



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

2022

Corporate Social Responsibility Report and ESG(Environmental, Social and Governance) Report

Guangzhou Baiyunshan Pharmaceutical
Holdings Company Limited



About This Report

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (GYBYS) has published reports for 15 consecutive years. The Report discloses the ideas, practices and achievements of the Company's undertakings in corporate social responsibility towards the economy, the society, the environment and so on in 2022. We hope to strengthen communication with stakeholders, build consensus and promote sustainable development through the release of this Report.

Time horizon

From 1 January 2022 to 31 December 2022; part of the content herein with a moderate extension to the year before or after.

Report scope

"Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited", including its subsidiaries and joint ventures, is the entity. The Company reviews the report scope periodically, so as to achieve the maximum influence inclusive of its entire business portfolio.

Main data scope	
Management	"Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited", including its subsidiaries and joint ventures, is the reporting entity.
Finance	The financial data is extracted from the 2022 annual report of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited.
Employee	All staffs employed of "Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited", including its subsidiaries and joint ventures.
Environment (emission and energy consumption)	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and its subsidiaries.

Appellations

- Global Sustainability Standards Council GRI Sustainability Reporting Standards (GRI Standards)
- Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guidelines
- Guidelines for the preparation of the "Report on Corporate Social Responsibility" and Guidelines for Environmental Information Disclosure of Shanghai-listed Companies issued by the Shanghai Stock Exchange
- Guiding Opinions on the Implementation of Corporate Social Responsibility by Central State-Owned Enterprises issued by SASAC
- Guidelines for the Preparation of Corporate Social Responsibility Reports in China (CASS-ESG-5.0)

Data sources

All the data used in the Report comes from the official documents, statistical reports or relevant public information of the Company.

Reliability assurance

The Company guarantees that the Report is free from any false record, misleading statement or material omission.

Appellations

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 2022 Annual Report.

Access to the Report

The Report is available in printed or electronic form. You can download the electronic version from the Company's website (www.gybys.com.cn), HKEX website (www.HKEX.com.hk) or SSE website (www.sse.com.cn), or get the print version by email (sec@gybys.com.cn) or phone (020-6628 1011).

The Report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

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Message from the Chairman



Li Chuyuan, Chairman of GYBYS

Deputy to the 14th National People's Congress
Member of the 12th CPC Guangzhou Municipal Committee
National Model Worker
Top 10 Economic Personages of the Year 2022 in China's Pharmaceutical Industry
China's Top 10 Economic Person of the Year
Top 10 Innovative Figures of Guangdong Province

2022 marked the convening of the 20th CPC National Congress, a crucial period for implementing China's 14th Five-year Plan, and also the final year of the three-year action plan for SOE reform. During the year, GYBYS thoroughly studied and implemented the guiding principles of the 20th CPC National Congress, followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and worked conscientiously to implement relevant decisions and plans of the provincial and municipal governments. Focusing on the theme of "the year of developing enterprise by talent management" and upholding the general principle of pursuing progress while ensuring stability, we took solid steps to promote high-quality development. Meanwhile, we strive to contribute our innovation, wisdom and strength to the development of human health based on our commitment to the philosophy of "spreading love all over the world".

We contributed to the access to health care by improving our scientific R&D and quality management.

Specifically, we kept on improving work efficiency and innovation benefit of scientific research and technology quality and secured a number of breakthroughs and new achievements in scientific R&D through persistent innovation investment and relentless research efforts. BYS10, a self-developed anti-cancer Category I innovative drug, was approved to conduct clinical trial by US FDA. Both of the researches on new indications of Naoxinqing tablets and the anti-tumor drug resistance of Ganoderma Lucidum extract were granted international invention patents under PCT (Patent Cooperation Treaty). Ganoderma Lucidum Spore Oil Soft-capsule's "Inheritance and Innovation of Ganoderma, a Traditional Chinese Medicine" project won the Gold Medal of International Exhibition of Inventions of Geneva. In addition, we further improved systems of quality management and pharmacovigilance, actively developed fashionable traditional Chinese medicine (TCM), and strived to provide high-quality medical care to the public.

Focusing on integrity compliance and moral practice, we strived to co-build transparent business.

To strengthen corporate governance, we improved our capabilities to operate and manage in accordance with laws and regulations by setting up a compliance management system and consolidating lines of defense to control risks. We strictly abided by business ethics and ramped up efforts to build an integrity team through ongoing anti-corruption and anti-bribery trainings as well as integrity education activities. In response to issues in dispute, we fully implemented rectification requirements in an active and quick manner, and enhanced our morality to advance the transparent, process and lean management of supply chain.

We strengthened environmental protection by lowering carbon emissions and tackling climate change.

Through solid actions of energy saving, carbon emissions reduction and pollution treatment built on our improved environmental management system and resources management capabilities, we strived to mitigate negative impacts on natural environment and elevate green and low-carbon development to a new height. Meanwhile, we actively participated in the global missions on tackling climate changes, strengthened identification of climate change related risks and opportunities, and strictly controlled carbon emissions by applying green operation practices, aspiring to build resource-conserving and environmental-friendly enterprise.

Prioritizing employee development and social care, we worked to consolidate the development foundation.

The rights protection and career development of our employees had always been our priority. We strengthened the cultivation of a contingent of young officials and talents, and actively promoted the construction of Guangdong provincial industry employment training base to nurture high-quality talents. We spared no effort to fulfill the social responsibilities as a state-owned enterprise in providing support, medicines and supplies through mobilizing all resources to ensure supply and stabilize production. We dispatched over 20,000 person-times to the anti-pandemic frontlines, urgently resumed production of ibuprofen tablets, and solved the problems of drug purchasing for local residents with our online App "Suikang Medicine". We proactively gave back to society, ramped up efforts to support rural vitalization by leveraging our business strength, and supported the developments of Cili (Prickly Pear)-based industry in Guizhou province and lychee-based industry in Guangdong province. We have engaged in free recycling of household expired drug for 19 consecutive years, and participated in community development to share the gains and benefits with the society.

The report to the 20th CPC National Congress pointed out that we must give strategic priority to ensuring the people's health to advance the Healthy China Initiative. In 2022, we stayed united, actively seized development opportunities, and rose to challenges, so as to write an even more magnificent chapter for high-quality development. In 2023, keeping to the first and foremost mission of pursuing high-quality development and bearing in mind our original aspiration and founding mission, we will press on courageously to exert our industrial advantages in biomedicine and health, and move towards the goal of a world-class biomedicine and health enterprise. We will strive to contribute our share to the high-quality development in medical and health industry and the Healthy China Initiative.

ESG Management

Board Statement

Board oversight of ESG

The Board takes responsibility for the oversight and governance of the Company's ESG issues, participates in and takes charge of the formulation of ESG strategies, goals and medium and long-term plans to include ESG strategies in the business decision process. It identifies the potential impacts of ESG issues on our business model, assesses and sorts out corporate risks and opportunities related to ESG, and keeps the corporate development consistent with the expectations and requirements of investors and regulators. At the same time, the Board reviews the Company's CSR and ESG report every year; and supervises the effective implementation of ESG-related management plans and strategies.

Functional departments and our subsidiaries jointly implement relevant ESG strategies, policies and objectives. Functional departments supervise relevant ESG issues and guide the ESG work of subsidiaries. For example, the Technology and Quality Department is responsible for product quality and safety, the Marketing Planning Department takes charge of ethical marketing, the Scientific Research Management Department monitors animal test, and the Discipline Inspection and Supervision Office oversees bribery, corruption and business ethics.

Board's ESG progress management

We gradually integrate ESG management into all aspects of production and operation of the Company. The Board regularly reviews, examines and takes follow-up actions on material ESG issues to address gaps and opportunities between current progress and future goals. The Board inspects ESG issues related to the Company and reviews the progress of those material ESG issues. It oversees and reviews the following matters, including but not limited to: annual CSR plans, CSR projects, annual CSR plans, progress of CSR projects, annual CSR work summary and CSR plans for the next year.

Board's ESG management policy and strategy

Sustainable development goal

Committed to the CSR philosophy of "spreading love all over the world", we keep contributing our intelligence and strength to human health.

Organizational structure

The Board leads and oversees the implementation of ESG-related businesses and affairs, and identifies ESG risks, formulates plans, management policies and performance assessment in partnership with other committees of the Company. Secretariat to the Board collaborates with functional departments to establish a promotion team to coordinate the Company's internal and external work of sustainability.

To improve our sustainability management capabilities, we invite third-party institutions to offer trainings on ESG background and trends, and actively participate in special enhancement training organized by capital market rating agencies, so that all functional departments and subsidiaries can have a clear knowledge of business-related ESG affairs and keep promoting the Company's high-level ESG information collection and management. Meanwhile, we track the update on ESG-related laws, regulations and guidelines in real-time, grasp the latest sustainability trends, and actively encourage our subsidiaries to improve corporate social responsibility (CSR) management and practices while improving their CSR information disclosure performance.

Board's ESG Management

The Board keeps on integrating the CSR philosophy of "spreading love all over the world" into our medium and long-term development strategies. Relevant work has been included in daily operation based on our sound CSR management system. Now we have formed the CSR roadmap of "strategy in advance – internal practice – external communication".

ESG reporting principles

Materiality

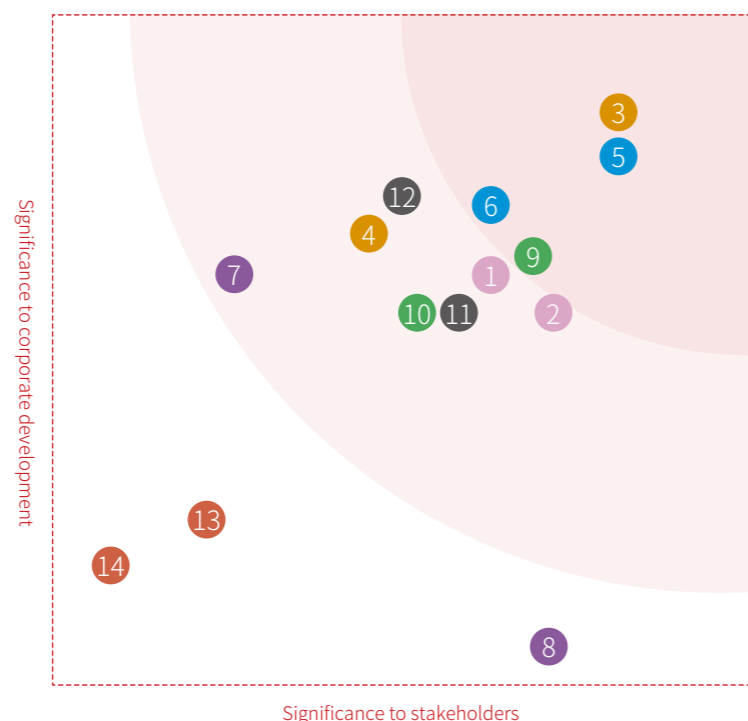
We invite all stakeholders of the Company to participate in the identification of ESG issues and assess their materiality through employee interviews, questionnaires and other forms. According to the results, we fully understand the sustainability topics concerned by employees and stakeholders.

Quantitative

We have established and continuously optimized the collection tool of sustainability indicators covering the Company and its subsidiaries, regularly counted the key disclosure indicators in the ESG Reporting Guide, and made semi-annual and annual summary.

Consistency

According to the updated ESG Reporting Guide, we refine and add relevant indicators to standardize the scope of reporting disclosure.



- Corporate governance
- Product responsibility
- Customer responsibility
- Partner responsibility
- Environmental protection
- Employee responsibility
- Communities and charity

Identification of material topics

Based on the disclosure guidelines of regulatory authorities as well as the sustainability topics concerned by capital markets, rating agencies, international report standard bodies and peer companies, we identify highly material topics from the two dimensions of "significance to corporate development" and "significance to stakeholders" in accordance with the path of "identification – prioritization– review –reporting", and then make key disclosures in the report.

Highly material topics	Relatively material topics
3 Product safety and quality	1 Compliance operation
5 Quality drugs and services	2 Business ethics
6 Customer service and satisfaction	4 IPR protection
9 Management of toxic discharge and waste	7 Supply chain management
Generally material topics	10 Biodiversity conservation
8 Promoting industry progress	11 Employee compensation and benefits
13 Rural vitalization	12 Occupational health and safety of employees
14 Transparent communication	

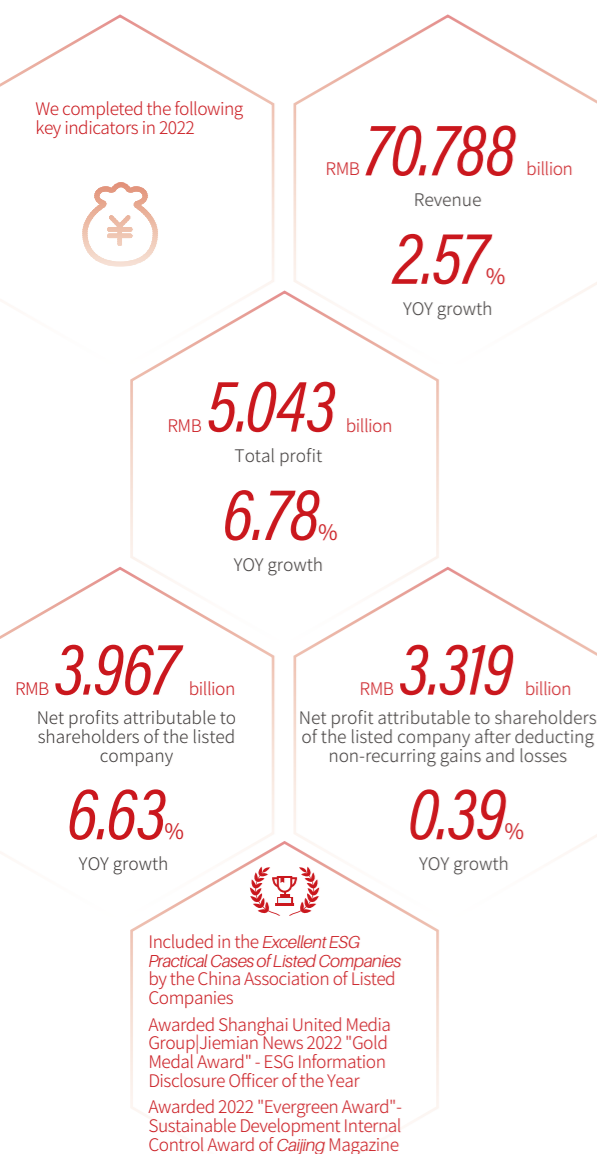
Stakeholder communication

We track the opinions, expectations and demands of stakeholders and strive to form a more harmonious tie to stakeholders through regular communication with various channels and response methods.

