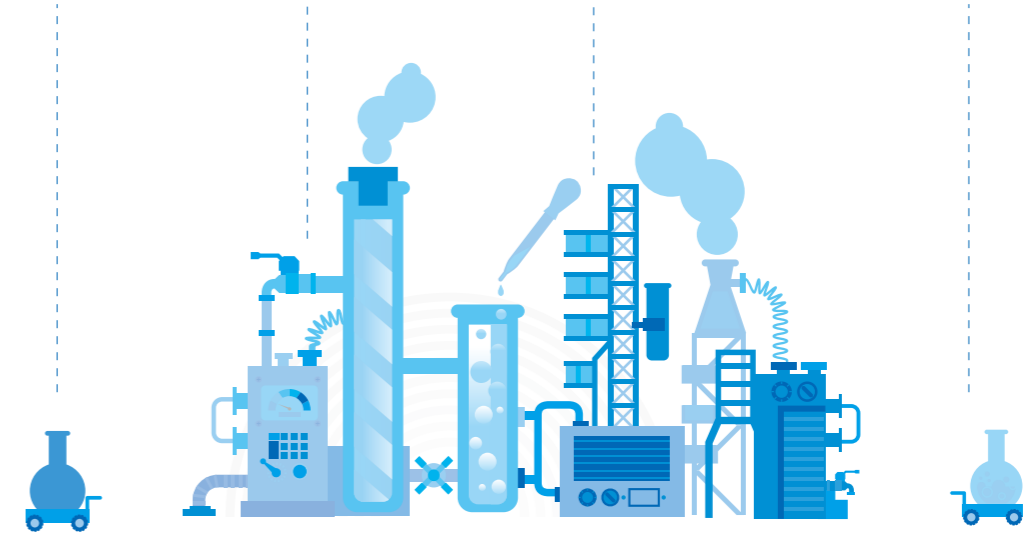
We establishes complete management system for sampling, sample keeping, inspection and testing, and equips complete testing and inspection equipment: highly-efficient liquid-phase, gas-phase and ICP-MS, etc.

### Production and processing

Innovative full-auto processing equipment can fully realize standard production, reasonable goods proportioning and strict production and strengthen production process quality monitoring, so that product quality can be ensured.

### Warehousing and transportation management

The temperature of cool warehouse is below 15 ° C and its relative humidity is below 60%. Finished products are sent to the storage warehouse after passing inspection. According to demands, single-item and single-batch transportation, timely and reliable delivery can be realized.



### Case

WLJ Great Health helped suppliers improve QMS

WLJ Great Health and Shandong Poly constructed honeysuckle planting base together in Pingyi, Shandong, the geo-authentic production area of the plant. In order to ensure material quality, both parties established QMS in cooperation, so that products can be managed and controlled in the supply chain link in a better manner and product quality can be ensured.



## Environmental and social protection of suppliers

We buy materials according to actual production needs and the influences brought by environment, and establish supplier files of material suppliers to ensure that suppliers protect biodiversity as well as rights and interests of peasant households (vulnerable groups).

### Case

Cai Zhi Lin proposed to establish a test center to help herb grower relieve their burden

For a long time, TCM industrial enterprises and decoction pieces are able to test and inspect, but the source of TCM is in villages, where herb growers are not only in lack of money to buy test equipment and not able to recruit professional testing and inspection technician; therefore, effective testing and inspection capabilities cannot be formed. It is also not affordable for common herb growers to send herbs to a third testing and inspection organization at the expense of long time and high cost.

At present, Cai Zhi Lin is planning to establish its own testing center or cooperate with a third party testing and inspection organization to establish one, in order to help local herb dealers to identify the internal quality of herbs and relieve the economic burden of herb growers. The quality source of medicinal herbs is test, and test and grading at source are important means to reduce the pollution brought by "pollution" and also the best environment for multi-level herb classification, providing more personalized requirements for herb level of medicine factories, decoction piece factories and foreign trade companies, etc.

## Medical ethics

During experimental animal production and animal experimentation, GYBYS follows animal ethics and measures related to animal welfare protection and guarantees the welfare rights of laboratory animals to avoid unnecessary harms. We also established Laboratory Animal Management Committee and its affiliated organization Laboratory Animal Ethics Committee, and developed articles of association and relevant system documents for Laboratory Animal Management Committee to examine and supervise the welfare ethnics of laboratory animals, and have achieved good results in the production and use of laboratory animals and platform operation.

In 2019, Guangyao General Institute passed AAALAC certification for its laboratory animal protection and animal ethnics management measures up to international standards, winning the recognition of authoritative institution.



## AAALAC certificate



## Transparency of clinical trials

During the process of clinical trials, GYBYS strictly abided by Criteria for the Quality Control of Clinical Trial of Drugs, Declaration of Helsinki and relevant national clinical regulations, and observed clinical test information disclosure standards to improve test transparency, in order to provide high-standard moral practice and scientific behaviors all the time in all tests.





# ENVIRONMENTAL PROTECTION

Advocating energy saving and environmental protection and realizing sustainable development have become the common view of human beings.

## Challenge

Negative effects brought by climate warning are increasingly obvious, and extreme climate events occur frequently. In the meantime, the law on environmental impact assessment, revised and adopted at the seventh session of the 13th NPC standing committee, stipulates that the construction unit shall be responsible for the contents and conclusions of the environmental impact statement of its construction project, and the technical unit shall bear corresponding responsibilities.

## Opportunity

The state attaches increasing importance to the work of energy conservation and emission reduction, prompting enterprises to change the energy consumption structure, use clean energy, improve energy efficiency, and intensify the promotion and application of energy-saving equipment and publicity of energy conservation and environmental protection.

## Coping Strategy

GYBYS carries out the main responsibility of environmental protection and strengthens the management of environmental evaluation of construction projects. To strengthen the publicity of energy management and energy conservation and emission reduction; We will continue to improve the management of water resources and waste.

## Main Achievement

In 2019, companies of GYBYS have invested over RMB **30** million in environmental protection and energy saving and conducted relevant training for **22** times.





# Environmental management

We kept improving environmental protection management system to ensure the implementation of environmental protection responsibilities. In 2019, we initiated to prepare environmental protection management system of the Group, and invited environmental protection experts to investigate, and combed enterprises the difficulties and loopholes that the enterprises have in environmental protection field through investigation. In combination with the environmental problems met by and suggestions collected from enterprises, we currently have completed preparing the initial draft.

By the end of 2019, 5 companies — Zhong Yi, Tian Xin, HWBYS, Xing Qun and WLJ Ya'an all obtained the national title of “green factory”, and 9 enterprises passed the creation of “provincial clean manufacturer” and 15 enterprises have passed the creation of “municipal excellent clean production enterprise”.



- Zhong Yi
- Tian Xin
- HWBYS
- Xing Qun
- WLJ Ya'an

## Case

Carry out special environmental protection inspection and standardize environmental management

On April 15, Shen Yueyue, Vice Chairman of the NPC Standing Committee, came to Guangdong to inspect water pollution, leading law enforcement team. Baiyunshan Pharmaceutical General Factory, as the enterprise representative of Guangzhou, received inspection. The leading experts of the inspection team approved our full fulfillment of corporate responsibility in environmental protection. In 2019, we inspected the environmental protection of all enterprises for 32 times, and accepted the supervising inspection of the environmental protection department at higher levels for 216 times.