Major Stakeholders	Expectations and Appeals	Communication and Response
Government/Regulatory Authority	<ul style="list-style-type: none"> Operating in accordance with the law Paying taxes according to laws Supporting local development Protecting local environment 	<ul style="list-style-type: none"> Implement policies and pay taxes according to laws Undertake social responsibility actively Anti-corruption and anti-bribery
Shareholder/Investor	<ul style="list-style-type: none"> Transparent disclosure of financial information Intensified risk control Creation of economic value 	<ul style="list-style-type: none"> Improve corporate governance and investor relation management Maintain an increase trend in business and profitability; improve industrial status constantly Improve operation transparency
Customer	<ul style="list-style-type: none"> Providing quality medicines and services Protecting information security 	<ul style="list-style-type: none"> Provide quality healthcare products Fair and reasonable pricing Protect customer information
Partner/Supplier	<ul style="list-style-type: none"> Transparent and honest cooperation Mutual support and win-win development 	<ul style="list-style-type: none"> Improve supply chain management Build responsible supply chains
Employee	<ul style="list-style-type: none"> Safeguarding basic rights Unblocking career development channel Balancing work and life 	<ul style="list-style-type: none"> Provide competitive compensation and benefits, learning and growth opportunities Create favorable working environment Protect employee career health and safety
Environment	<ul style="list-style-type: none"> Mitigate impacts on the environment Tackle climate change Biodiversity conservation 	<ul style="list-style-type: none"> Reduce pollutant emissions and waste discharge Identify climate-related risks and opportunities, reduce carbon emissions Regulate the planting of Chinese medicinal materials
Community/ Public	<ul style="list-style-type: none"> Promoting regional development Supporting charity 	<ul style="list-style-type: none"> Keep recycling expired medicine Encourage employees to participate in voluntary activities Promote the local development of project areas
Media	<ul style="list-style-type: none"> Responsible marketing Open and transparent communication 	<ul style="list-style-type: none"> Spread the concept of health Release report periodically

Corporate Governance

We constantly improve corporate governance structure, standardize the internal structure and procedures of the Board and Supervisory Committee and fully leverage the role of independent directors to improve our risk prevention capabilities, so that we can effectively protect the interests of investors, and achieve sustainable corporate development with high-quality governance.



General Meeting of Shareholders, Board of Directors and Supervisory Committee

In strict accordance with the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Code of Corporate Governance for Listed Companies* (revised in 2018), and relevant regulations of China Securities Regulatory Commission (CSRC) and listing rules of Shanghai Stock Exchange (SSE) and the Stock Exchange of Hong Kong Limited (HKEX), we have set up a corporate governance structure with complete functions, mutual checks and balances. In 2022, we made revision to relevant clauses in the Company's rules, including *Rules of Procedure of General Meeting of Shareholders*, *Rules of Procedure of Board of Directors*, *Rules of Procedure of Supervisory Committee* and *Rules of Independent Directors*, etc.



General Meeting of Shareholders

We standardize the assembly, convening and voting procedures of the General Meeting of Shareholders in compliance with the Company's Articles of Association and Rules of Procedure of General Meeting of Shareholders to guarantee shareholders exercise their legitimate rights.

2
General Meetings of Shareholders convened in 2022

Board of Directors

The Company abides by relevant provisions on voting matters and procedures set out in the Company's *Articles of Association*, *Rules of Procedure of Board of Directors* and *Rules of Independent Directors*. All directors perform their duties in accordance with relevant rules and regulations.

We advance the diversity of board members, and ensure scientific and effective decision of the Board. The Board consists of 11 directors at present, including 4 independent directors and 3 female directors. Two board members are expertise in finance, while five board members have professional background in medicine. The four specialized Board committees, namely Strategic Development and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Budget Management Committee, are all operating well, which further improves the Board's operation efficiency.

In 2022
7
Board meetings held

6
Meetings of Audit Committee held

9
Meetings of Strategic Development and Investment Committee held

1
Meeting of Budget Management Committee

2
Meetings of Nomination and Remuneration Committee held

Supervisory Committee

We give full play to the oversight and management roles of the Supervisory Committee according to the Company's *Excellent ESG Practical Cases of Listed Companies Association and Rules of Procedure of Supervisory Committee*. The supervisors are dedicated to discharging their supervision duties to inspect the Company's finance in accordance with the law, and supervise the performance of the Company's duties by directors, general managers and other senior management personnel, protecting the legitimate rights of the Company and shareholder.

7
Meetings of Supervisory Committee held in 2022

Capital Operation Optimization

In line with our strategic development plan during the 14th Five-year Plan period, we make solid progress in project investment, and implement development strategy of "industry operation + capital driven". Taking the main business as the core, we flexibly use investment tools such as equity investment, fund investment and cooperative investment to constantly optimize strategic industry layout adjustment, so as to realize the stable business performance.

Focusing on equity investments in the field of biomedicine and health through setting up funds, GYBYS has invested RMB 999 million to subscribe for the units of limited partnership of the GP Fund to accelerate the Company's transformation and upgrading in the field of biomedicine and health industry, which largely fulfills the requirements of GYBYS to identify and cultivate market-competitive target projects in line with the development direction of the Company's main business.



Fund Investment

Equity Investment

Project Cooperation

Resources Integration

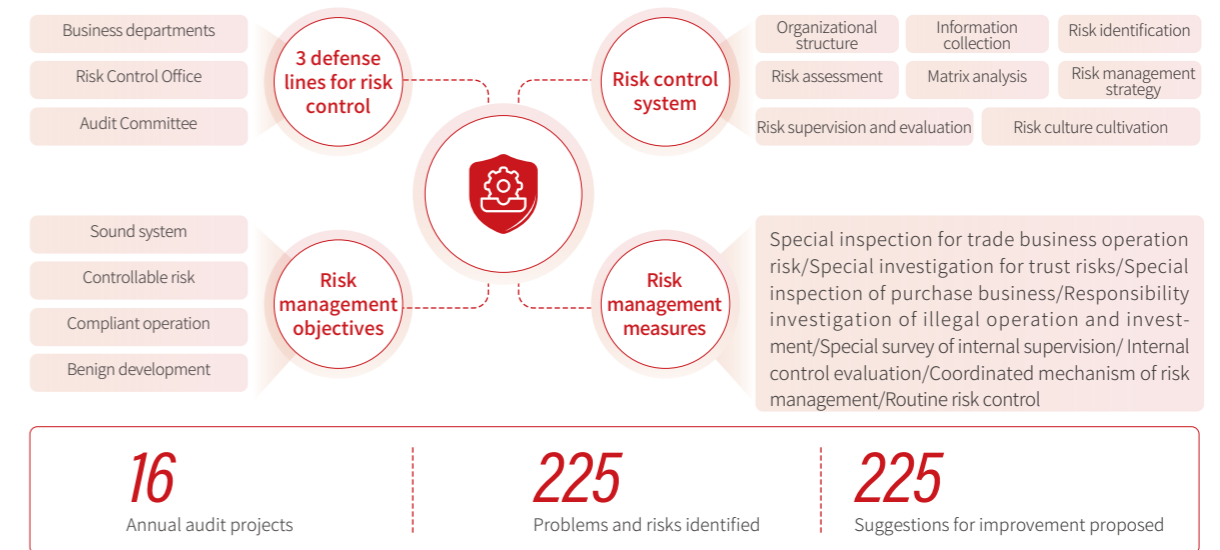
To invest in high-quality projects in the industry chain, we invest in equity and use equity investment to cut into the new industry layout, with an aim to consolidate our main business, achieve industrial control, optimize the business structure, and seize the leading track.

We promote the Company and our subsidiaries to partner with local governments on project cooperation, such as the project negotiations with Baiyun, Zengcheng, Nansha and Tianhe districts of Guangzhou, in an attempt to explore opportunities for joint venture and cooperation.

We ramp up efforts on promoting the capital increase and project approval for our subsidiaries, to channel internal and external high-quality resources. We advance the layout in advantageous market segments through enhancing market analysis and research efforts and coordinating internal resources, and accelerate the pace of capital operation.

Enterprise Risk Management

With the core of "supervision intensification, risk prevention and value improvement", we continuously improve risk management system and risk prevention mechanism based on the working mode of "integration of inspection and audit" and the cooperation mode of "consolidation of risk control and internal audit". We strive to build and improve risk control supervision platform, and establish mechanisms such as routine self-examination and self-correction mechanism, standardized risk control mechanism, and audit risk control assessment mechanism, which will facilitate trade business risk tracking, accounts receivable risk tracking, key enterprise risk tracking, problem rectification tracking and other work. By doing so, we improve the Company's overall risk resistance capabilities.



Investor Communication

We highly value the investor relations. Following the principles of authenticity, accuracy, completeness, fairness and openness, we disclose information and actively arrange investor exchange activities to ensure smooth bilateral communication and continuously improve information disclosure transparency. Activities such as online performance presentation, "online investor exchange day" sponsored by Guangdong Securities Regulatory Bureau and the Listed Companies Association of Guangdong (GDLA), and investor call organized by brokers and investment institutions are held to exchange with investors about the Company's operation and strengthen the communication with them.

To protect shareholders' privacy and interests, we have improved confidentiality mechanism, intensified confidentiality duty and highlighted the confidentiality education of key fields. Meanwhile, we strengthen technical protection to completely eradicate network leaks. We never disclose shareholders' information without permission, unless otherwise specified by laws and regulations.



Topic Focus

The High-quality Conclusion of the Three-year Action Plan for SOE Reform Delivers New Development Achievement

Since the full implementation of the three-year action plan for the SOE reform in 2020, the Company has thoroughly studied and implemented President Xi Jinping's important discourse on the reform and development of state-owned enterprises and Party building, to ensure the unity in thinking, the application of what has been learned, and the effective implementation at all levels. We take solid steps in accordance with the requirements of the three-year action plan for the SOE reform, fulfill responsibilities at all levels, and make continuous breakthroughs in key areas, so that the role of reform to boost growth has been highlighted.

Improved System and Mechanism

The Company gives full play to the leading role of the Party Committee to "chart our course, craft overall plans, and promote implementation" and keeps implementing "the commitment to the Party's leadership over state-owned enterprises (SOEs), developing a modern enterprise system and treating it as the direction of SOE reform". We continuously improve modern enterprise system with Chinese characteristics and market-oriented operating mechanism, and strengthen our governance capabilities.

Standardized operation of the Board

The Company actively promotes the selection and appointment of external directors, and encourages the dominance of external directors in subsidiaries, achieving a 100% completion rate for establishing the Board of Directors in subsidiaries which should have established such corporate governance bodies. We promote the establishment of a management system for the Board of Directors to delegate powers to managers, and implement a case-by-case application according to the situation of our subsidiaries. After reviewing the rules of board of directors and the list of powers and responsibilities, we clarify the boundaries of powers and responsibilities between the relevant organizations of the Company and the Board and ensure more standardized decision-making procedures.

Improve personnel management effectiveness

The Company focuses on establishing a new business operation responsibility system that highlights business performance and rigid rewards and punishments, and actively promotes the reform of professional managers in subsidiaries with mature conditions, by which we keep raising "tenure awareness" and "value awareness" to fully stimulate the vitality of talents. At the same time, we intensify our efforts on the social management of retirees, and have achieved 100% results for three indicators of "retirees transfer rate, retired Party members transfer rate, and personnel file transfer rate".

The tenure system and contractual management facilitate us to aim for the corporate development strategies, objectives and tasks, clarify responsibility, authority and profit, and strive to form a mechanism under which employees can be promoted or demoted, dismissed as well as recruited, and the salary can be adjusted, further expanding unimpeded channels for both promotion and demotion.

Li Chuyuan, Chairman of GYBYS



Optimized Structure

Quality and efficiency improvement of capital operations

The Company continues to optimize the operation of state-owned capital investment, further improves capital operation capabilities and diversifies industrial structure through equity investment, fund investment, venture capital and other means, providing project reserves for sustainable development in the future. At the same time, the Company has deepened the mixed ownership reform, and carried out feasibility study and ongoing counseling on mixed ownership reform and medium and long-term incentive mechanism for its key subsidiaries in accordance with the principle of "applying policies according to local conditions, the targeted industries and enterprises, making independent arrangement, exercising control and joining in where it is feasible to do so, forbidding arbitrary arrangement, full-range coverage, and timetable."

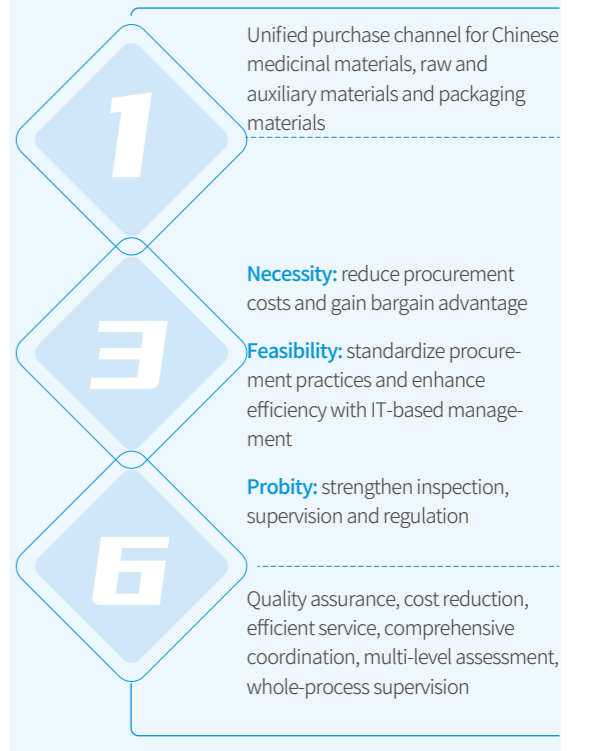
GYBYS invested

9.99 million to participate in the establishment of the GP Fund and accelerate the transformation and upgrading of the biomedicine and health industry

Higher resource allocation efficiency

The Company promotes the integration of resource elements to forge synergy, implements a centralized procurement model with unified purchase channel to effectively stabilize procurement quality and reduce procurement costs. Meanwhile, the production base and drug marketing authorization holder (MAH) system are given full play through entrusted processing and other activities to advance the integration of production resources and strengthen the overall management of production capacity.

Case The "136" model of centralized and unified procurement



More Sufficient Inner Impetus

The medium and long-term incentive system

The Company actively plans to advance the formulation of medium and long-term corporate incentive measures, and encourage subsidiaries to design and implement medium and long term incentive mechanism, so as to further motivate employees and provide strong support for the Company to expand new market space.

The "penetration + coverage" of policy publicity and implementation

The Company actively organizes special training sessions, promotes the preparation of reform briefings and regularly updates the reform column to timely convey the latest policy requirements and guiding principles of reform meetings. We also strengthen communications on reforms and intensify study and discussions on policy trends and excellent reform cases, providing useful reference for our subsidiaries to carry out their relevant reforms.