# Coping climate change

In recent years, extreme climate events, such as intense heat of summer, drought and flood, occurred frequently and the influence of climate change shows day after day. Enterprises' shouldering of emission reduction responsibility to cope with climate changes and common promotion of green and low-carbon development have become the mainstream of today's world. We promoted clean production actively, accelerated energy saving and emission reduction, and devoted to the sustainable development of environment. In 2019, as the representative of pharmaceutical industry, we joined Guangdong-Hong Kong-Macao Greater Bay Area Green Development Alliance to help pharmaceutical industry to come to the new stage of green development as a council member.

### Key performance

Greenhouse gas emission  
**108,435.19** tons

Emission density  
**0.02** tons/RMB 10000

# Energy management

GYBYS kept improving the construction of energy management system, strengthened the scientific management and utilization of energy, and insisted on management and technical innovation and made efforts to improve energy utilization, so as to realize the goal of “energy saving, consumption reduction, emission reduction and efficiency increase” and forge a saving and environmental friendly enterprise.

### Key performance: Energy consumption data

Gasoline (l)	Diesel (l)	Coal (ton)
<b>412,645.38</b>	<b>495,769.12</b>	<b>0.00</b>
Natural gas (10,000 m3)	Steam purchased (ton)	Electricity purchased (kw-h)
<b>1,866.48</b>	<b>8,845.94</b>	<b>103,635,035.21</b>

Integration energy wastage, tec/t

**86,740.14**

# Energy saving and emission reduction

We practiced out income increase and expenditure reduction measures, and reconstructed equipment that emit a large amount of pollution continuously, and eliminated equipment that have high consumption and emission, and used highly efficient energy-saving equipment, and reduced energy consumption and air pollution to ensure clean production and build green ecological environment together.



- Use clean energies.** We have fully eliminated biomass boilers and use steam clean energy on a whole scale and recycled steam condensate to realize emission reduction effects. Each ton of steam can reduce natural gas consumption of 2.8 m<sup>3</sup> and saves RMB 15.7. RMB 920,000 can be saved the whole year.
- Adopt energy-saving equipment.** We encouraged using environmental friendly new products and new technologies, and took clean production measures, such as process optimization and source control, to reduce energy consumption and resource consumption actively.
- Invest much in environment protection projects.** In 2019, enterprises of GYBYS invested totally RMB 30 million in environmental protection and energy saving. To be specific, the green manufacturing system integration project of WLJ Great Health applied for national subsidy of RMB 3.5 million successfully. This project makes sure the realization of low-carbon and environmental protection objectives by forging a brand-new green manufacturing system for the whole life cycle of WLJ herbal tea.





**Case** Add energy-saving equipment to save energy and reduce consumption

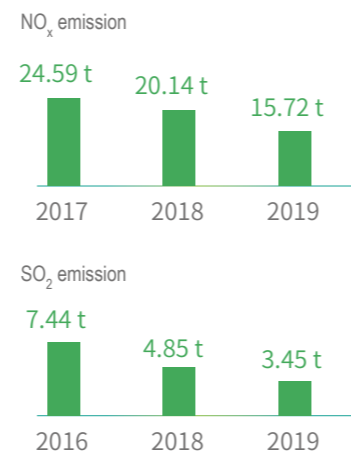
In 2019, we upgraded the centrifugal water chiller. In this renovation project, a 400RT magnetic levitation variable frequency centrifugal chiller was added, which adopts (Hitachi + LG) or low-load (LG) combined operation mode. Compared with the original Hitachi unit operation mode, the comprehensive energy efficiency of refrigeration is greatly improved. The new combined cooling energy efficiency ratio is between 5.68 and 6.48 (kw/kw), which is higher than the original Hitachi cooling energy efficiency ratio of 4.36 (kw/kw), so as to realize the purpose of energy saving and consumption reduction in the refrigeration system. It is estimated that the annual energy saving is about 452,704kwh. According to the current electricity consumption of 0.8 yuan per KWH, the annual energy saving is about 362,163 yuan.

	Before	After
 machine set	3 CU240 water chillers	3 RCU240 water chillers 1 LG maglev variable frequency centrifugal chiller
 Operational mode	3 sets of water-cooled screw sets with cooling capacity of 756kw, combined operation mode 1+1+1 mode. <b>Refrigeration efficiency COP=4.36</b>	3 sets of 756kw water-cooled screw sets (Hitachi) +1 set of 1407kw magnetic suspension variable frequency centrifugal sets (LG), combined operation mode 1+1 mode operation. <b>1+1 mode refrigeration efficiency (weighted) COP=5.68.</b> <b>Individual operating efficiency COP=5.68</b>

**Exhaust emission management**

During the reporting period of 2019, we combined and summarized the atmospheric pollutants generated in the manufacturing and office service links of all enterprises in accordance with relevant requirements in Integrated Emission Standard of Air Pollutants that the state has enacted, and studied and applied new technical means to reduce the emission of hazardous wastes and complete emission reduction objectives. For the treatment, prevention and control of VOCs, relevant enterprises developed “one enterprise two plans” and invested more equipment and facilities to ensure the complying collection and environmental emission of organic wastes.

**Key performance**



**Case** Waste gas emission reduction reached a new level

Chemical Pharmaceutical Factory invested a large amount of money in constructing environmental protection and treatment engineering. Moreover, the VOCs project that collects and treats the VOCs generated in production effectively enabled factory to reach a new level in environmental treatment. Equipment of VOCs treatment project operate in a good condition and their gas emission has been inspected conforming by a third party testing institution each month. Will the full load of production workshop, VOCs devices can recycle 250L acetone per day, reaching good emission reduction effects.

**Water resource management**

We concerned much about the impact of water resource consumption and sewage emission on environment, and therefore urged to reconstruct and apply water-saving devices and updated most sewage treatment facilities, so as to reduce the unordered consumption and waste. In 2019, we kept improving wastewater management, monitored the COD of key emission posts, so as to ensure high-concentration wastewater of workshop can be controlled and treated effectively.

**Case** New process, reduced pollution

Chemical Pharmaceutical Factory treats waste liquid in kettle with desalination technology of vertical thin film evaporator to reduce the generation of kettle bottom liquid to a large extent. Relevant wastewater is treated with Fenton advanced oxidation process to reduce COD significantly for better treatment.

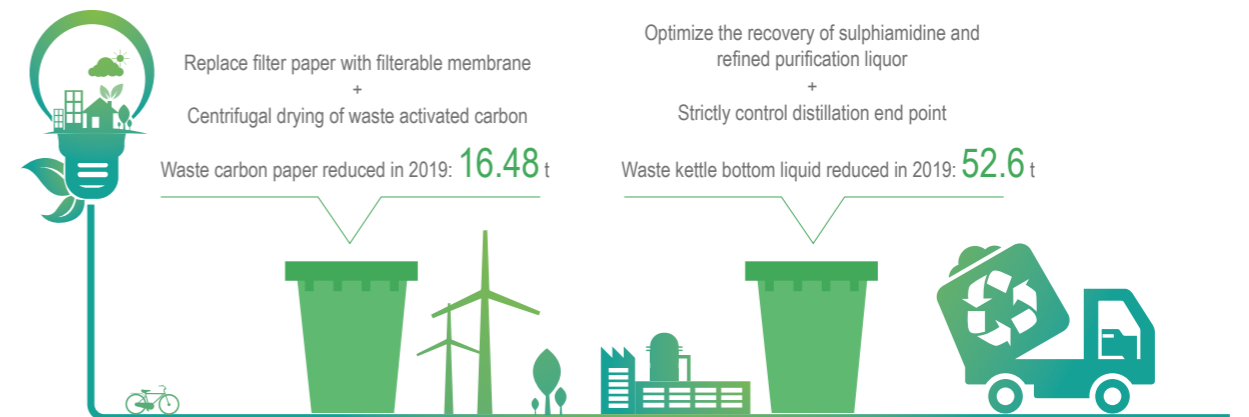
**Key performance:**

Total water consumption	Water intensity	Industrial wastewater emission
<b>3,323,766.30 t</b>	<b>0.51 t/RMB 10,000</b>	<b>1,776,125.60 t</b>
Industrial wastewater emission density	CODCr emission	Office and domestic wastewater
<b>0.27 t/RMB 10,000</b>	<b>111.40 t</b>	<b>455,132.49 t</b>
Office wastewater emission density	Ammonia nitrogen emission	
<b>0.07 t/RMB 10,000</b>	<b>10.88 t</b>	

**Waste management**

We kept intensifying the standard management of hazardous wastes and used advanced processes to reduce the pollution brought by wastes. To be specific, the hazardous waste warehouses of Xing Qun and Chemical Pharmaceutical Factory have become the demonstration points of hazardous waste storage management of local government.

**Emission reduction projects of solid wastes**



Key performance:

Medical waste and waste drugs	Other hazardous waste	General industrial waste
284.85 t	1,010.85 t	1,797.73 t
General industrial waste density	Office, kitchen and domestic waste	Office, kitchen and domestic waste disposal density
0.28 kg/RMB 10,000	2,566.06 t	0.40 kg/RMB 10,000

## Noise management



We used scientific and effective environmental protection materials in all posts that generate noise. We carries out damping, sound attenuation and insulation, and according to relevant regulations, tried our best to reduce the impact of noise on the nearby residents, employees and surrounding environment. Although many enterprises have “factories surrounded by residences” , no compliant of noise has been filed because of the effective noise reduction measures that are being taken currently.

## Biodiversity protection

Biodiversity is an important component to maintain biological balance and promote the harmonious development between human and nature. We attached importance in ecological environmental protection during the growing and collection of Chinese herbal medicine, and tried our best to prevent the negative influence of biodiversity. In the current stage, we has constructed 69 growing bases of 56 types of herbs, including 7 growing bases of 6 types, such as radix isatidis, that have passed the certification of SFDA and manages herb growing links in a scientific manner. Besides, we can ensure the growing and supply of bulk, major and rare species, protecting biodiversity.

### Case

Cai Zhi Lin established kadsura coccinea growing base to protect the biodiversity of valuable and rare species

TCM industry has been our traditional and advantageous industry, and raw Chinese herbal medicine, as an important link of TCM industry chain, needs more protection. Taking the valuable and rate Chinese herbal medicine, such as rhizoma cibotii, kadsura coccinea and reticulate millettia, as the example, they are mainly wild resources imported from Southeast Asian countries. Particularly, we are poor in kadsura coccinea. In order to protect this valuable and rate herb and its supply and preparation, we specially developed bases to grow it. Now 6 growing bases have been realized

Supplier from Cooperative Base	Growing Area
Guangxi Jingxi Baiheming Biotechnology Co., Ltd.	Baise, Guangxi
Dongyuan Taibao Agricultural Science and Technology Co., Ltd.	Heyuan, Guangdong
Guangdong Lingnan Pharmacy Co., Ltd.	Guangdong and Guangxi
BYS-HWL Chinese Herbal Medicine Co., Ltd.	Guangdong and Guangxi
Yunfu Baiheming Biotechnology Co., Ltd.	Yunfu, Guangdong
Guangxi Shandao Pharmacy Co., Ltd.	Guangxi

## Use of packaging materials

GYBYS is committed to saving and reusing packaging materials, reducing product package use and reducing resource consumption and environmental impact through saving package materials at the product design link and recycling package materials at the production link.

## Environmental protection education and propaganda

We attached importance to cultivating employees' awareness of energy saving and environmental protection, and carried out many environmental protection training and promotion activities to penetrate the habit of saving into all levels of employees. This year, we initiated “realizing new development with saved energy and reduced emission, living our lives with clear water and green mountain” large activity to advocate energy saving and emission reduction, as well as green development. All participants signed enthusiastically to practice low-carbon development philosophy.



Employees Participated in Environmental Protection Training





# SUSTAINABILITY FOUNDATIONS



<b>Challenge</b>	<p>The pharmaceutical industry is in shortage of high quality talents and meets severe brain drain.</p>	<p>The responsibility of the main body of production safety is not clear, the implementation is not balanced, the responsibility to implement form more than reality. The new drug administration law came into force, and drug supervision became increasingly strict.</p>	<p>Social resources are distributed not uniformly and the gap between the poor and the rich is large.</p>
<b>Opportunity</b>	<p>The population aging process of our country accelerates, and residents' medical concept transfers from "seeing a doctor when disease occurs" to "preventing disease" and develops towards "healthier". Besides, our medical demands tend to risk quickly.</p>	<p>According to the pharmaceutical inspector team's opinion on establishing a professional specialization, enterprises can improve internal management in six aspects, including improving the drug inspection system and mechanism, implementing the inspector configuration, strengthening inspector team management, enhancing the inspector ability quality, setting up the incentive constraints mechanism, perfecting the organization leadership and guarantee measures.</p>	<p>The state released special poverty relief budget of totally RMB 90.978 billion in 2019 for getting rid of poverty.</p>
<b>Copying Strategy</b>	<p>Promote talent introduction project, strengthen internal training and cultivate high-quality talent team continuously.</p>	<p>GYBYS thoroughly implements the "four strictest" requirements, improves the quality supervision and management system of the whole process, and strengthens prevention in advance, control in the process and supervision afterwards. Through supervision, supervision, inspection, punishment and other measures, we will comprehensively deepen the implementation of the main responsibility of enterprises, and do a good job in the whole chain management of products from r&amp;d, production to sales, so as to ensure quality and safety.</p>	<p>Promote targeted poverty alleviation continuously through industrial development, employment and education.</p> 
<b>Main Achievement</b>	<p>At present, the number of introduced doctors has increased from <b>54</b> to <b>79</b>, and totally <b>38</b> excellent talents have been introduced (at present, there are <b>811</b> talents in total).</p>	<p>In 2019, totally <b>4,218</b> safety inspections have been organized, <b>1,284</b> general safety hazards have been found and <b>434</b> hazard rectification notices have been issued. The rectification rate is <b>100%</b>.</p>	<p>About <b>1.70</b> million RMB were invested in targeted poverty alleviation in 2019, helping <b>27</b> villagers in <b>3</b> poor villages to get rid of poverty.</p>



# Staff management

We know well that talents are the primary productive force of enterprises. We respect employees and safeguards their legal rights. Moreover, we establish and improve democratic management system, establish equal and harmonious labor relationship with them, provide healthy and safe working environment and democratic and easy working atmosphere for them, so as to improve their satisfaction and sense of belonging.