Topic Focus

Consolidating Frontline through Weaving a Tight Prevention and Control Network to Revitalize the City

In October 2022, under the leadership of the Municipal Party Committee, the Municipal Government and the Municipal State-owned Assets Supervision and Administration Commission of Guangzhou, we activated our 24-hour emergency response mechanism and mobilized a vast number of Party members and other employees to participate the fight. In December 2022, after the optimization of prevention and control policies, the city gradually resumed its hustle and bustle under these optimized control measures. Looking back, we gave full play to the social responsibilities as a SOE, mobilized all possible resources to ensure supply, stabilize production and facilitate anti-pandemic response, and put in our best efforts for the revitalization of the city.

Going All-out Efforts to Support COVID-19 Response

After the outbreak of COVID-19 in Guangzhou in October 2022, GYBYS dispatched all of its prime resources and took solid actions to build a strong defense line. We facilitated actions like supplies delivery, striving to fulfill the commitment of "we'll be around to cater you needs."

During the COVID-19 outbreak in Guangzhou in October 2022

660,000+

COVID-19 testings completed

160,000+

pieces of household supplies delivered

Anti-pandemic volunteers at the frontlines in 2022

20,000+

participants supporting the COVID-19 frontline

1,800+

participants won praise

Ongoing donation of anti-pandemic supplies since the COVID-19 outbreak in 2020

RMB 50 million+

of preventive supplies donation in total at home and abroad

One-stop service for drug supply: accurately catering the needs of patients with care

In October 2022, GPC Prescription Pharmacy jointed hands with the Internet Hospital of Guangdong Second Provincial General Hospital to provide one-stop services of online consultation, follow-up consultation and prescription, and home delivery of drugs, so that patients could consult doctors and purchase drugs without leaving home, accurately catering the healthcare needs of patients at home for prescription drugs with care.

Wei Yitong, a post-95 Party member: an "ferryman" who worked day and night for the COVID-19 fight

"I love Guangzhou, and I want to do my part to help the neighbors return to normal life as soon as possible. As a medical worker and a young Party member, I should step forward." Wei Yitong, a post-95 young Party member from Jing Xiu Tang who was responsible for coordinating and communicating with work groups of each district and each quarantine hotel and completing transfer and quarantine tasks, spent countless whole nights in the working group.

The "allrounder" Su Fei: An Excellent Volunteer Model in the COVID-19 fight

During the Spring Festival, May 1st Labor Day, Mid-Autumn Festival, National Day, from winter to summer, Su Fei, an employee of Guang Hua, had been sticking to the COVID-19 frontline at the airport all year round, and coordinating with the airport, municipal transportation bureau, coach fleets, passengers and other parties to ensure smooth operation and avoid incidents such as stranded passengers. With a zero-error record for over one year, Su Fei was praised by workmates and leaders of the on-site working group.

Sparing no Effort to Secure Supplies

GYBYS and our subsidiaries committed to "no price hike and no production halt to ensure product quality and public welfare" and guaranteed the supply of medicine as well as the anti-pandemic supplies in spite of all obstacles and difficulties by balancing both anti-pandemic efforts and production, We ramped up efforts to safeguard the medicine supply to residents in all districts of Guangzhou based on our terminal supply system consisted of chain drugstores, such as "Jian Min", "GPC Prescription Pharmacy", etc.

During the COVID-19 outbreak in Guangzhou in October 2022

Nearly 200

retail drugstores provided 24-hour non-stop drug delivery services

20,000+

pieces of drugs distributed through "Suikang Pharmacy Purchase" online platform.

27,000+

boxes of anti-pandemic supplies in 181 categories provided to 10 makeshift hospitals and health stations in places such as Haizhu and Zengcheng districts.

After the optimization of anti-pandemic responses

Baiyunshan General Factory urgently resumed production of ibuprofen for market distribution, and GP Corp. worked overtime to ensure supply and

provided 31,000 boxes of cold drugs and

988,000 boxes of antipyretic drugs to fever clinics of medical institutions across the city. The chain drugstores of the Company

1.06 million+ boxes of cold medicines, 163,000+

boxes of antipyretic drugs, and about 10.8 million antigen kits to the public.

Volunteers deliver household supplies to residents



Volunteers work at the COVID-19 frontline



Adhering to the principle of "no price hike and no production halt to ensure product quality and public welfare", Cai Zhi Lin TCM Center providing excellent services to the public



"Jia Wei Huo Xiang Zheng Qi Wan" of Zhong Yi providing support to Xinjiang

Production lines of "Baiyunshan Xiao Chai Hu Granule" operating at full steam

Access to Health Care

Challenges and opportunities

China's pharmaceutical industry witnesses increasingly stringent policies and strict supervision, which raises higher requirements for pharmaceutical businesses. Thus, the drug quality, drug R&D, industry management and industry development is steadily moving toward high-quality development and the rival for R&D innovation becomes fierce. The development of traditional Chinese medicine (TCM) has drawn more and more national attention due to its more prominently significance in the preventive treatment of diseases, treatment of major diseases and follow-up rehabilitation. In the meantime, Chinese people are attaching greater importance to the safety of life and quality of health, requiring a growing demand for a good health.

Our actions

Committed to innovation-driven development, we continue to better our scientific and research platform, dedicate to greater self-reliance and strength in science and technology and enhance protection of intellectual property rights. We also endeavor to improve the quality of our products to support disease prevention and control. Furthermore, we continue to deepen the cooperation between the TCM sector and others, follow the changing trend of consumption and champion a healthy life philosophy to safeguard people's well-being.

Our performance

- about RMB **1,065** million
Investment in R&D in 2022
- **8**
National scientific research platforms
- 41**
Provincial scientific research platforms
- 35**
Municipal scientific research platforms

Contribution to UN SDGs



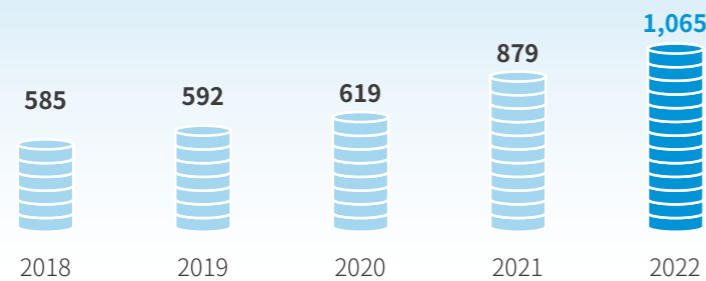
More Amicable Medical Services

The Healthy China Initiative continues to proceed and the focus of China's healthcare cause has transformed from disease treatment to people's health. We never stop inheriting the essence and sticking to innovation. Specifically, we constantly increase investment in innovations, reinforce technological breakthrough and continue to improve the quality and efficiency of scientific researches and innovation benefits, striving to promote the high-quality TCM development and its global recognition and better safeguard people's health.

Innovation-driven development

Innovation is the approach to development and the future. We shoulder the mission of scientific and technological innovations unswervingly with full confidence. Committed to developing world-class technologies, serving the economic market, satisfying major national demands and guarding people's life and health, we accelerate self-reliance and strength in science and technology. In 2022, a total of about RMB 1,065 million was invested in R&D innovation.

2018-2022 investment in R&D (RMB million)



R&D management

Strengthening the compliance management of outsourced research

The *Management Measures for Outsourced Research of Scientific Research Projects* is issued. Based on our new database for R&D service providers, hierarchical management and standardized their recruitment approaches and procedures, we realize systematic and regulatory management of outsourced research, thus controlling costs, lowering risks and improving the quality and efficiency of outsourced research.

Digitalizing R&D management

We have launched the R&D Project Management System (Phase II) that realizes overall improvement and breakthroughs based on Phase I. It offers better user experience based on sound systematic functions and better data application, and helps improve the scientific research project management that will become more informationized, refined and standardized. By doing so, the integration of scientific researches will be within reach.

Optimizing the exchange and management of technology information and resources

We have released and printed our internal journal "GYBYS TECH BUZZ" that focuses on major technology innovation policies, scientific research trend, major technology breakthroughs and achievements. The journal serves as a driver for the effective exchange of technology innovations within the Company. In the meantime, we standardize the declaration procedures for intellectual property rights, practice dynamic management of projects and integrate the information of internal technology professionals, thereby paving the way for the coordinated development of internal and external technology information and resources.

Disease prevention and control

We fully leverage GYBYS's edges as the largest pharmaceutical company and the largest production base for traditional Chinese medicine in China, to conduct disease research and prevention and control work, aiming to minimize the harm of diseases and build a healthy China.

R&D management line

We advance the internal scientific research projects in an orderly manner and hold experts workshops to bolster the establishment and development of projects in biologics, diagnostic reagents, special medical food, raw materials for high-end reagents and innovative traditional Chinese medicine tablets, which also further diversifies our R&D management line, boost public well-being and guarantee public right to a good health.

16

New scientific research projects in 2022

Case The Category I innovative drug BYS10 of Guangzhou Baiyunshan Pharma was approved to conduct clinical trial by US FDA

The clinical trial application of BYS10, an independent-developed anti-cancer Category I innovative chemical drug project by Baiyunshan General Factory for the treatment of advanced solid tumors such as non-small-cell lung carcinoma, thyroid carcinoma, and medullary thyroid carcinoma, was approved to conduct by US Food and Drug Administration (US FDA). The Category I innovative drug BYS10 project has a novel mechanism with excellent druggability and anti-tumor activity, aiming to address major scientific problems that need to be solved in clinical practice, such as low selectivity of multi-target drugs, significant off-target effects and clinical drug resistance. The BYS10 project strives to become a marketable single-target "basket trial drug" with original research and high selectivity for Chinese enterprises, bringing greater benefits to patients.

R&D Breakthrough

We build a technology innovation system covering multiple fields such as traditional Chinese medicine, chemical drugs, raw medical materials and medical devices, etc., carry out research and development of major innovative drugs such as anti-tumor and anti-infection drugs, drugs for treatment of immune diseases, drugs for treatment of bone and joint, etc., and safeguard public health with concrete actions.

The high-level talent team

- 3 Nobel Prize winners
- 27 double-employed academicians and TCM masters
- 7 foreign expert consultant
- 4 experts enjoying special government allowance
- 30 experts with advanced or above professional titles
- 100+ doctors and post-doctorates

Scientific research platform

We continue to build a high-end strategic innovation platform, with the national platform as its core, the provincial one as its strategic support and several high-level innovation research institutes as its suppliers of technologies. We organize our subsidiaries to declare the licenses of their scientific research platforms at all levels and form an all-round accreditation system with which we can better mobilize external resources and consolidate our platform.

In 2022, we obtained **1** new national accreditation and **1** provincial scientific research platform was newly established.

We have established **8** national scientific research platforms, **41** provincial ones and **35** municipal ones.

193 ongoing research projects

International award

Baiyunshan Han Fang /Inheritance and Innovation of Ganoderma, a Traditional Chinese Medicine/Gold Medal of International Exhibition of Inventions of Geneva

Provincial awards

Baiyunshan Han Fang /Key Technologies and Industrialization of Full-chain Accurate Analysis and Quality Control for the Famous and High-quality Traditional Chinese Medicines in Lingnan/Second Prize of Guangdong Science and Technology Progress Award

Xing Qun/Key Technologies of Mulberry Resources for Food and Medicine and the Invention of Healthcare Products/Second Prize of Guangxi Science and Technology Progress Award



Certificate for the award

IPR protection

Innovation is the primary driver for development and protecting intellectual property rights (IPR) is protecting innovation. China has listed key tasks for further reform of the medical and health care system and for supporting the capability building of pharmaceutical enterprises' independent innovation. Seizing this precious opportunities, we further our IPR management and security mechanisms to enhance all-round IPR protection and integrate it in our corporate operation and development.

Patent protection

The Company's Intellectual Property Department takes charge of the overall plan on IPR management and operation. In strict compliance with the Patent Law of the People's Republic of China, Rules for the Implementation of the Patent Law of the People's Republic of China and Enterprise Intellectual Property Management, we assist our subsidiaries' IPR work with liaison's guidance.

Besides, we continue to improve our patent management systems such as those for IPR project management, patent classification management and liaison management. Our subsidiaries are organized to engage in our IPR exchange and learning and make the work goes deeper and better.

We also fully support the work of Guangzhou Intellectual Property Development Association including the efforts in building a communication platform for scientific research, teaching, industry, promotion and management. By unblocking the chain channeling the IPR invention, application, protection, management and service, we facilitate the development of intellectual property cause in Guangzhou.

10 Production approvals and additional approvals obtained in 2022,including	88 New product regulations on consistency evaluation ratified in 2022,including	94 patents authorized in 2022,including
3 Approvals for new products	73 Invention patent applications	75 Invention patents
7 New product regulations on consistency evaluation ratified in 2022	15 Utility model patent applications	19 Utility model patents

Patents acquired

In 2022

- The novel therapeutic application of NaoXinQingPian (BaiYunShan) and Baiyunshan Han Fang Research on the Anti-tumor Function and Drug Tolerance of Ganoderma lucidum Extract were authorized by PCT Japan.
- Guangzhou Bai Di Won the title of "National Advantageous Enterprise for IPR".
Chen Li Ji and Wang Lao Ji awarded the title of National Intellectual Property Demonstration Enterprises.
- A total of 6 inventions of the Company and our subsidiaries won the 23rd China Patent Excellence Award.

Winners of the 23rd China Patent Excellence Award

Patents	Winners
Separation and Purification of the Indexes Component of WLJ Herbal Tea	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd.
A Temperature and Humidity Set Point Controller and Controlling Method	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory
A DNA Identification Method for Platostoma Palustre and Xi Huang Cao	Guangzhou WLJ Great Health Industry Co., Ltd., Institute of Chinese Materia Medica of China Academy of Chinese Medical Sciences, Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd.
A Chinese Medicinal Materials Shredding and Grinding Device for the convenience of complete unloading	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd.
A Traditional Chinese Medicine Compound to Treat Child Acute Bronchitis and Its Fabrication Method	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd.
A Fabrication Method for Huanggen Tablet	Guangxi Baiyunshan Yingkang Pharmaceutical Company Limited

Case IPR protection training

On October 14, 2022, under the guidance of Guangzhou Municipal Administration for Market Regulation(Intellectual Property Office) and Guangdong Intellectual Property Protection Center, we organized a training session themed "the Retrieval and Application of Patent Information in Pharmaceutical Field" in which the retrieval skills were shared and more accesses to the patent information in pharmaceutical sector were provided to improve the information retrieval capacity. The event provided firm support for the Company and our subsidiaries to get accurate first-hand information about patent protection and new products at home and abroad in time.