## Protection of staff's rights and interests

### Fair employment

We observe laws and regulations such as labor law and labor contract law strictly and uphold fair and open employment principles, and resolutely put an end to all discrimination of gender, age, race and region, so as to provide fair and reasonable employment and competition opportunities for employees. In 2019, the labor contract signing rate of the Company is 100%.

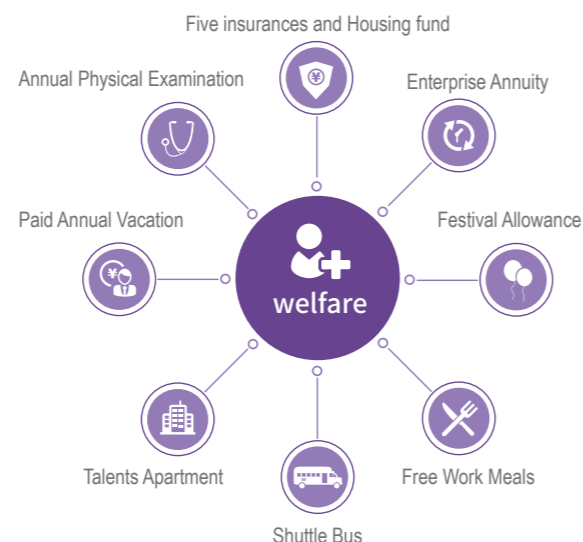
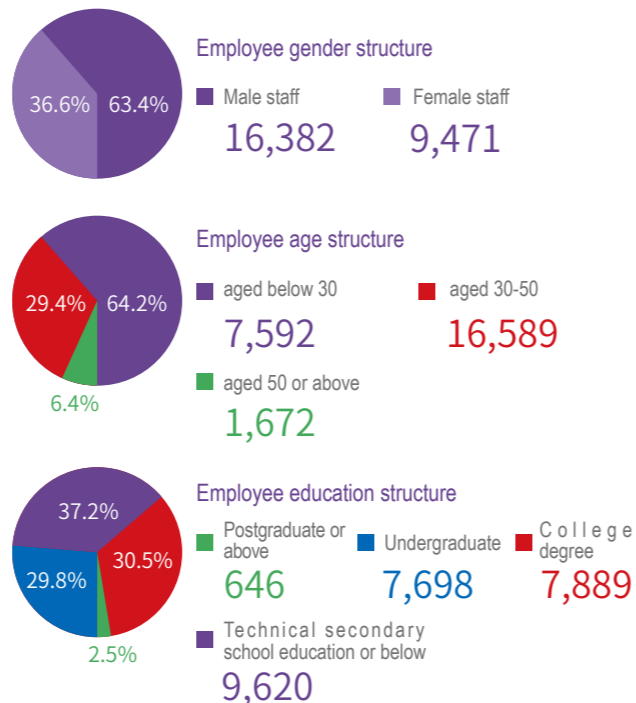
### Compensation and benefit

We provide competitive compensation level for employees according to their post, ability and performance to safeguard their interests and rights. In addition to statutory benefits for them, we provide many extra benefits and aids to enable employees to have high quality life. In 2019, our social insurance coverage rate is 100%.

### Democratic management

We advocated democratic management, and welcomed employees of democratic parties and non-party employees to give advice for enterprise development sincerely. In February 2019, we held three "Risk Control and Efficiency Year" welcoming symposiums. The Company's leadership communicated with 180 democratic party members and representatives of non-party employees and advanced representatives face to face, and listened to their opinions and advice, gathering energy for realizing the objectives of the year. Over 100 pieces of advice were collected in the symposium; democratic management, and even the intelligence and energy of mass organizations and united front line are fully shown.

### Key performance



# Promote talent development

We set a high value on the win-win of enterprise and employee. In order to realize the sustainable development of human resources, we planned talent introduction and recruitment reasonably, carried out diversified training projects and innovated diversified talent education mode to provide good development platform for employees and realize maximized human resource value of the Company.

### Rational planning of talents

Upholding the philosophy of "talent is the first resource", we kept promoting "three projects" of talent — "one hundred doctors" introduction project, "quality talent program" introduction project and key talent introduction project. In 2019, the number of introduced doctors has increased from 54 to 79. We introduced 38 new quality talents, adding up to 811 in total.

In the meantime, we hosted "GYBYS Cup" the College Student of the Year activity and award-giving ceremony together with China Pharmaceutical University and skill contest and supply-demand exchange activity with Guangzhou Pharmaceutical Vocational School, and participated in 2019 "Youth Pre-employment Training Programme" collect student employment and self-employment skill improvement probation of Guangdong to expand its talent introduction channel and cultivate and recruit talents applicable to enterprises in a directional manner, and implement the strategy of empower enterprises with talents.

### Diversified training system

Aiming at building a world class enterprise, we've established a multi-level and diversified training system that covers senior and medium managers and front-line employees to provide omni-bearing occupational training and guidance for employees at different posts and levels. We organized and held various special training, including "Risk Control and Efficiency Year" all-employee training class, "orientation camp" and advanced seminars for the leadership so that employees can update their professional knowledge timely and improve their comprehensive capabilities. In 2019, we sent over 150 employees to participate in various expertise training outside the Company.

### Case

Improve ability and cultivate excellent management personnel

In October - November 2019, Guangzhou Bai Di carried out the 2nd management ability improvement seminar for managers. In cooperation with Sun Yat-sen University, this class integrates powerful lecturer resources and improves the management level and ideas of students through 4 courses and 24 class hours, starting from such perspectives as traditional culture, Guangdong-Hong Kong- Macao Greater Bay Area and development themes of the times. It adapts to the development needs of Bai Di management talents.



Guangzhou Bai Di 2019 the 2nd Management Ability Improvement Seminar for Managers

### Diversified talent education mode

In 2019, we planned to start with senior executives, open up the channel of changing team membership, and actively cultivate high-quality and comprehensive professional management talents. In the meantime, we pushed forward "789" young cadre cultivation plan actively, planning to cultivate and select about 100 "789" young cadres in 3 years. We aim at cultivating, train and select young cadres boldly to strengthen team vitality.

## Care employees' life

Adhering to people-oriented principle, we attached importance to employees' needs and pursuits. We give limitless care for special groups. In March 2019, we carried out 3.8 women's condolence activity, and organized Women's Day baking experience and Office Makeup lecture to bring thick warm for female employees. For difficult employees, we helped them with all our strength. Besides, we kept improving rescue mechanism to provide necessary capital rescue and spiritual support for employees that met difficulties in life, and help them get over the hardship.

We concern other's anxiety and smile for other's happiness. We advocated balance between work and lift and tried out best to carry out various cultural activities and sports for employees, so that they can release their life pressure and feel the colors of life. We've organized lots of labor competitions, badminton contests, volleyball contests and red classic recitation contests and singing contests to let employees fully shown their personalities and young spirit.



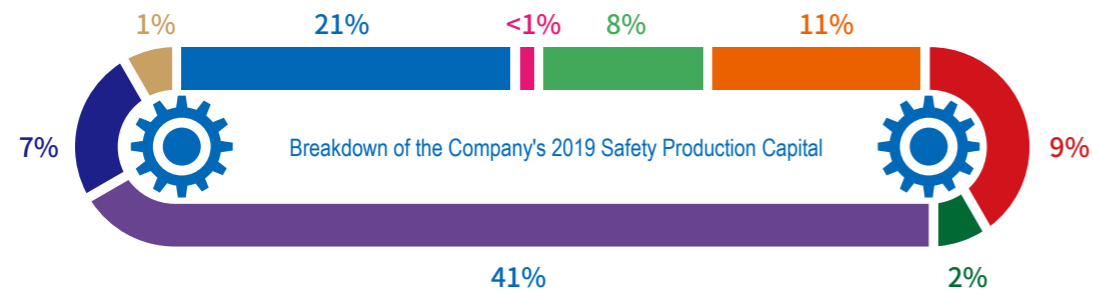
Guangzhou Baiyunshan Hospital 2019 Employee Badminton Contest



Exclusive 100th Birthday Party

## Occupational health and safety

We regard the occupational health of our employees as our life. Under the guidance of OHSAS 18000 requirements, we strictly monitor and manage all workplace health hazard factors, regularly carry out safety training and emergency drills, so as to improve staffs' safety awareness. We invested RMB 85.47 million in work safety in 2019.



Comprehensive investment	Emergency drill	Firefighting equipment	Labor protection	Hazard rectification
RMB 18.19 million	RMB 360,000	RMB 6.76 million	RMB 9.6 million	RMB 7.6 million
Publicity and training	Equipment modification	Safety award	Safety month	
RMB 1.35 million	RMB 34.8 million	RMB 6.266 million	RMB 540,000	

## Safe working environment

In terms of the safety of working environment, prevention is more important than treatment. In this year, we kept strengthening work safety management mechanism to make sure work safety can be carried out smoothly.



### Implement safety entity's responsibilities

At the beginning of 2019, all organizations and divisions of the Company signed Management Responsibility for Work Safety Objectives, and relevant enterprises submitted Work Safety Commitment for Construction Projects, making safety responsibilities be managed by level and network.



### Implement safety system

In January 2019, we enacted and implemented Work Safety Management System for Guangzhou Pharmaceutical Holdings Limited to further strengthen the work safety management of the Group and its affiliated enterprises, and improving work safety management level and risk prevention and control ability more effectively.



### Eliminate hidden hazards and implement rectification

We distributed Notice of GYBYS on Comprehensive Inspection of Fire Control and Work Safety at the End of 2019 and the Beginning of the New Year, and organized all units to carry out special rectifications focusing on work safety, fire safety, building construction and hazardous chemicals.



### Strengthen emergency management work

We, in partnership with the experts of Guangzhou Work Safety Association, revised and improved Emergency Plan of GYBYS and emergency system, and strengthened the safety awareness of employees, improved their emergency coping ability and established effective accident prevention and handling mechanism.



### Assess the management of work safety objectives

We organized and established work leading group and arranged safety management personnel to assess the management of work safety objectives of 30 enterprises affiliated to the Company for the first half of the year and of the year in July and November.

### Key performance

During this reporting period, the Company has organized	sent out	and discovered	and issued
4,218	7,605	1,284	434
times of safety inspection	inspection personnel	potential safety hazards	rectification notices of hidden hazards
the rectification rate was up to			
100%			



## Health and safety training

Safety is an important component to our company culture. An excellent enterprise must equal attention to safety and profit. We penetrated safety training and education through the whole work safety process all the time and kept improving work safety level without stop, in order to ensure the life safety and physical and psychological health of employees.

### Case

GYBYS carried out CPR training class

In June 2019, we carried out "Work Safety Month" activity of 2019 and provided CPR training class. The class is developed totally according to the development needs of "Work Safety Month" and takes 2 hours to improve the first aid ability and self-protection awareness of the employees through case analysis, field practice and other methods. It adapts to enterprise development and employee growth demands.



Kick-off Ceremony of Work Safety Month

## Product safety and quality

Product quality relates to safety and life of patients, and is the key to the sustainable development of pharmaceutical enterprises and even the whole society. We has always upheld strict medicine quality standard and kept pursuing higher quality. In strict accordance with relevant laws and regulations, we control the quality of all production links, providing safe and quality products for consumers.

### Product quality control

We stress product quality with the same importance of enterprise's survival. In 2019, we passed GMP certifications of production workshops, including 5500, 2300, 4300 and 4200, and obtained GMP certificates successfully to protect the basic interests and medicine use safety of consumers.



We've established complete recall procedures to make sure that we are able to take effective measures quickly according to the specified systems and procedures once a serious adverse event or potential severe adverse event occurs, and recall products with problem, so as to guarantee the interests and health requirements of terminal consumers.



Case

Baiyunshan Pharmaceutical General Factory treated quality safety events properly

According to the Company's announcement of the evaluation and inspection of ciprofloxacin hydrochloride tablets on 27 March 2019, Baiyunshan Pharmaceutical General Factory, actively carried out the rectification work, according to the related requirements to immediately stop production of ciprofloxacin hydrochloride tablets, sealed products and semi-finished products, recalled of circulation in the library in the product, took the initiative to reduce and eliminated the possible existence of hidden dangers.

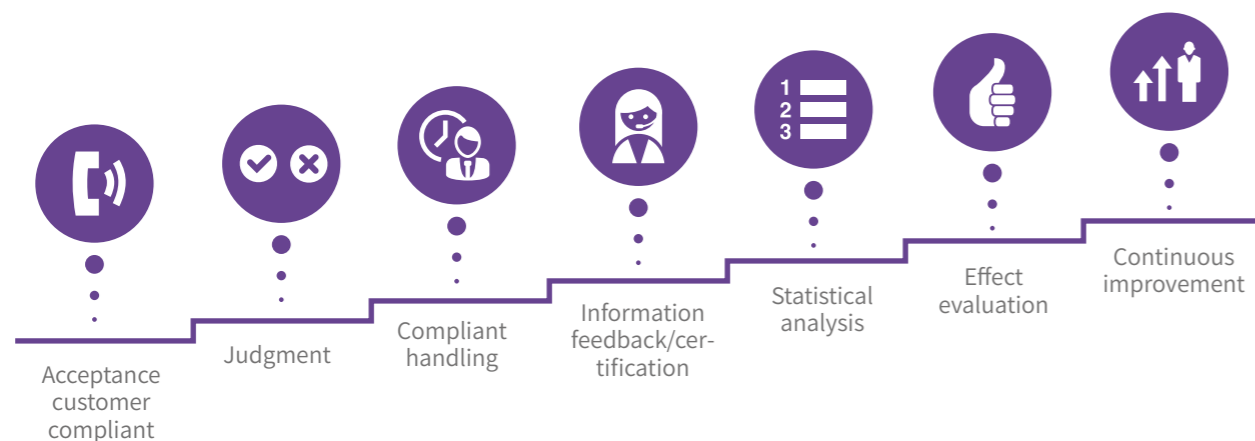
## Consumer Health and Safety

The safety and quality of pharmaceutical products are the life line of pharmaceutical enterprises, and also the core concern of consumers. We safeguard the legal rights of consumers, and focus on providing safe and reliable products for them.