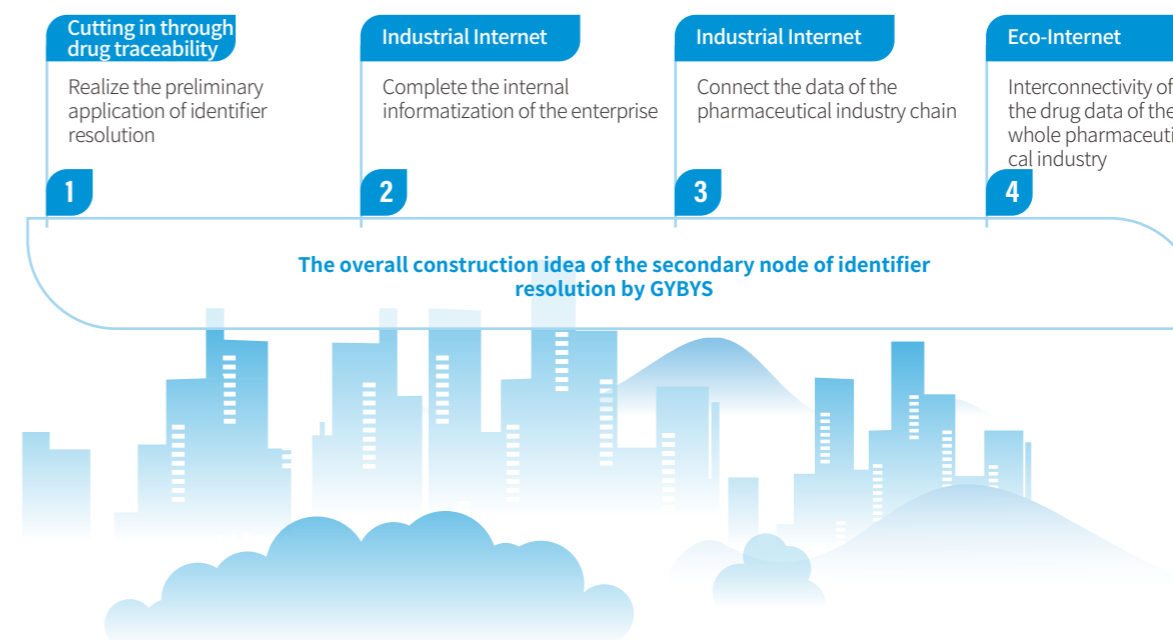
Industry transformation empowerment

With a high sense of responsibility and an international vision, we join hands with our subsidiaries to proactively promote industrial development and transformation and continue to improve the level of strategic coordination with other sectors. In the meantime, we keep exploring new models of and approaches to cooperation to better respond to global challenges.

We actively carry out the construction of the industrial Internet, especially the establishment of Identifier Resolution System, aiming to build an industry-wide unified coding system and specifications for all channels and the whole life cycle of the industry, so as to promote the comprehensive transformation and upgrading and high-quality development of the pharmaceutical industry. In undertaking the task of building a secondary node of industrial Internet identifier resolution in the pharmaceutical industry, we take drug quality traceability and product life cycle management as the entry point, create a typical and exemplary integration and innovative application model for industrial Internet identifier resolution through integration with external application systems of enterprises, and gradually duplicate and promote the model to achieve unified identification management of the core pharmaceutical industry coding system.



GYBYS's Integration Innovation and Application of Industrial Internet Identifier Resolution System for Pharmaceutical Enterprises was awarded a first level achievement in the 2021 (Seventh) SOE Management Innovation Achievements (Cases).



On June 10, 2022, the 14th China Bioindustry Convention was held in Guangzhou International Bio Island. The 1st Prevention and Treatment of Serious Diseases with Traditional Chinese Medicine Forum, as the one of the sub-forums of the Convention, was held in Pazhou, Guangzhou on the same day where the Chairman of GYBYS, Li Chuyuan, delivered a welcoming address.

The Convention witnessed the inauguration of National Engineering Research Center for Traditional Chinese Medicine Pharmaceutical Process Technology and New Drugs Innovation, established by Baiyunshan Han Fang, the only national engineering research center for TCM in Guangdong Province. Besides, we fostered strategic cooperation with the State Key Laboratory of Natural Medicines (China Pharmaceutical University) on it.

The Forum also launched the Youth Research Fund of Huatuo Zaizao Pill for Stroke Prevention and Treatment in Guangdong-Hong Kong-Macao Greater Bay Area. Qi Xing and Russian-Asian Union of Industrialists and Entrepreneurs jointly

launched the Multi-center Evidence-based Medicine Research Project of Huatuo Zaozhai Pill for Cerebral Stroke Treatment. Leveraging the event, we seized the opportunities under the Belt and Road Initiative to develop traditional Chinese medicines with unique features and science-based ingredients, contributing our share to introducing traditional Chinese medicine to the world.

On September 20, 2022, GYBYS led 18 subsidiaries to participate in the 85th PharmChina in which the Company's famous pharmaceuticals such as Ci Ning Ji, Li Xiao Ji, Angong Niu Huang Wan, Sildenafil Citrate Tablets and Xiao Chai Hu Granule, were showcased. The exquisite exhibition by participating subsidiaries conveyed the accurate information about key merchandise to attract investment and find valuable business opportunities to expand the market.



The booths of GYBYS in the 85th PharmChina



The Inauguration Ceremony for National Engineering Research Center for Traditional Chinese Medicine Pharmaceutical Process Technology and New Drugs Innovation



Chairman Li is delivering a speech on 2022 Macao Forum on the Development of Chinese Medicine Industry

Safer Products

High-quality development has always been the pursuit of the pharmaceutical industry. We set store by the idea of "quality first" and adhere to China's fundamental principle of "dealing with food safety issues with the most rigorous standards, the most stringent supervision, the most severe penalties, and the most serious accountability". Following a science-based management mode, we continue to strengthen our "full life cycle" quality management, the quality control and medicine warning systems and further expand the coverage of our quality activities, thereby fostering a good reputation among consumers with high-quality products and services.

Product quality management

We fully implement the main responsibility of product quality, strictly abide by the *Drug Administration Law of the People's Republic of China*, *Implementation Regulations for the Drug Administration Law of the People's Republic of China* and other laws and regulations, improve the professional skills of employees, enhance their quality awareness, and strive for excellence to ensure product quality.

System building

After specifying the major objectives for Quality Management and Development Plan during the 14th Five-Year Plan period, we nailed down the timetable, approaches and main heads for specific tasks and required all subsidiaries to integrate strategic objectives for quality control into their overall 14th Five-Year Plans. As for various tasks, we have also formulated an all-round implementation plan to guarantee that every enterprise fulfills its responsibility and to make strides in improving quality control.

Quality activities

We held the "Quality Month" themed "Building High-level Quality Control Team, Supplying High-quality Products and Services". To respond to the appeal, our subsidiaries conducted many sub-events, including internal and external quality audit, labor contest on testing skill, quality story soliciting and specialized training on quality regulations, which significantly improved the public quality awareness. We organized quality education training in continued educational training base and rolled out training sessions on product quality enhancement to improve the quality control of subsidiaries.

Risk control

GYBYS keeps improving our quality and risk control mechanisms. We formulate and update our rules and regulations in line with the latest regulatory situation, standardize procedures accordingly and enhance the quality accountability mechanism; continuously improve the procedures related to risk identification, analysis, response and mitigation, and takes the initiative to surmount challenges rather than passive response to forestall any quality risk. We also carry out special researches on the common or prominent quality issues in the Company and in our subsidiaries. By doing so, a defense line is built to prevent quality risks. Through the public testing platform of Chinese medicinal materials, we have solved the problem of pesticide residue detection of medicinal materials, basically realized the independent testing and batch testing of pesticide residues of Chinese medicinal materials in subsidiaries, and effectively ensured the quality and safety of the medicinal materials required for production.



- The QC group led by Chairman Li won the Prime Gold Award (highest honor) of 2022 International Convention on Quality Control Circles (ICQCC).
- Two QC groups from Zhong Yi won the Gold Award of 2022 ICQCC.
- One QC group from HWBYS won the Gold Award of 2022 ICQCC.
- Zhong Yi won the Certificate for "Good Manufacturing Practice" by the Therapeutic Goods Administration (TGA).
- Guangxi Ying Kang won the title of "2022 Model Industrial Enterprise for Quality Control in Guangxi".

Case Tian Xin's "Quality Lecture"

On September 28, 2022, Tian Xin conducted the "Better Quality Driven by Party Building, Better Development Driven by Better Quality" themed events and 2022 Quality Lecture under "Quality Month". During the events, the company lectured on *Good Pharmacovigilance Practices (GVP)* and Post-market Changes and Annual Report and held in-class tests to inspire the employees' desire to learn.



Tian Xin's "Quality Lecture"



Drug recall

GYBYS has formed sound recall procedures and signed *Drug Recall Direction* that is required by the Operating Roles for the Administration of Medicinal Product Recall to ensure drugs can be recalled immediately if necessary. Therefore, the Company's procedures can efficiently recall products with potential quality risks and protect consumers' interests and appeals for health.

On November 1, 2022, the *Measures for the Administration of Medicinal Product Recalls* amended by National Medical Products Administration (NMPA) took effect. To hit the correct policy direction, we organized subsidiaries to probe into the latest and former Measures comparatively to strengthen their understanding of relevant regulation. In the meantime, we have timely update on internal rules and regulations to minimize regulatory risks arising in policy changes.

Pharmacovigilance system

Our high-quality development entails to benchmark drug quality management models with international ones. To faster integrate the international and domestic markets, we sustain to be value creation-oriented and make TCM "go global". The Company has included the building of medicine warning system into major projects to fulfill during the 14th Five-Year Plan period.

We held special meetings to review our pharmacovigilance regulations. On-site investigations into the pharmacovigilance work were also conducted in our subsidiaries. We made comprehensive analysis on the documents, cases and data related to the adverse effect of our drugs, and coordinated to establish the pharmacovigilance information system. As a result, we specified four stages for implementation and system development: post-marketing, clinical, real-world research on TCM and function expansion. In 2022, the pharmacovigilance information system initially took shape and entered into the corporate data collecting and testing stage.

Four phases of pharmacovigilance (PV) information system

Phase I	Phase II	Phase III	Phase IV
Submitting the ADR Report of the drug that has been marketed	Collecting the drug's clinical data with follow-up research	Conducting TCM real-world research	Exploring extra functions
Building the PV information system in line with the E2B international standard	Seeking proofs that the clinical trial drug is eligible for market	Providing evidence to support TCM's development and promotion	Improving corporate efficiency and compliance level in analyzing and evaluating drug safety issues

Technology application and management

We learn from excellent performance management experience and practices at home and abroad and proactively promote the prominent models. In strict accordance with the requirement in standardized technological transformation project management and "major issues, important appointments and removals, major projects, and the use of large amounts of money" principle, we have made inspections on the necessity and feasibility application of such project in subsidiaries. Furthermore, we carried out field inspection over major projects and offered technical guidance to further improve the standardization management work. Focusing on the popular herbal medicine featuring famous specialty and hit product, we select localized plantation base of Chinese medical materials for large-scale and standardized plantation as well as operation with dynamic risk monitoring.

5 Standardized technological transformation projects of

3 enterprises reviewed in 2022

Over RMB 80 million

Invested in standardized technological transformation projects in 2022

Consumer rights protection

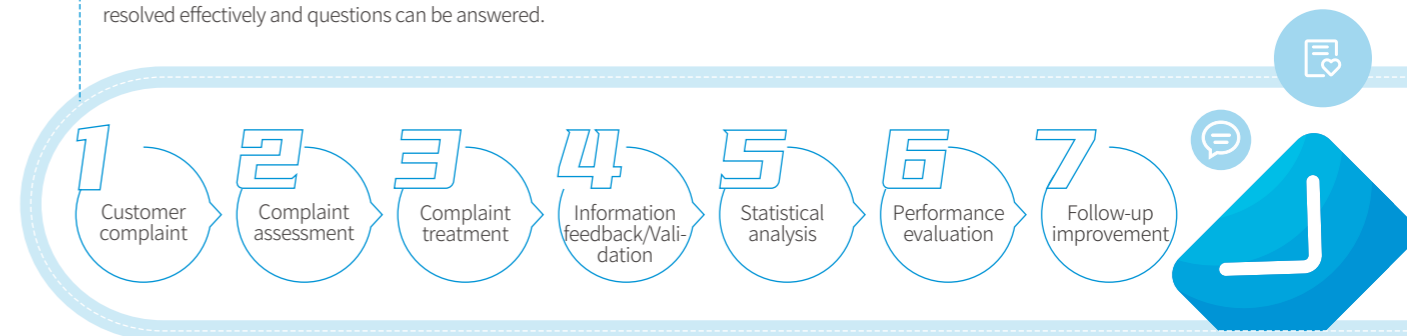
We fully respect and protect consumers' legitimate rights and interests by abiding by the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests*. Much attention has also been paid to protecting consumers' privacy, building smooth feedback channels, unblocking complaint path and establishing sound feedback mechanism for customers to ensure timely and effective response to consumer complaints.

Privacy protection

We have fostered a sound information management system. It clearly defines the scope of confidentiality and confidentiality measures about customer information. Our staff are banned from replicating, downloading and transcribing the information and confidential documents that belong to our customers. As for the information from customer hot line or letters, we will also get them well-protected. All members registered at GPC Prescription Pharmacy should sign a registration agreement, and member archives shall not be established until customers know and agree drugstore to register their specific information. We set review and editing permissions for accessing the information and member management system at each drugstore post. Any modification to customer information needs step-by-step approval. Information must undergo desensitization management of output audit at a unified port to protect customers' privacy.

Complaint treatment

We have established a well-rounded complaint feedback mechanism that facilitates unimpeded communication channels such as service hot line, bulletin website, WeChat official account, consumer satisfaction survey, Weibo account, direct-sale pharmacies, business workshop and accesses to front-line employees, through which consumer complaints can be handled in time, problems can be resolved effectively and questions can be answered.



More Accessible Health

We are committed to developing primary-level healthcare, a fair pricing principle and innovating new marketing models. Our goals are to communicate to the public the idea of a healthy life, improve life quality and contribute to better well-being.

Support for primary-level healthcare

The online and offline academic exchanges we organize aim to improve the medical literacy of medical workers, so do others including the regular popularization lectures and free expert consultation, which pave the way for the wide coverage of healthcare services in every corner of society.



Case

Sangongzai · Love Your Children the Right Way - expert office of Wang Lao Ji

The "Sangongzai · Love Your Children the Right Way", a public welfare project of Wang Lao Ji, introduced an expert office in cooperation with top 10 experts in China. The expert office integrates Internet and child healthcare service to popularize the professional parenting approaches and knowledge on child diseases. The expert office is blessed with the capacity to offer diagnostic care and to provide scientific treatments and around-the-clock online intelligent customer service. Diseases can soon be identified judging from symptoms and conditions with medical advice and knowledge given to patients and their family to raise their disease-prevention awareness, which are part of our efforts to satisfy people's diversified demand for healthcare services. In the meantime, form- and content-rich popularization teaches more vivid and intelligible expertise, which helps improve parents' parenting knowledge and better resolve their problems by lowering the threshold of the expertise.