### Protection of consumers' interests and rights

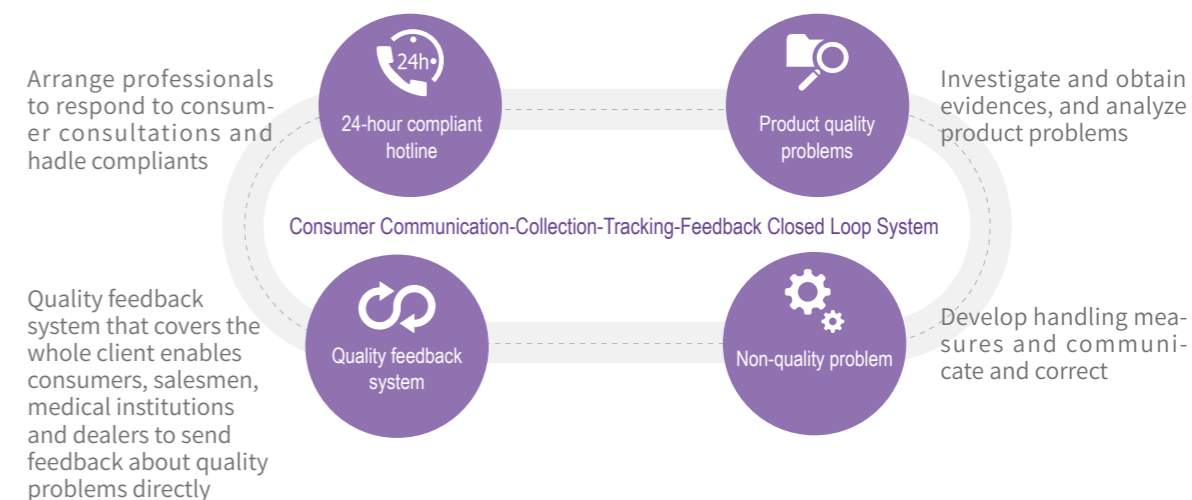
We are devoted to providing safe and reliable medicine experience for consumers and responsible for their health and life. In 2019, we communicated with the Office of Cracking down on Fake Products of Security Department to inform them of fake "Baiyunshan" goods on the internet, and filed industry & commerce complaints and invited lawyer team to maintain our rights and protect consumers' interests and rights from harm.

We welcomed consumers to supervise and give advice on our products and services, and attached high importance to handling their complaints. For complaints that have been filed, we commit to 100% handle them and give feedback. Besides, we developed Confidentiality System for users to make clear confidentiality scope and corresponding confidentiality measures, so that consumers won't have menace from the "rear".



## Communication with consumers

We deem user feedback as our power to advance. Therefore, we opened 6 effective communication channels to facilitate consumers to obtain information and feedback, forming a collection-track-feedback closed loop system. It not only ensures consumers have their doubts answered and problems solved effectively, but also urges us to improve products and services timely.



## Community investment

We pay communities back actively and devote to improving the infrastructures and educational environment of poor regions. We not only kept planning to make investment and realize hematopoietic precision poverty relief, but also supported rescuing disaster areas with great effort to show our loving heart and perform social responsibilities.

## Targeted poverty alleviation

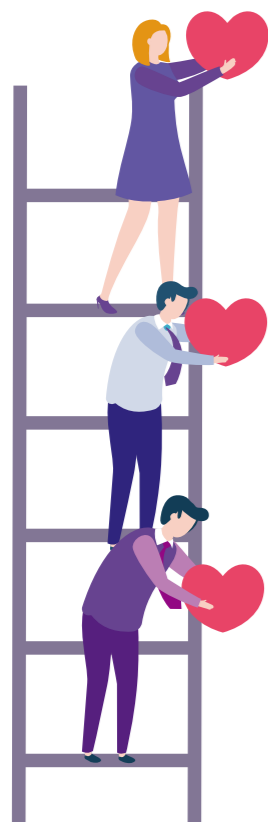
2019 is a critical year to win the poverty alleviation and difficulty tackling war. Since 2016, we have shouldered targeted poverty alleviation of three poor villages, Jingkou, Wanxi and Yuanling, Songyuan Town, Meizhou City. Through "blood transfusion + hematopoiesis", 27 villagers have been alleviated from poverty in 2019.

### Poverty alleviation planning

Xing Qun, Guang Hua and Cai Zhi Lin provide poverty alleviation aid to three designated poor villages - Jingkou, Wanxi and Yuanling, continue to comply with overall thinking of "targeted, early and special" poverty alleviation, follow the guideline of "targeted poverty alleviation, aid to villages and households, industry drive, and entire-village advancement", and are committed to realizing the basic poverty alleviation objective of "no worries for two things, and guaranteed on three aspects".



## Annual summary



**Poverty alleviation through industrial development.** We kept investing more in helping underprivileged families to increase production and income. In Meizhou, Guangdong, we realized industrial aid to underprivileged families that have labor ability relying on local mature flue-cured tobacco and pomelo industry. The underprivileged families participate in flue-cured tobacco, pomelo and culturing projects and 54 of them have signed production-supply-sales contract with business entities. Underprivileged families realized annual income of RMB 6,000 per person benefiting from industrial aid.

**Poverty alleviation through employment.** We kept improving the implementation of poverty alleviation through employment. This year, we organized 129 people with labor ability from underprivileged families in Santiao Village who are engaged in agriculture at home to participate in our technical training on growing management, helping them to further master or improve relevant growing technology, so as to enhance their working skills. Besides, we helped the surplus labor of underprivileged families to transfer employment. Totally 199 people have participated in employment training, and 72 have been helped to get employed.

**Poverty alleviation through education.** We carried out education aid activities proactively and implemented education aid. We have assisted poor students to apply for education and living cost subsidy of targeted poverty alleviation project, and organized a series of education aid activities to help poor students go back to school and relieve the education burden of underprivileged families.



## Achievements

In 2019, GYBYS kept pushing forward targeted poverty alleviation work and fulfilled its responsibilities for poverty aid actively by investing about RMB 1.70 million, helping 27 villagers to get rid of poverty successfully, awarded “Outstanding Contribution Award for Poverty Alleviation and Village Revitalization of Mei County District, Meizhou City”.



## Follow-up plan

2020 is the decisive year of poverty alleviation. We will keep transferring employment taking advantage of our Guangdong Meizhou base and promoting all regions to develop industrial poverty alleviation. Besides, we will combine poverty alleviation, will support and intelligence support to carry out education support activities such as education aid, and further implement people benefiting project of whole villages, breaking down the last fort of poverty alleviation and difficulty tackling.