Pharmacists' Day in Guangzhou Baiyunshan Hospital

Guangzhou Baiyunshan Hospital held the Pharmacists' Day themed "Caring for Health, Serving Residents" with a free consultation activity. In response to Guangzhou Municipal Health Commission's call, the event aimed to publicize the important role of pharmacists in safe and rational drug use and their strengths to optimize prescripts and minimize drug abuse, which are critical for guaranteeing safe drug use for the public. On that day, through face-to-face communication with patients, doctors and pharmacists practiced diagnosis and body check carefully and gave patients accurate results, treatment suggestions and health guidance. Moreover, their common questions related to drug use, adverse reactions and precautions were answered considering various patient conditions.

Fair pricing

We abide by the rules and regulations specified in the *Opinions on the Management of Drug Pricing* issued by National Healthcare Security Administration and bear in mind our corporate vision of "an enterprise will get prosperous development when benefiting mankind with one heart". We intensify efforts to lower consumer costs on healthcare by providing high-quality medicines of rational prices and ensuring stable supply and drug prices in the market.



We have formulated "recommended retail price" of medicines and accept price competent department's supervision and management of various provinces, so as to provide medicines for the public at the fair and reasonable price.



In accordance with relevant requirements of the *Anti-Monopoly Law of the People's Republic of China*, we never intervene in terminal medicine price, and protect fair market competition as well as consumers' interests.



Besides the campaign to recycle expired family drugs, we distribute pharmacy coupons around the China to benefit the ordinary patients duly.

Innovative marketing model

We proactively seek breakthroughs in marketing and continue to expand our catering end, ready-to-drink end and e-commerce channels. Given our cross-border cooperation, live commerce and other diversified sales channels for innovative marketing models, we strive to make traditional Chinese medicines more fashionable and form a new trend of consumption.

Ganoderma Lucidum Spore Oil Soft-capsule, a key product, witnesses its sales up more than **30%**, which was promoted by investment agents, direct-sale stores, VIP group purchases and e-commerce platforms.

WLJ Herbal Tea, a core product popularized in a variety of publicity events and featuring the "Ji" culture, sees its market share growing up to over **70%**.



The "Auspicious Sambo", namely Ci Ning Ji, Li Xiao Ji and WLJ Herbal Tea, seeks to build an example market by shoring up promotion and introducing free taste, gaining impressive market recognition.

Case Ganoderma Lucidum Spore Oil Soft-capsule wins the "Actual Combat Case for Marketing" of 2022 ADMEN Awards



Actual Combat Case for Marketing" of 2022 ADMEN Awards

On August 16, 2022, the 11th Ceremony for ADMEN Awards was held in Tianjin. "Bring Force Ingenuity Based on Authority", a case selected by Baiyunshan Han Fang and Yulin Ad. Stood out in the fierce competition among many other brand cases nationwide, and eventually won the "Actual Combat Case for Marketing" of 2022 ADMEN Awards.



Ganoderma Lucidum Spore Oil Soft-capsule

- With 9 national invention patent technologies, selected and appeared in CCTV's "Brand Power Project" for two times
- Awarded China Top 10 Emerging Brand Award of 2021 "China Brand Day"
- Ganoderma Lucidum Spore Oil Soft-capsule successfully awarded as "the most valuable single drug for cooperation with chain drugstores in China" in MISH 2022

Baiyunshan Han Fang accurately understands the health needs of consumers. By leveraging the path-breaking edges such as technical advantages, rich brand culture and impressive product utility, cooperating with communication companies to clarify the consumption demand of targeted groups and integrating brand building, advertisement and marketing together, Baiyunshan Han Fang has made great progress in brand exposure and product clout, injects new vitality into brand development, allows brands to form chain interactions with customers, thus realizing the inheritance and innovation of traditional Chinese medicine culture.

Read More

Against the background of the developing global economy and media industry, ADMEN Awards invite a first-class jury in the industry to make a comprehensive, fair and objective evaluation of the participating cases, and to finally select prominent figures, companies and cases in the development of China's advertising industry as the industry benchmark.

Advocate for the health concept

Traditional Chinese medicine is the treasure of ancient Chinese science and the key to the house of Chinese civilization. GYBYS undertakes the important task of inheriting and carrying forward the TCM culture, and endeavors to protect, explore, develop and inherit it. By cultivating people's self-confidence and pride in TCM culture, the Company hopes to embed TCM culture in people's everyday life and see it practiced as a routine.



Case

Teenagers Share Stories on Time-honored TCM Culture-A Multilingual Program to Communicate TCM Culture

TCM is the valuable legacy of Chinese civilization. To inform more people of TCM, teach more teenagers in the new era to tell the stories of Chinese civilization and make TCM culture go global, GYBYS and Guangzhou Foreign Language School, a state-run school directly under the Education Bureau of Guangzhou Municipality, jointly built a multilingual program to popularize TCM culture, Teenagers Share Stories on Time-honored TCM Culture from Teenagers, aiming to show the world the extensive and profound Chinese civilization in a multilingual form.

Presence of Xiao Chai Hu Granule, an Intangible Cultural Heritage, in Guangzhou Science and Technology Week

On May 21-22, 2022, Guangzhou Science and Technology Week was held in Guangzhou Yuexiu International Congress Center, in which Yishengtang Science Popularization Base showed the public the fabrication approach for Xiao Chai Hu Granule, an intangible cultural heritage in Guangdong Province. Modern technologies were adopted to give the public a glimpse into the mysterious TCM. For example, a microscope was used to observe the slices of medicinal materials. As a result, people acquired more TCM and pharmaceutical knowledge.



Presence of Xiao Chai Hu Granule, an Intangible Cultural Heritage, in Guangzhou Science and Technology Week

Ethics and Transparency

Challenges and opportunities

Business ethics has become a sharper focus for stakeholders. We not only pay attention to work safety and product quality, but also strictly adhere to the bottom line of business ethics and morality to protect the legitimate rights and interests of patients. In 2022, we encountered an ethical controversy. We will continue to improve our business ethics and strive to build a good corporate image.

Our actions

We attach great importance to business ethics. Through improving the anti-corruption management system and enhancing supervision and review, we endeavor to advance culture building with operation compliance and continue to strengthen business transparency. Joining hands with suppliers and customers, we build a clean and transparent business ecology together and establish a good corporate image step by step.

Our performance

· 40,705

Total anti-corruption training hours of employees

· 151

Anti-corruption and integrity activities



Contribution to UN SDGs



50

Guidelines for discipline inspection revised and improved

39

Major projects under "item-based" corruption risks prevention and control and supervision

3,834

Risk points investigated in job positions and business operations

5

Copies of Proposal on Supervision issued

12

Pieces of rectification suggestions

Business ethics



We deeply believe in honest business operation. We follow the market rules and business ethics, improve corruption risk management and supervision system and optimize whistle-blowing channels, and strengthen the moral restraint of employees and standardize the ethical professional conduct of employees. We pursue responsible marketing and maintain customer information security to build a favorable trust relationship with customers and boost our sustainable development.

Anti-corruption and anti-bribery

We continue to strengthen honesty business building. With innovative supervision and monitoring methods, integrity education activities, stricter power regulation and better whistleblower protection mechanisms, we enhance our anti-corruption ability and guarantee honest and compliant business to build up a good image for stakeholders.

Integrity management

Through system establishment, reform and abolition, a total of 53 rules and regulations on discipline inspection and supervision, including 20 items of 5 categories in supervision, discipline enforcement and accountability, have been set up. 50 guidelines for discipline inspection have been revised and improved. The assessment methods for disciplinary bodies and secretaries of discipline inspection committees have also been formulated respectively to lay a more solid institutional foundation for strict self-governance of the Party through annual "Dual Assessment" and "Dual Application" of assessment results.

We keep an eye on the power execution in important positions, key areas and key links. Through corruption risks investigation, we have carried out "item-based" corruption risk response and supervision for 39 major projects and a total of 3,834 corruption risk points investigated in job position and business operation. We have deepened the analysis and research of high, medium and low corruption risk points to make targeted preventive and control measures and consolidated the defense line of clean business.

Improving the institutional system

Conducting corruption risks investigation

Establishing corruption warning mechanism

Strengthening employee management and monitoring team



In 2022, we established and improved the work methods for corruption analysis to collect, sort and analyze the public complaints and reports, problems, clues and cases received and handled at all levels. Combining with the signs and trends in daily supervision, we release quarter reports on corruption analysis, further enhancing the corruption risks prevention and control during our production and operation in key areas and key links.

We have updated the Employee Handbook to clarify the work rules and code of conduct, strengthen employees' professional ethics building, and raise employees' awareness of professional ethics. To better cultivate a learning, research and composite talent team, we improve the supervision team in all respects through supervising leaders training, theoretical research and supervising talent pool to improve the competence of supervising leaders of the Company, ensuring sound operation in accordance with law and preventing risks effectively.

Integrity education

Implementing routine integrity education

We work to improve conduct and enforce discipline, especially during important holidays and at critical timings. We organize and promote the discipline inspection agencies at all levels to carry out regular corruption warning education to strengthen the education of the Party members. Regarding leading officials, or "key few", we hold activities such as talks on honesty, corruption reminders, case reporting and honesty culture on a regular basis to increase their integrity awareness and strengthen their ability to resist corruption through rich and vivid education. We gathered calligraphy, painting and photography works, microfilm and micro-video on integrity culture to encourage all employees participate in the warning education.

Enhancing honesty education and training

In 2022, We organized the newly promoted middle-level leaders, discipline inspection institutions at all levels and the Party members to watch various warning education videos and anti-corruption feature films, so as to warn, reform and regulate corruption issues through real cases and build up the ideological line of defense for various Party members and officials to resist corruption and prevent deterioration. 937 Party officials were organized to visit Guangzhou discipline and law education base and anti-corruption education base for Party officials. We also launched various honesty training for members of the Company's board and employees and organize discipline inspection committees at all levels to carry out 151 anti-corruption and honesty activities.

281

Discipline Education and Learning Month activities

151

Anti-corruption and honesty activities for disciplinary committees at all levels

10,006

Employees participants in anti-corruption training

Disputes settlement

Integrity, compliance and observance of business ethics are the basis for the Company to achieve high-quality development and win the trust of stakeholders. Against sudden and major risk events that hamper social stability, we pay high attention and act promptly to set up a leading group and various professional working groups headed by the Secretary of the Company's Party Committee, chairman of the Board and General Manager, with head of Legal Affairs Department participating in the whole process of action. Externally, we strengthen reporting and communication with relevant government departments, take the initiative to report and attend important meetings. Internally, we guide the subordinate enterprises to deal with issues properly according to the law.

Case Taking Take corrective actions in a timely manner in response to reported incidents

On August 9, 2022, the National Healthcare Security Administration issued a notice about relevant incidents of certain subsidiaries of the Company. We attached great importance to the notice and ordered the three subsidiaries to stop cooperating with relevant agents and distributors, comprehensively rectify their marketing models, and reduce the prices of related products or withdraw from the distribution networks and outlets nationwide. We resolutely implemented the deployment and policies of the state on the reform of the medical and health system, and we would never cover up any violation or non-compliance of these regulations, instead, we would impose harsh punishment on them. The relevant responsible persons of the three subsidiaries were removed or suspended from their posts, and the rectification measures were actively implemented. Taking this incident as an opportunity, we intensify supervision and inspection, guide the enterprises to carry out risk screening in key links and promptly make it up. With the assistance of audit, risk control, finance, legal affairs and other functional departments, we will avoid the recurrence of similar incidents while ensuring compliant production and operation.

62

Pieces of complaints and reporting settled

22

Problems and clues handled

5

People filed cases for review

113

People handled with the intensified four forms of oversight over discipline compliance

Reporting mechanism and whistleblower protection

We insist on improving the monitoring and reporting system and dealing with complaints in accordance with the law and regulation. To detect and resolve problems timely, we constantly broaden the supervision and reporting channels by using network platform. At the same time, we strictly keep whistleblowers' information confidential, protect them and effectively safeguard their rights.

In 2022, we formulated the *Special Work Plan for Improving Primary-level Supervision Effectiveness with Focus on Solving the Most Pressing Difficulties of Great Concern to the People*. We set up the column of "Safeguarding People's Interests" in the Complaint and Reporting module on the Company's official website and our WeChat official account "Clean Guangyao", aligning with discipline supervision information management system to deal with public advice immediately. We also established a work mechanism of honesty liaison to realize the direct reporting of the corruption situation and detect and solve the most pressing difficulties of great concern to the people more effectively.

Broadening supervision and reporting channel and safeguarding interests of the public

Strictly abiding by the confidentiality discipline and protecting the rights and interests of whistleblowers

The Company clarifies to strictly prohibit disclosing reporting contents and whistleblowers' information and forwarding the report materials to the units and person being reported against or irrelevant units and individuals. The Company shall take appropriate ways to contact the whistleblowers and verify the situation without revealing the identity of whistleblowers. In case of real-name whistleblowers being subjected to retaliation, we, in accordance with relevant regulations, will safeguard the legitimate rights and interests and personal and property security of real-name whistleblowers, and investigate and punish the conducts of retaliation.

Responsible marketing

We strictly comply with Chinese laws and regulations, such as the *Advertising Law*, *Drug Administration Law*, *Provisions for Drug Insert Sheets and Labels* and others. We carry out our product distribution in accordance with the *Ethical Criteria for Medicinal Drug Promotion of World Health Organization (WHO)* and continuously strengthen compliance management of advertising, promotional slogans and official marketing article to ban false or misleading propaganda. We implement latest, accurate and objective promotion requirements without any misleading or false information, building our brand reputation.

Information security and management

We focus on information security construction and actively enhance cybersecurity defense, monitoring, early warning and emergency response. By improving the information management system, strengthening network equipment configuration and facilitating digitalization projects, we continuously optimize and maintain cyber security to ensure information safer and under control, providing security guarantee for the Company's operation and development.



GP Corp. Passed the national integration of informatization and industrialization management system certification and assessment and was awarded the AAA Integration of Informatization and Industrialization Management System Certificate.



Information management system

To develop "Cybersecurity Work Responsibility System" and facilitate the implementation of cybersecurity system, we organize subsidiaries to complete cyberattack and defense drills, industrial Internet information security and other related inspections conducted by the Ministry of Public Security and the Ministry of Industry and Information Technology. We introduce professional audit institutions for information risk control to carry out special audit and assessment and identify information system risks and vulnerabilities. Through work rectification, we reduce the risks arising from the construction, implementation, operation and maintenance of the information system and guarantee information compliance.



Basic structure construction

With further improvement of the network security system and optimization of IT infrastructure, the automated and unified operation and maintenance monitoring and management platform has been put into use. We complete the unified cloud management of the newly-built super-integrated network area to enhance the capability of early warning and rapid fault location. We upgrade the single core network to dual-node core network to further strengthen network security and stability. With a series of measures, we further enhance network security and improve network security in all aspects.