## 2019 investment in targeted poverty alleviation

Indicator	Unit	Total
<b>General information</b>		
Fund	RMB 10000	164.55
Materials trade	RMB 10000	3.51
Number of poor people helped to be removed from administrative record for poverty registering	person	27
<b>Itemized input</b>		
Poverty alleviation through industrial development		
Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through e-commerce <input type="checkbox"/> Poverty alleviation through science and technology <input type="checkbox"/> Poverty alleviation through tourism <input checked="" type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Others	
Number industrial poverty alleviation projects	piece	12
Amount invested in industrial poverty alleviation projects	RMB 10000	14.34
Number of poor people helped to be removed from administrative record for poverty registering	person	10
Poverty alleviation through transfer employment		
Amount invested in vocational training	RMB 10000	0
Number of people receiving vocational training	person / time	199
Number of poor people helped to obtain employment in administrative record for poverty registering	person	72
Poverty alleviation through relocation		
Number of relocated people helped to obtain employment	person	0
Poverty alleviation through education		
Amount invested in subsidizing poor students	RMB 10000	3.99
Number of students receiving allowance	person	57
Amount invested in improvement of education resources in poor areas	RMB 10000	0
Poverty alleviation through health enhancement		
Amount invested in health care resources in poor areas	RMB 10000	0

Poverty alleviation through ecological protection		
Project name	<input checked="" type="checkbox"/> Ecological protection and development	<input type="checkbox"/> Compensation methods for ecological protection
	<input type="checkbox"/> Jobs for ecological public welfare	<input type="checkbox"/> Others
Amount invested	RMB 10000	0
Protection for the most impoverished people		
Amount invested in helping the three left-behind groups	RMB 10000	0.9
Number of helped people in the three left-behind groups	person	5
Amount invested in helping poor people with disabilities	RMB 10000	2.6
Number of helped poor people with disabilities	person	5
Poverty alleviation in the society		
Amount invested in poverty alleviation in the east and west parts of country	RMB 10000	0
Amount invested in fixed-point poverty alleviation	RMB 10000	0
Poverty alleviation fund	RMB 10000	0
Other projects		
Number of projects	piece	30
Amount invested	RMB 10000	146.23
Number of poor people helped to be removed from administrative record for poverty registering	person	17
Description of other projects	Outstanding Contribution Award for Poverty Alleviation and Village Revitalization of Mei County District, Meizhou City	

## Charity

Carrying forward the natural public welfare property of pharmaceutical products, we inherit the “saving the world and benefiting people” value of Great Southern TCM , and fulfill our responsibility for community and partners actively with the spirit of “spreading love all over the world”.

### Promoting public good with a warm heat and pay the society back wholeheartedly

“Spreading love all over the world” has been the belief that GYBYS upholds. We hope to spread more warmth and energy to the society. In 2010, Qi Xing, together with Guangdong Branch Red Cross Society of China, created the first professional stroke rescue fund of China — Hua Tuo Restoration Charity Fund, a public welfare foundation aiming at poor people and minimum living allowance receivers with stroke disease.

Fund was used to help treat 1051 patients and donate stroke medicine worth of RMB 975,600 for free. Besides, it also helped 25 poor stroke patients to reconstruct their living conditions through home reconstruction (at expense of RMB 7,900). In Lechang , Ruyuan Yao Autonomous County, Nanxiong, Yangjiang, Yangchun and Yangdong County, grassroots doctor training was conducted for 8 times (at expense of RMB 57,000 in total), and over 1,500 grassroots doctors participate in the training at site.



Yangdong Stop Village Doctor Training Site

### Carry forward “the spirit of Xiang Xiuli”, and carry out young volunteer activity

2019 is the 60th anniversary of the great sacrifice of martyr Xiang Xiuli. For 60 years, we have been inheriting and carrying forward the spirit of Xiang Xiuli without stop, and organized “Xiang Xiuli · Lei Feng” Voluntary Service Team to fight against earthquake and relieve disaster, relieve poverty and solve difficulty and host free community clinic. At present, there are 3,250 registered volunteers and over 200 voluntary services are provided each year.



He Ji Gong “Xiang Xiuli · Lei Feng” Voluntary Service Team Consoling Good Wives of Servicemen

On the “3.8” Women's Day of 2019, He Ji Gong “Xiang Xiuli · Lei Feng” Voluntary Service Team carried out “Help Toughen the Army, Make Contribution to National Defense and Honor Wives of Servicemen” voluntary service at Tianhe Security & Safe-guard Office together with Guangzhou Military and Civilian Support Promoting Council, Wives of Servicemen, etc., enjoying the festival happily with the families of servicemen.

### Shoulder the responsibility to help fight against the epidemic

In January 2020, when all the families were supposed to be reunited, the whole country was suddenly attacked by COVID-19. GYBYS pays close attention to the situation of the epidemic, makes every effort to ensure the production, storage and supply of national strategic reserved drugs and medical devices. Meanwhile, GYBYS donated a batch of urgently needed drugs and materials to Wuhan during the period of the epidemic, to help medical staff to overcome difficulties.



Employees trying their best to ensure the mask supply for community residents

After the breakout, masks were in short supply in the market. In order to reduce the risk brought by people queuing up to buy masks and meet their demand for preventing infection by wearing mask, we opened the online mask reservation service for the citizens together with Guangzhou government. Citizens were able to reserve masks via “Sui Kang” App. Once reserved, we would deliver masks to their doors for free in order to meet the needs of all families. Besides, we bore all delivery fees, realizing “online reservation, online purchase and delivery to door”, protecting the safety and health of citizens.



# OUTLOOK

2020 is the decisive year that we realize the first hundred-year goal and establish an all-around affluent society. Looking into the new year, we will keep taking “spreading love all over the world” responsibility philosophy as our object, facing the harsh and complicated development environment, and pay customers, shareholders, partners, employees, our country and society back with performance and value, and endeavor to promote the sustainable and healthy development of domestic pharmaceutical health industry.

## Health accessibility

We will invest more in the field of innovative medicine and high-end generic medicine, keep innovation, R&D and improve our innovation and R&D ability continuously. We will keep marketing in a responsible manner, accelerate arranging new business and format, promote the diversified and flattened reform of circulation channels, expand grassroots pharmaceutical service scope constantly, improve health and medical accessibility, and make contribution for people's demand for health.

## Transparent business

We seem ethical approach to business and law and discipline observation as an important part to our values and is committed to abiding by ethical code of conduct, performing work in a transparent, reasonable and fair manner, fighting against commercial bribery and realizing zero corruption. We respect bio-ethnic standards and construct a fair and transparent business operation environment. We will further identify the risks of sustainable supply chain, promote suppliers to perform their social responsibilities and build a responsible supply chain.

## Environmental protection

We will keep upholding “Green GYBYS” production and manufacturing system, improve HSE management system constantly and get deep into the construction of green factory, develop recycling economy with great effort, control and reduce environmental impact through responsible production and operation, cope with climate changes proactively, protect biodiversity, and promote the pharmaceutical and health industry to realize green development.

## Shared development

We will deepen the implementation of people-oriented philosophy, create a safe and healthy working atmosphere and harmonious and progressive company culture for employees, and attract and cultivate excellent talents for the pharmaceutical industry. Besides, we will keep showing concerns for the vulnerable groups and carry out voluntary activities for poverty and difficulty alleviation and public welfare, contributing to the harmonious development of communities.