Informatization projects

Promoting the construction of national and Guangdong industrial Internet innovation projects

We lay out the measures for informatization of government-subsidized projects to provide standardized guidelines for declaration, project establishment, process management, cost management and project acceptance of informatization government projects and improve the overall level of informatization government-invested project management.

The electronic platform for centralized procurement optimization and upgrading project (Phase II)

We set up a reconciliation platform and statement reporting platform for centralized procurement and an inter-system and inter-organizational reporting system to meet the needs for statement forms of centralized procurement of the Company and our subsidiaries, realizing information sharing.

Mobile workplace optimization and enhancement project

We facilitate the construction of mobile workplace project (Phase III) – deepening the application, which focuses on system running stability, system security, multi-system data interaction and other functions. The hardware upgrading and deployment and implementation of network storage device in 2022 have been accomplished.

Transparent Operation

We constantly improve the compliance management system, strictly adhere to the ethics of clinical trials and regulate laboratory animals management, so that our business operations meet the requirements of compliance, openness and transparency and avoid operational risks.

Operation compliance

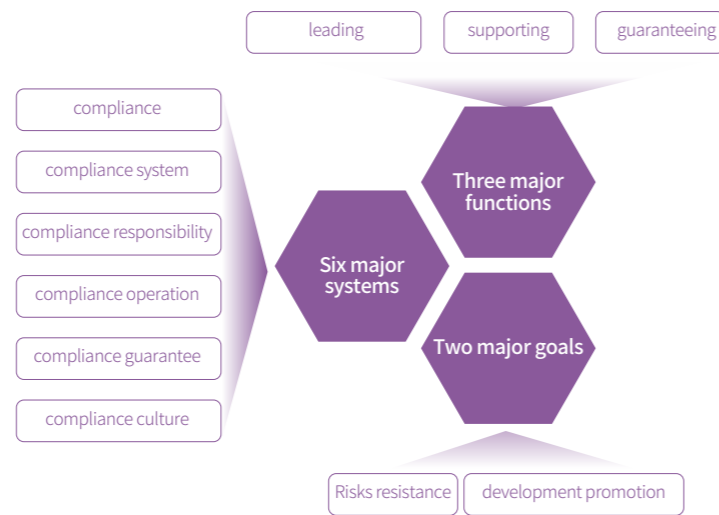
We strictly abide by national laws and regulations. We establish a sound compliance management system to strengthen compliance audit, and assess and prevent legal risks of projects. We actively carry out compliance training to enhance employees' legal awareness, and further improve the ability and level of legal operation and management.

Compliance management system

We faithfully implement the *Notice of State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government on Supervising Enterprises to Promote the Construction of Compliance Management System* and formulate corresponding work plans to gradually establish a sound compliance management system.

481
Economic contracts audited

1,036
Pieces of assessment opinions issued



Legal risks prevention and control

We actively participate in project feasibility demonstration, intervene in project operation in advance and comprehensively assess legal risks of projects. For example, as for bidding projects, we focus on the legal procedures of bidding to avoid invalid bidding due to irregular operation. Regarding project management, we improve the contract terms and conditions, adding clauses related to withdrawal mechanism, contract termination, intellectual property protection and information confidentiality. As for cross-border projects, we learn about the relevant local laws and regulations on conducting business to avoid legal risks caused by asymmetric legal information. By preliminary legal review, we can effectively avoid and control the legal risks of project operation.

Legal training

We held "Commercial Arbitration in Enterprises – Compliance Management and Commercial Arbitration Salon" training activity, at which experts were invited to share their views on corporate compliance management system building, the pros and cons of commercial arbitration and how to choose a suitable arbitration institution, increasing employees' legal awareness.



Commercial Arbitration in Enterprises – Compliance Management and Commercial Arbitration Salon

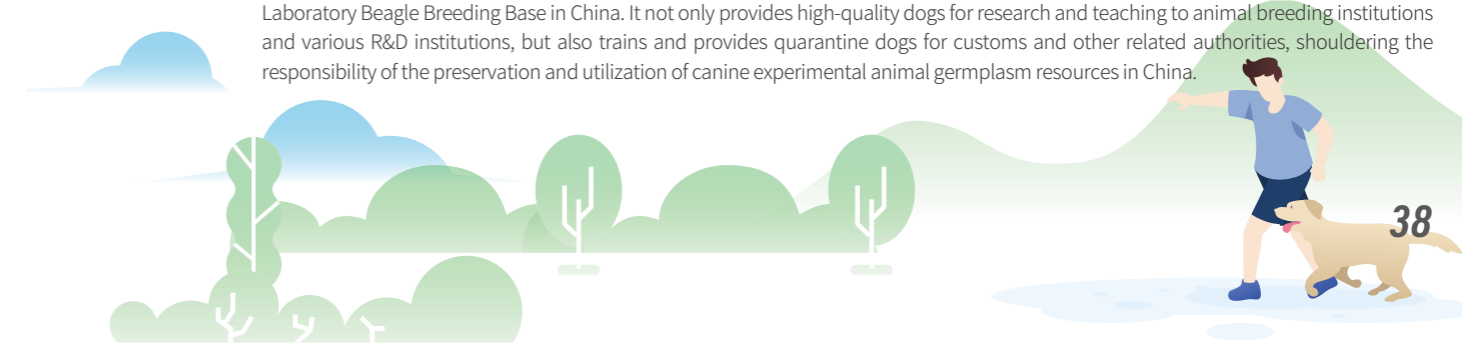
Clinical trial transparency

We comply with national laws and regulations on clinical trial of pharmaceutical products such as the *Good Clinical Practice and the Guidelines for Ethical Review of Clinical Trials of Drugs*, as well as ICH-GCP guidelines to conduct clinical research based on strict ethical standards. We formulate the code of conduct for R&D personnel and set up a clinical trial ethics review group to regulate, monitor and audit R&D personnel's behavior and the implementation of relevant regulations. We always prioritize the rights and safety of experimental subjects while ensuring the quality of clinical trials and preventing relevant risks.

Animal welfare protection

We are granted the production license and use license of laboratory animals by the Department of Science and Technology of Guangdong Province. By establishing Laboratory Animal Management Committee and Laboratory Animal Ethics Committee, we strictly practice several management policies and operational specifications, such as the *Ethical Review Procedures for Laboratory Animal and the Principles of Ethical Review for Laboratory Animal*, to safeguard animal welfare during the production and trading of laboratory animals and pre-clinical animal experiments.

Guangyao General Institute boasts the first international AAALAC-accredited "National (Guangzhou) Key Laboratory of New Drug Safety Evaluation" in South China, as well as a Public Platform for Biomedical Research and Evaluation that meets international standards, the only National Canine Laboratory Animal Resource Center in China, the National Canine Laboratory Animal Seed Center and the leading Laboratory Beagle Breeding Base in China. It not only provides high-quality dogs for research and teaching to animal breeding institutions and various R&D institutions, but also trains and provides quarantine dogs for customs and other related authorities, shouldering the responsibility of the preservation and utilization of canine experimental animal germplasm resources in China.



Responsible Supply Chain

We establish comprehensive procurement and supplier management system to strengthen supplier assessment and review and also carry out supplier training to improve the safety and quality of our suppliers' products. By effectively preventing environmental, social and compliance risks in supply chain and improving supply chain contingency plan, we continuously enhance the stability and resilience of our supply chain.

Supplier management

We have well-established procurement and supplier management system. With rigorous supplier assessment and performance audit and in-depth supplier communication and training, we are able to regulate suppliers in the whole procedure from access to withdrawal, further improving transparent, process-oriented and lean management of the supply chain.

Supply management system

We formulate the *Measures for Supplier Management*, establish the Procurement Management Committee and Supervision and Management Committee, and set up working group to continuously improve the construction of supply chain system and the supervision and management system.

Quality assessment and assurance

We constantly improve the safety and quality of the suppliers' products by strictly controlling supplier access, signing quality agreements with suppliers, and conducting quality audit.

Controlling supplier access	Signing quality agreement	Conducting quality audit
Verify suppliers' qualification, certification, production site, process and technological level, inspection capability and quality assurance system on a scientific basis to assess the risk level of suppliers' materials on product quality.	Sign quality agreements with suppliers to clarify the quality responsibilities of both parties, including the starting materials, process requirements, quality requirements, storage and transportation, as well as management requirements such as return or compensation, unqualified announcement and recall of materials in case of quality problems.	Organize professional task force to audit the quality management system of suppliers, issue rectification requirements for suppliers that do not meet the Company's quality standards, and require suppliers to rectify the existing problems by a deadline.

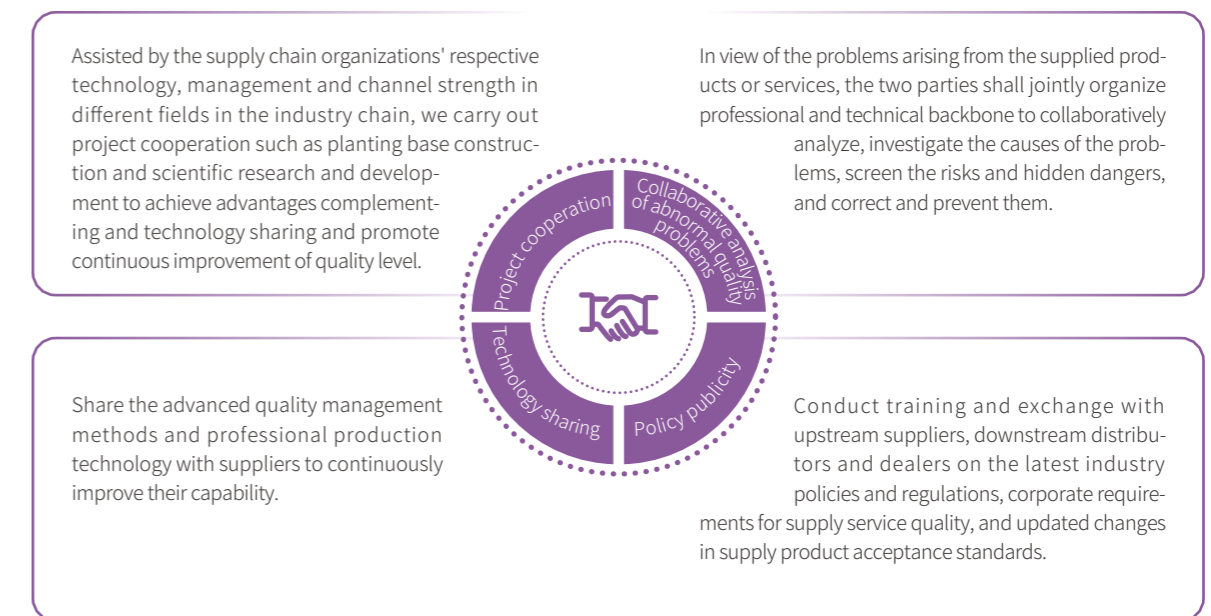
Supplier performance evaluation and audit

Based on the assessment results, we formulate a grading management plan, which divides suppliers into excellent, qualified, auxiliary and unqualified ones, to intensify supplier "blacklist" management. We adopt centralized auditing for all suppliers, including launching the special on-site audit and centralized audit and centralized procurement supervision platform, holding regular meetings on material quality. We assist suppliers to improve existing problems, rule out unqualified suppliers and optimize the supplier group to ensure the quality and safety of the industrial chain.

Grade	Score	Handling approach
Excellent suppliers (Grade A)	Above 90 points	Prioritize suppliers for procurement and maintain the strategic cooperation relationship
Qualified suppliers (Grade B)	75-90 points	Maintain procurement volume and continue to improve their performance
Auxiliary suppliers (Grade C)	60-75 points	Take appropriate auxiliary measures to reduce the procurement volume and find other suppliers
Unqualified suppliers (Grade D)	Below 60 points	Rule out suppliers with consistently low performance

Supplier cooperation and training

We cooperate with suppliers to jointly improve product quality and safety, strengthen supplier capacity building and promote the healthy development of supply chain organizations through project cooperation, technology sharing and policy publicity.



Supply chain risks prevention

We effectively identify and manage environmental and social risks in the supply chain to eliminate corruption and commercial bribery. By improving supply chain contingency plans, enhancing supply chain resilience and ensuring stable supply, we actively promote green procurement to create a responsible and sustainable supply chain.

Quality risk control

By sorting out the supply of raw and auxiliary materials and packaging materials, interviewing risky enterprises, suggesting to stop the release of problematic products, conducting self-inspection of materials and supplier management, formulating centralized supplier audit and special inspection program for supplier management, correcting quality hazards etc. to ensure the quality safety of the industrial chain.

Corruption risk elimination

We have revised and improved the Company's procurement management system. *The Company develops the Rules for the Implementation of Standardized Procurement Practices of GYBYS*, and implements the policies and regulations of transparent procurement. Leveraging procurement information disclosure, we advance the integration and reform of procurement management for subsidiaries to strengthen special supervision and inspection of "Transparent Procurement" and implement risks control and supervision. We sign letter of commitment for integrity with suppliers to prevent corruption risks.

Suppliers' risk awareness enhancement

Through quality training, we establish information exchange mechanisms with suppliers to timely follow up product quality, social and environmental risk considerations and other information exchange. We clarify requirements for quality management and product standard to enhance suppliers' awareness of quality, risks and laws and regulations.

Environmental and social risks identification

During supplier review, we adopt more strict review for the environmental protection and safety production management system of suppliers, requiring suppliers to comply with regulations in environmental protection, emission and production site. We assess suppliers annually and implement information confidentiality policy in procurement to evaluate their environmental and safety risk degrees.

Green procurement

We set up supplier evaluation form with demerit points for environmental performance. We encourage eligible suppliers to build sunshine drying rooms to reduce energy use and power consumption. We also award bonus points for suppliers who implement CO₂ reduction measures.

Stable supply guarantee

Focusing on the popular herbal medicine of famous specialty and hit product, we select material planting bases nationwide according to local conditions to control the production and supply of raw materials through large-scale and standardized planting and variety operation.

19

New standardized plantation bases in 2022

81

Standardized plantation bases of Chinese medical materials in total

Contingency plan development

We purchase more materials in harvest years as reserves to cope with the instability of the supply chain caused by the physical risks of climate change. We develop an emergency protection drug catalog including key drugs such as COVID response drugs, commonly used drugs, urgently needed drugs and drugs for chronic diseases of the elderly. With the smooth flow of drug procurement, storage and transportation and sales, we guarantee the unimpeded running of all work links to guarantee drug supply.

Case First Baiyunshan Banlangen GAP planting base with an area of 10,000 mu established in Altay Prefecture of Xinjiang

We actively carry out industrial cooperation with Altay Prefecture in Xinjiang. Our first project is to build a large-scale planting base of Banlangen covering 10,000 mu in Habahe County, Xinjiang, which is expected to have an annual production capacity of 2,500 tons of Banlangen medicines after completion, enhancing the medicine supply capacity.



Inauguration ceremony of the Baiyunshan Banlangen (Altay) GAP planting base

Environmental Protection

Challenges and opportunities

Reducing carbon emissions and responding to climate change have become key issues affecting the future development of enterprises. In November 2022, the 27th United Nations Climate Change Conference (COP27) was held to focus on the implementation of *United Nations Framework Convention on Climate Change* (UNFCCC) and urge countries and enterprises to take practical actions to meet the target of net zero emissions. In response to climate change and to achieve the goals of carbon peaking and carbon neutrality, enterprises need to transform their modes of production at a fast pace, optimize energy mix and strive to effect sustainable development, which brings not only transformation risks but potential business opportunities.

Our actions

Placing climate change response as a high priority to achieve sustainable development, we continue to improve our environmental control system. The assessment of climate change risks and opportunities is conducted in strict compliance with Task Force on Climate-Related Financial Disclosure (TCFD) and follow-up actions are taken to reduce carbon emissions and pollution, improve resource management capacity, lower the adverse impact on environment and boost green development.

Our performance

- **0.07** t/RMB 10,000
Greenhouse gas intensity
- **0.19** MWh/RMB 10,000
Comprehensive energy consumption intensity
- **2.04** t/RMB10,000
Water consumption intensity
- **18.05** kg/RMB 10,000
Non-hazardous waste discharge intensity
- **0.40** kg/RMB 10,000
Hazardous waste discharge intensity



Contribution to UN SDGs



Environmental Control Improvement

We strictly abide by the *Environmental Protection Law of the People's Republic of China* and other laws and regulations. By optimizing HSE management system, identifying the environmental protection loopholes within enterprises and rectifying them, we strive to effect more science-based, transparent and digitalized environmental protection management. More optimal management objectives and plans have been formulated to improve our internal environmental management system.

Developing modern solutions for environmental management

To implement the HSE (Health, Safety and Environment) requirements for digitalization, we further develop and expand the digital application of environmental control, and continue to strengthen the hierarchical, grid, regional and structural environmental management of subsidiaries under the "Internet + HSE" innovative mode of coordination. GYBYS started the operation of HSE management system Phase I and established the intelligent system of "big data for safe production". At the same time, the Company completed the development and promotion and application of all modules, including system portal, execution management, file management, equipment management, education and training, and conference management, etc.

Identifying loopholes to optimize systems

Our environmental protection investigations, combined with the work safety inspection, seek to identify major risks to environmental protection within enterprises and get a glimpse into the progress of their environmental management. Environmental protection files are also combed through to conclude solutions to common problems and prominent ones. By cementing subsidiaries' daily control and overall planning of their environmental protection, and building a mechanism connecting top and bottom departments, we fulfill our green responsibilities to ensure effective environmental protection management and minimal pollution cases.

Response to Climate Change

We proactively participate in the global campaign to address climate change. The identification of climate change risks and opportunities and disclosure of carbon emissions are further improved. Through green operations, we strictly control carbon emissions and formulate targets and plans to reduce carbon emissions based on the current emission status, which all contribute to China's 30·60 Decarbonization Goal.

Climate change risk assessment and response

Climate change will have an adverse impact on business market and supply chain, but will also bring potential business opportunities. We assess the climate change risks and opportunities in compliance with the suggestion of Task Force on Climate-Related Financial Disclosure (TCFD) and further analyze the impact on corporate businesses, strategies and finance, thereby better addressing the risks and seizing precious business opportunities.

Risk category (Level 1)	Risk category (Level 2)	Risk impact	Impact duration
Transformation risk	Policy and legal risks	1) Requirement and regulatory risks: In terms of energy use, with national context of 30·60 Decarbonization Goal, several provinces and cities have released plans of carbon peaking, mapped out green actions and launched carbon-trading pilot programs, living up to corporate green requirements. This is expected to impact the Company's energy use and spending, which urges the Company to accelerate its green transformation of energy mix. As for the planting of Chinese medical materials and considering the government's commitment to combating deforestation and preventing land deterioration, the Company's plantation may be restricted, which will perhaps impact the medicine production and supply. When it comes to supply chain, as China accelerates the building of green and low-carbon circular economic development system and more stringent rules and policies are introduced, enterprises may face increasingly strict procurement requirements and assume more responsibilities for the supply chain of medical materials.	Medium term (3-10 years)
		2) Litigation risk: When corporate emissions result in climate change and losses, or when investment decisions exclude the deliberation of climate risks and fail in information disclosure, which harms the benefits of investors, enterprises will face the risk of litigation filed by investors or customers.	Short term (1-3 years)
	Technical risk	In response to climate change, enterprises will strengthen research on green technologies, which will certainly contribute to larger research costs and operating costs.	Medium term (3-10 years)
	Market risk	The trend of green consumption requires enterprises to provide better-quality healthcare products and services. In addition, intenser focus on biodiversity conservation requires enterprises to achieve successes in both TCM and wildlife protection. If enterprises fail to adapt to market changes and meet customer needs, their businesses, financial status and performance may be severely impacted.	Medium term (3-10 years)
	Reputation risk	As stakeholders are paying more attention to climate issues, the insufficient disclosure of corporate carbon neutrality data or the increase of carbon emissions due to ineffective corporate carbon management will have an adverse impact on corporate reputation.	Medium term (3-10 years)
Entity risk	Acute risk	An increase in extreme weathers due to climate change may cause damage to business buildings, facilities and equipment, projects and others, resulting in higher maintenance cost. Furthermore, floods and typhoons are risky to employee safety, therefore employee premiums may also increase. Extreme weathers may disrupt the supply chain, affecting the stability of raw material supply and product delivery.	Medium term (3-10 years)
	Chronic risk	Climate change leads to rising temperatures, but drug production and storage require low temperatures. Therefore more energy will be consumed to maintain the cooler environment, resulting in higher costs. In addition, climate change aggravates the shortage of water resources, therefore businesses in dry areas see their costs rising. Besides, rising sea level may also damage business buildings.	Long term (10-30 years)

Opportunity category	Opportunity impact	Impact duration
Resource use efficiency	By developing new technologies such as the intelligent energy management system, enterprises can improve energy efficiency and lower carbon emissions costs.	Medium term (3-10 years)
Energy source	To reduce carbon emissions, enterprises expand the use of clean energy and reduce that of fossil fuels. In the meantime, new energies such PV generation are developed to optimize the energy mix.	Medium term (3-10 years)
Products and services	By developing, producing and selling medicines treating new diseases and products meeting consumer preference, and innovating and developing green products and services, enterprises can build competitive advantages and increase revenues.	Medium term (3-10 years)
Market	New diseases may break out because of climate change, leading to an increase in drug demand. Only by grasping the opportunities brought about by climate change and meeting the changing market demand can enterprises effect diversified operations and serve China's transition to a low-carbon economy.	Medium term (3-10 years)

Reducing greenhouse gas emissions

We speed up efforts to guide subsidiaries to complete the carbon verification, expand the use of clean energy and reduce greenhouse gas emissions. Measures such as improving facilities and equipment and strengthening compliant emissions management are adopted to constantly improve air quality and fight against air pollution.

Reducing greenhouse gas emissions

We lead subsidiaries to complete their own carbon verification. Our in-depth investigations into subsidiaries' carbon emissions situation and clean energy campaign help boost green development. The biomass-fired boilers in Chemical Pharmaceutical Factory have been replaced by boilers driven by steam clean energy to reduce emissions. Ming Xing has developed and applied air purifiers, reducing CO₂ emissions by 0.8 tons/a. Zhong Yi has installed PV systems on its buildings, which have generated about 4 GWh since it was put into operation, reducing 3,062 tons of CO₂.

Reducing exhaust emissions

We continue to strengthen our compliant emissions management. With VOCs Management system, we guide subsidiaries to reduce their emissions of organic exhaust gases and press them to complete transformation to meet the emission standards. According to the latest requirements in Guangzhou, the Nox emissions index for boilers has dropped from 150mg/NM³ to 50mg/NM³. Ming Xing has invested RMB 300,000 in the transformation of its boilers into a new type with fewer Nox emissions, emerging as the first large industrial enterprise in Haizhu District of Guangzhou that has finished the transformation, to help reduce air pollution. Zhong Yi streamlines 40 of its exhaust vents in total down to 10 and rolls out in-depth exhaust governance, and its VOCs emissions are estimated to reduce by 80%.

Optimization of Resource Usage

By virtue of upgrading technologies and techniques, we have improved our management of energy, water resources and packaging materials. We endeavor to promote energy conservation and consumption reduction, raise water use efficiency and packaging reduction, thereby dedicating to clean production and green ecological environment.

Energy management

We strive to strengthen our management of fossil fuels such as coal, petroleum and natural gas, optimize the energy mix, reduce energy consumption and improve energy efficiency through technological transformation, supporting the corporate goal of energy conservation and emission reduction.

Case An intelligent energy management system developed to address energy leakage

Zhong Yi has built an intelligent energy management system based on Internet and cloud computing. The system whose instruments have been upgraded can real-timely monitor energy use and abnormal events, including electricity, water, steam, natural gas, compressed air, flow rate, pressure, temperature, etc., thereby ensuring the reliability and stability of energy supply, conversion and consumption. The system automatically counts and independently analyzes the consumption and costs of electricity, water, gas and other resources consumed by the production equipment, and can pinpoint energy leakage and other anomalies.




Case Intelligent air-conditioning and variable frequency control system to save a wealth of electricity

Chemical Pharmaceutical Factory has developed and applied the intelligent air-conditioning and variable frequency control system. Three air-conditioning chillers (255 kW) function automatically under Cqi Intelligent Power Safety Management System, with an average power saving rate of about 19.88% and an annual power savings of about 132 MWh. An environmentally friendly roots blower (45 kW) functions under the variable frequency control system, with an average power saving rate of about 30% and an annual power savings of about 97.2 MWh.



Water resources management

We urge subsidiaries to transform sewage treatment stations on time to ensure compliant discharge of sewage, reducing water pollution. Advanced technologies are applied to improve the water utilization. We strive to build a water-saving enterprise by continuously reducing potential risks to water use and improving our water resources management capacity.

Ming Xing has transformed its sewage system, completed comprehensive survey and improvement of all the rainwater and sewage pipelines within the boundary line of its factory and also commissioned professional companies to carry out daily operation and maintenance of the sewage treatment station, which have improved its sewage treatment capacity in all respects. To tackle the abnormal sewage discharge in ranches, Guangyao General Institute organized environmental experts to investigate into the case and find solutions to ensure legal and compliant sewage discharge.

Ming Xing has developed the liquid ring vacuum pump to improve the recycling of workshop wastewater and clean water, with 30% increase in mid-year water reuse. Xing Qun has completed the transformation project to recycle the cooling water of two liquid ring vacuum pumps in the vacuum station, saving more than 3,000 tons of water each year. Baiyunshan General Factory has installed intelligent water meters that can analyze data automatically and locate abnormal water use, saving 3% of annual water consumption.

HWBYS has updated its national drainage permit and compiled and submitted the Contingency Plan for Environmental Emergencies. Xing Zhu is working on a large-scale project to divide rainwater and sewage pipe lines and resolve the abnormal drainage caused by extreme weathers during construction. The project will effectively reduce the potential risks to water use.

Use of packaging materials

We act in strict compliance with the national standards for green packing. By promoting packaging reduction and recycling with environmental packages, we strive to realize green packaging.

GP Corp. applies intelligent technologies to innovate and promote green logistics packaging. The Company uses the intelligent package sorting algorithm and AI technologies to save packaging materials, thus practicing the new concept of green development.



WLJ Great Health has realized green packaging by lightening external packaging and removing the white coating from packaging cans.

Lower Environmental Impact

We abide by the relevant laws and regulations on waste management and noise management and adhere to the principles of packaging reduction, resource utilization and harmless treatment to dispose of hazardous waste and reduce their discharge and intensity, striving to minimize our environmental impact and achieve sustainable development.

Waste management

By tightening source control of waste generation, refined waste management and enhanced compliant discharge, we strive to improve our waste treatment capacity, promote packaging reduction and recycling and minimize the adverse impact of hazardous waste on the environment.

Recycling of drug residue

The South China Agricultural University uses the residue of WLJ Herbal Tea as pig feed additive, which has improved the pork quality and taste. In the meantime, it effectively reduces energy consumption and emissions, becoming a science-based circular economy.

Lowering waste intensity

Chemical Pharmaceutical Factory olls out a project to convert crude cephalosporin bottom liquid into waste residue, and another one to convert 6,600kg of crude dichloromethane bottom liquid HW06 into 1,262.8 kg of waste residue, significantly lowering the waste intensity.

Disposal of hazardous waste

Guangzhou Bai Di Conducts strict supervision and management of the waste production, collection, classification, labeling, recording, storage, transportation and disposal in accordance with waste management procedures. By cooperating with qualified institutions it strengthens its compliant disposal of hazardous waste. It also promotes the recycling of chemicals and second use of chemical solvents, collects and analyzes data for hazardous waste and continuously improves the treatment processes to reduce hazardous waste.

Compared with 2022, the hazardous waste discharge intensity and the harmless waste discharge intensity in 2023 aim to decrease by **3** percent

Waste category	Waste type	Emissions in 2022 (kg)	Discharge intensity in 2022 (kg/RMB 10, 000)	Treatment
Non-hazardous waste	Office, kitchen and domestic waste	3,400,364.5	18.05	By sanitation department
	General industrial waste	36,559,705		By sanitation department
Hazardous waste	Medical waste (HW02) and Waste medicine (HW03)	460,330	0.40	By sanitation department
	Other hazardous waste	422,589.38		By sanitation department



Noise management

We place a high priority on noise management and conform to such laws and regulations as *the Noise Pollution Prevention and Control Law of the People's Republic of China and Emission Standard for Industrial Enterprises Noise at Boundary*, aiming to ensure compliant noise emissions and avoid noise pollution to surrounding environment. A noise-free working and living environment for employees and neighboring residents is secured by virtue of measures to reduce machine noise.

Prevention and control of noise pollution

To address the noise issue plaguing He Ji Gong and Li Wan Factory, we invited external environmental experts to come up with solutions after the on-site investigation. The noise reduction transformation was completed with the help of experts, preventing noise-induced accidents.

Prompting transformation to reduce noise

Zhong Yi has transformed 3 YUJ-18Z pill machines to reduce the noise and plans to adopt the updated special accessories for low-noise transmission. The noise generated on no load operation after transformation is below 73 dB.

Goals and Progress

In 2022, the water consumption intensity is 2.04 t / RMB 10,000, the wastewater discharge intensity is 1.30 t / RMB 10,000, the hazardous waste discharge intensity is 0.40 t / RMB 10,000, the harmless waste discharge intensity is 18.05 t / RMB 10,000 and the energy consumption intensity is 0.19 t / RMB 10,000.