# ESG Index

Level	Main Performance Indicators	Chapter
<b>A Environment</b>		
A 1 General Disclosure	Policies on emissions and emissions of greenhouse gases, emissions to water and land, and the generation of harmful and non-hazardous waste.	Tackle climate change
A1.1	Types of emissions and related emissions data.	Tackle climate change/ESG Key Performance Indicators Table
A1.2	Total greenhouse gas emissions and density.	
A1.3	The total amount and density of hazardous waste generated.	Waste management/ESG Key Performance Indicators Table
A1.4	The total amount and density of non-hazardous waste generated.	
A1.5	Describe the measures to reduce emissions and the results obtained.	Tackle climate change
A1.6	Describe the ways to treat hazardous and non-hazardous waste, measures to reduce production, and results.	Waste resource management
A 2 General Disclosure	Policies for the effective use of resources including energy, water and other raw materials.	Water resource management
A2.1	Total energy consumption and density.	Tackle climate change/ESG Key Performance Indicators Table
A2.2	Total water consumption and density.	Water resource management /ESG Key Performance Indicators Table
A2.3	Describe energy use efficiency programs and results.	Tackle climate change
A2.4	Describe any problems with finding a suitable water source, as well as improving water efficiency programs and results.	Water resource management
A2.5	The total amount of packaging materials used in finished products and the amount per unit of production.	Use of packaging materials
A 3 General Disclosure	Reducing the issuer's policies that have a significant impact on the environment and natural resources.	Tackle climate change, water resource management, waste management, noise management, biodiversity conservation
A3.1	Describe the significant impact of business activities on the environment and natural resources and the actions that have been taken to manage the impact.	Water resource management, waste management, biodiversity protection
<b>B Society</b>		
<b>Employment and Labor</b>		
B 1 General Disclosure	Information on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other benefits and benefits, and compliance with relevant laws and regulations that have a significant impact on the issuer.	Staff management
B1.1	The total number of employees by sex, type of employment, age group and region.	Staff management/ ESG Key Performance Indicators Table
B1.2	Employment loss ratio by sex, age group and region.	ESG Key Performance Indicators Table
B 2 General Disclosure	Information on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations that have a significant impact on the issuer.	Staff management
B2.1	The number of and rate of deaths due to work.	ESG Key Performance Indicators Table

Level	Main Performance Indicators	Chapter
<b>B Society</b>		
<b>Employment and Labor</b>		
B2.2	Absent days due to work-related injury.	ESG Key Performance Indicators Table
B2.3	Describe the adopted occupational health and safety measures, and related implementation and monitoring methods.	Occupational health and safety
B3 General Disclosure	Policies on improving employees' knowledge and skills in performing job duties. Describe training activities.	Staff management
B3.1	Percentage of trained employees divided by employee category (eg senior management, middle management, etc.).	
B3.2	The average number of hours each employee completed training by gender and employee category.	
B4 General Disclosure	Information on policies to prevent child labor or forced labor and compliance with relevant laws and regulations that have a significant impact on the issuer.	Staff management
B4.1	Describe measures to review recruitment practices to avoid child labor and forced labor.	
B4.2	Describe the steps taken to eliminate the situation when a violation is found.	
<b>Operation</b>		
B5 General Disclosure	Manage supply chain environmental and social risk policies.	Supplier management system
B5.1	The number of suppliers by region.	ESG Key Performance Indicators Table
B5.2	Describe the practice of hiring suppliers, the number of suppliers to whom the relevant practices are implemented, and the methods of implementation and monitoring of relevant practices.	Supplier management system
B6 General Disclosure	Information on health and safety, advertising, labels and privacy issues and remedies for the products and services provided, and compliance with relevant laws and regulations that have a significant impact on the issuer.	Improvement of access to health care
B6.1	Percentage of total sold or delivered items due to safety and health reasons.	ESG Key Performance Indicators Table
B6.2	Number of complaints about products and services received and how to deal with them.	Consumer health and safety / ESG Key Performance Indicators Table
B6.3	Describe practices related to the maintenance and protection of intellectual property.	Innovation for health and well-being
B6.4	Describe the quality verification process and product recovery procedures.	Consumer health and safety
B6.5	Describe consumer data protection and privacy policies, and related implementation and monitoring.	
B7 General Disclosure	Information on policies to prevent bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations that have a significant impact on the issuer.	Business ethics
B7.1	The number of corruption lawsuits filed against the issuer or his employees during the reporting period and the results of the lawsuit.	
B7.2	Describe preventive measures and whistle-blowing procedures, as well as related implementation and monitoring methods.	

Level	Main Performance Indicators	Chapter
<b>B Society</b>		
<b>Community</b>		
B8 General Disclosure	Policies on community involvement to understand the needs of the communities in which they operate and to ensure that their business activities take into account the interests of the community.	Community investment
B8.1	Focus on areas of contribution (e.g. education, environmental issues, labor needs, health, culture, sports).	
B8.2	Use resources in the focus area, such as money or time.	Community investment /ESG Key Performance Indicators Table

## ESG KEY PERFORMANCE INDICATORS

Indicators	Performance Indicator/ Unit	Data in 2019
A1 Emission	Industrial waste water/ton	1,776,125.60
	Intensity of industrial waste water/ ton/industrial	0.27
	CODCr for chemical oxygen demand/ton	111.40
	Ammonia nitrogen/ton	10.88
	NO <sub>x</sub> /ton	15.72
	SO <sub>2</sub> /ton	3.45
	Total greenhouse gas emissions/ton	108,435.19
	Intensity of greenhouse gas emissions/ ton/industrial production (ten-thousand yuan)	0.02
	Pharmaceutical waste (HW02) and Waste drugs (HW03)/ton	284.85
	Other hazardous waste/ton	1,010.85
	Total amount of hazardous waste discharged/ton	1,295.7
	Industrial waste/ton	1,797.73
Intensity of Industrial waste/ kg /industrial production (ten-thousand yuan)	0.28	



Indicators	Performance Indicator/ Unit	Data in 2019
A2 Resources and energy use	Gasoline/ liter	412,645.38
	diesel/ liter	495,769.12
	coal/ton	0.00
	Natural gas/ten-thousand m <sup>3</sup>	1,866.48
	Purchased steam/ton	8,845.94
	Purchased electricity/kwh	103,635,035.21
	Intensity of electricity consumes/kwh /industrial production (ten-thousand yuan)	15.96
	Water consumed/ton	3,323,766.30
	Intensity of water consumed/ ton/industrial production (ten-thousand yuan)	0.51
	Comprehensive energy consumption/ ton	86,740.14
B1 Employment and labor	Total number of employees/persons	25,853
	Male/person	16,382
	Female/person	9,471
	Number of employees under 30 years old	7,592
	Number of employees between 30 to 50 years old/ person	16,589
	Number of employees over 50 years old/ person	1,672
	Employee turnover rate/%	10.50
	Male staff turnover/person	12.80
	Female staff turnover/person	3.77
	Employee turnover rate under 30 years old /%	7.06
Employee turnover rate between 30 and 50 years old /%	9.44	
Employee turnover rate of 50 years old or above /%	0.50	
B2 Health and security and B3 Development and training	Number of deaths due to work/person	1
	Total Days of Work Injury/day	747
	Total number of trainees/Person-time	142,098
	Total staff training duration/hour	1,047,793.30
	Staff training hours per person/hour	40.53

指标编号	所需指标 / 单位	2019 年数据
B2 Health and security and B3 Development and training	Number of Safety-related training/time	4,648
	Safety-related training person-time/Person-time	41,931
	Safety-related training duration/hour	148,634.75
	Number of safety drills/time	2,333
B5 Supply chain management	South China/%	45.34
	East China/%	28.12
	North China/%	8.75
	Central China/%	8.18
	Northeast China/%	1.72
	Northwest China/%	2.73
	Southwest China/%	5.16
B6 Product responsibility	Percentage of the total number of products sold or shipped that need to be recovered for safety and health reasons /%	0
	Complaints (involving "product quality", "service quality")/time	3,064
B8 Community investment	Donations/ten-thousand yuan	581.56
	Value of items donated/ten-thousand yuan	851.37
	Number of volunteers/persons	2,683
	Volunteer hours/hour	10,391.00