We achieved the goal of "reducing the wastewater discharge intensity by 5% in 2022" by optimizing production processes. But due to production volume and the expansion of statistics scope, we failed to achieve the goal of "reducing the water consumption intensity by 5% in 2022", and the goal of "reducing the hazardous waste discharge intensity, harmless wastes discharge intensity and energy consumption intensity by 3% in 2022". In the future, we will strive to achieve our goals by optimizing production processes and enhancing energy efficiency.

Advocate for the Green Philosophy

We try to communicate to the public the green philosophy by rolling out relevant activities and organizing a variety of events, such as the recycling of expired drugs, afforestation and waste sorting, to strengthen public green awareness. We also work with employees, consumers, suppliers, industry associations and other stakeholders to facilitate environmental protection.

Strengthening environmental education

He Ji Gong has been publicizing and implementing the environmental laws and regulations to prevent illegal issues from emerging. In 2022 the enterprise was awarded the Green Card of Environmental Protection Credit Evaluation System of Guangzhou Municipal Ecological Environment Bureau.

Organizing voluntary tree-planting

Qi Xing organized and participated in the voluntary tree-planting service in the Guangzhou Staff Public Welfare Forest and planted 50 *Cerasus yunnanensis* 'Guangzhou' in Guangzhou Erlongshan Garden.

Implementing environmental inspections

Ming Xing keeps strengthening its employee awareness education and formulates regulation and regular inspections to urge employees to care for and improve the environment.

Biodiversity Conservation

On December 7, 2022, the second part of COP15 was held in Montreal, Canada, which passed the Kunming-Montreal Global Biodiversity Framework, blazing a new path for global biodiversity governance. We strictly abide by national laws and international conventions such as *the Law of the People's Republic of China on Conservation of Wild Animals* and *the Convention on International Trade in Endangered Species of Wild Fauna and Flora* and prohibit the production and sale of drugs made from endangered species. With a highlight on plantation recovery and protection, we gather strengths from different parties to reverse the loss and accelerate the recovery of biodiversity, striving for the harmonious coexistence between human and nature by 2050.

Conforming to international conventions

In refer to *GYBYS Notice on Ceasing Production and Sale of Pharmaceuticals Made from Leopard Bone, Antelope Horn, Bear Bile and Cobra* issued in 2020, we have summarized some banned animal products and ceased the production and sale of pharmaceuticals made from vulnerable, endangered or critically endangered species listed in CITES Appendix and IUCN Red List. The Notice has been released to prevent such accidents.

Preventing the risk of violation

The Company continues to tighten the traceability of drug components and withdraw the products violating regulations from the market and cease their production. In the meantime, medical materials from endangered animals are banned from using in scientific research and research on substitute materials is also shored up.

Protecting and restoring vegetation

The construction of our plantation bases of Chinese medical materials takes account of natural reserves. We adhere to legal plantation and encourage the use of organic fertilizers to protect vegetation. Our strict compliance with the vegetation restoration regulations and restoration efforts in the plantation base of Chinese medical materials have contributed to local ecological conservation.

Cornerstone of Development

Challenges and opportunities

Pharmaceutical R&D and innovation is the major task in the future and talent is the primary resource of innovation. Lack of talents is the main factor that restricts the efficient and rapid development of pharmaceutical industry, and the current education system is not yet able to meet the actual demand. Therefore, TCM field is attaching more importance to talents training, and efforts are also made to vigorously build grass-root TCM talents team, providing the foundation for the talent pool in pharmaceutical industry.

Our actions

We fully recognize the importance of talent. To empower enterprise by talent management, we tap into the potential of talent by through cultivation, and keep improving talent cultivation system to inject talent vitality to the development of pharmaceutical industry, and boost high quality development of the industry.

Our performance

38.94%

Proportion of female employees

700 million

People benefited from medicines recycling in total

100%

Social security coverage

1,800+ tons

Recycled expired medicines in total

Contributions to UN SDGs



Employee Rights and Development

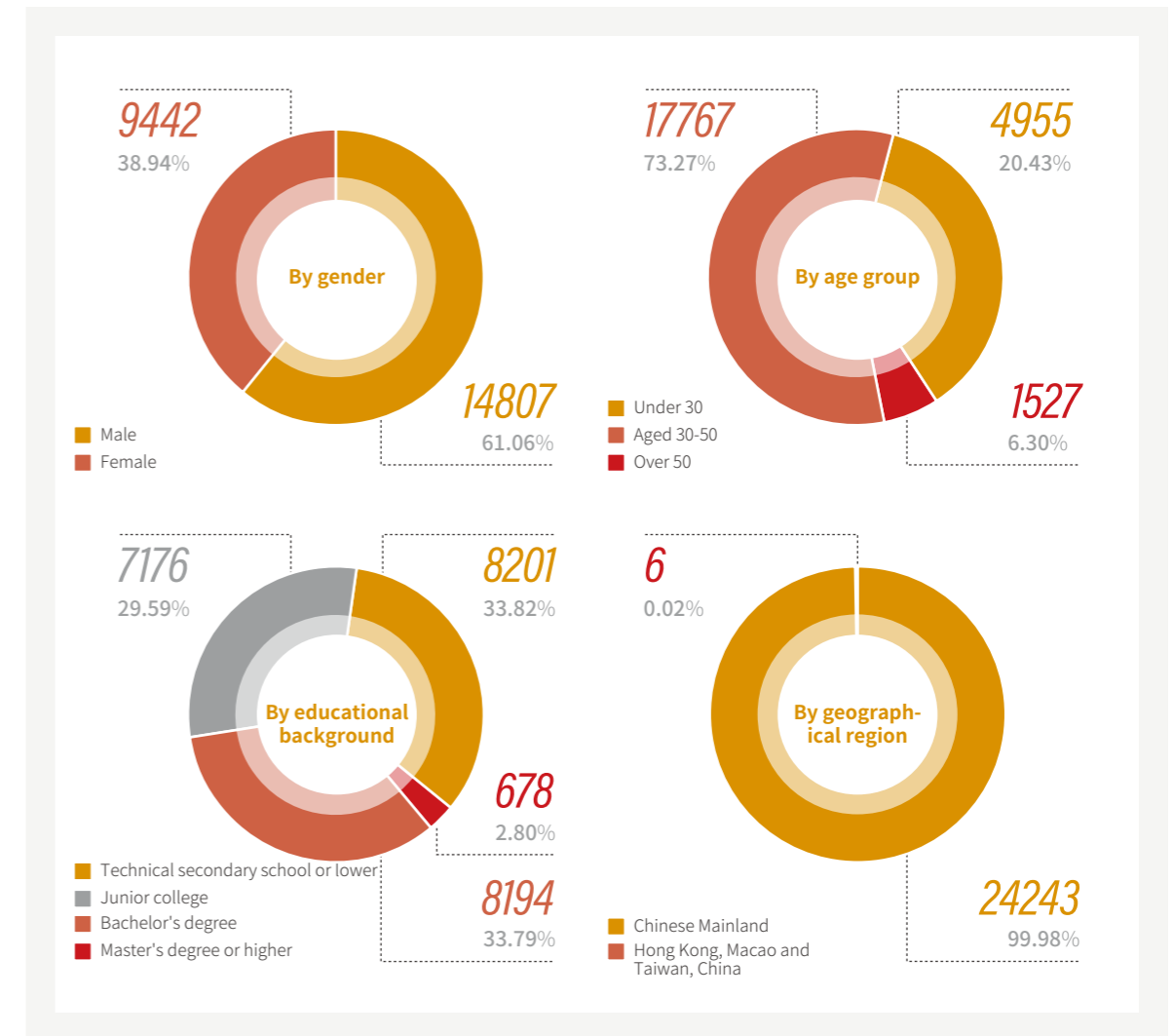
In line with the people-oriented principle, we safeguard the legitimate rights of employees, explore their development potential and stimulate their vitality. By caring about the needs of employees and enriching their lives, we are committed to creating a secure, loving and vigorous workplace for employees, thus achieving common progress of employees and the Company.

Employee rights

We are engaging in protecting the legitimate rights of all employees. By treating employees equally, continuously improving employees' incentives such as compensation, leave, etc., deepening democratic management and unblocking communication channels, we create a diversified and inclusive work environment for employees.

Equal employment

We strictly abide by the laws and regulations, such as the *Labor Law*, *Labor Contract Law* and *Regulation on Work-Related Injury Insurances* and protect employees' right of equal employment. Equal employment opportunities and treatment of employees are not compromised regardless of their religious beliefs, nationality, race, gender and age. In accordance with the Company's sound verification and hiring procedure, we will, as appropriate, verify the former companies and relevant work references of candidates, or by authorizing a third-party institution, to ensure nonoccurrence of child labor, forced labor or other related matters. During the reporting period, no child labor or forced labor were found in each region.



Compensation and benefits

We have formulated and implemented the regulations, such as the *Management Measures for Performance Assessment and Management Measures for Compensation and Benefits*. Based on them, we keep optimizing salary management system and advancing a more comprehensive performance management system, so as to optimize employee performance management and stimulate employees' vitality.

- Legal benefits**
 - Five social insurances and housing provident fund: Endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund
 - Legal holidays, wedding and funeral leave, maternity leave, breastfeeding leave, high-temperature subsidies (HTSs), only-child allowance, heatstroke prevention subsidy, etc.
- Supplementary benefits**
 - Commercial insurance such as serious illness medical treatment and accidental injury, family medical insurance channels, enterprise annuity, holiday subsidy, free working meal, shuttle bus, talent apartment, extra paid annual leave and annual physical examination.



Employee development

We attach great importance to talent cultivation and development. By optimizing talent selection, training and promotion mechanism, we build a sound talent cultivation system, broaden the space for employee development and meet their needs of growth, thus improving the professionalism of employees and facilitating all around development of employees.



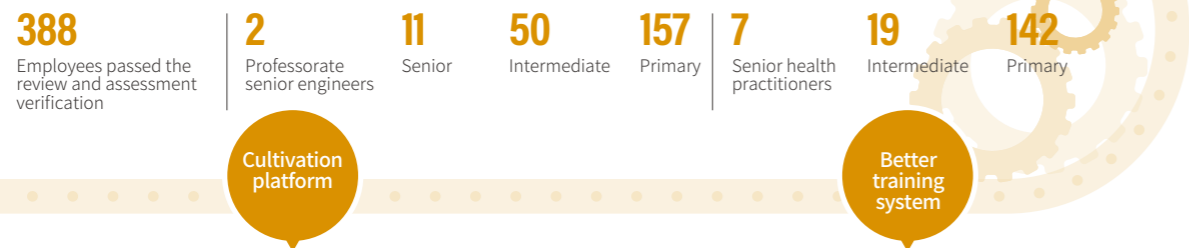
Based on professional channel promotion system, we carry out declaration, approval, review and certification of intermediate, advanced and senior professional personnel in a standardized way. In 2022, a total of 42 review meetings was held. Over the three years since the professional channel promotion was launched, the Company has held the senior grade review meeting for the first time, which successfully broke through the talent development dilemma caused by limited management positions, unblocked talent development channel and supported the sound development of talent echelon.

With the focus on high-end and urgently needed talents, we build up a workforce in technological and management innovation. To attract talents based on various welfare policies, we build a platform for earnest work and entrepreneurship to pool talents all over the world such as Nobel Prize winners, academicians, masters in TCM and other high level talents, which leads the Company to achieve innovative and high-quality development.

Unblocked promotion channel

Advanced talents pool

The independent evaluation of professional titles of engineering and health series in 2021.



Cultivation platform

Better training system

Actively building the build the Guangdong Industrial and Employment Training Base to meet the strategic industrial development needs in Guangdong Province by leveraging our strength of pharmaceutical and health industries. Targeting five vocational types of work, we establish a whole chain of skilled talents training, assessment and supply through school-enterprise cooperation, alternation of work and study and skill alliance to promote the cultivation of industrial skilled personnel, further improve the Company's technical innovation ability and competitiveness, thus speeding up our pace to build a talents center and innovation highland of the pharmaceutical and healthcare industries.

The Staff Education and Training Management System to provide training activities for employees at different levels, including new hires and also offer senior management "talent-enable corporate development" management empowerment senior workshops. Our rich and diversified training activities better meet employees' needs of growth and improve their professional knowledge and skills.

Employee care

We provide various activities for employees in their spare time, helping them balance work and family. Employees in difficulty and in special needs are also provided with assistance and convenience to enhance their sense of happiness.

Colorful employees' life

We actively hold cultural and sports activities such as flower arrangement, handicraft, painting and parent-child activities to meet employees' recreational needs. By creating a harmonious and pleasant workplace, we strive to enhance team cohesion and improve employees' sense of recognition.

Employee mental health care

We offer regular health exercise, health check, health psychology, health care and other services and organize mental health courses and psychological counseling services for employees.



Flower arrangement activity

Based on our assistance system that clarifies the assistance standards and application procedures, we provide medical and financial assistance to employees in difficulty. Among our regular visits to employees in difficulty in 2022, those suffering from serious illnesses and difficulties as well as those who stay in Guangzhou for the New Year were granted more than RMB 700,000 worth of subsidy and supplies.

In order to improve female employees' awareness of self-care, we guide our subsidiaries to hold reproductive health lectures and launch online mommy classes, etc., helping female employees go through pregnancy, delivery and breastfeeding smoothly.

Support for employees in difficulty

Women's health care



Parent-child baking activity on Children's Day

Occupational Health and Safety

193
Security drills

Safety is the first element of production and we always regard employees' health and safety as top priority. With improved HSE management and application system and strict safety control, we advance the health and safety culture development and make every effort to create a healthy, safe and secure workplace for all employees.

568
Investigated risks and hidden dangers

Work safety

We comply with laws and regulations such as the *Law of the People's Republic of China on Work Safety*, *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and the *Fire Control Law of the People's Republic of China*. We constantly improve safety management system, optimize safety control and strengthen supervision and inspection to build a safety culture and safeguard the legitimate rights and interests of employees.

Safety management system



- Improve HSE management, further expand and deepen the digital application of work safety through the "Internet + HSE" collaborative innovation model based on digitalization and big data, and strengthen the hierarchical, grid, regional and structural work safety management of subordinate enterprises.

- Designate safety commissioners to supervise on site and establish safety inspection and supervision team to inspect key construction projects and urge all parties participating in the construction site to implement their accountabilities for workplace safety in accordance with the law, and inspect the implementation of security risks control and hidden dangers screening.
- According to the work requirements of "Red line of not sacrificing human life and investigating, sorting and excluding" of work safety, organize the subordinate enterprises to carefully inspect the workplaces, construction sites, laboratories, the use and storage of hazardous chemicals, rental properties and other key places and densely populated areas, and investigate and rectify key safety hazards.



- Organize target management assessment for work safety of subordinate enterprises, strengthen their management mechanism, and enhance the sense of responsibility and initiative of leaders at all levels for work safety management.

Safety culture building

We actively organize work safety education and publicity and training activities and launch the Work Safety Month activities as well as work safety knowledge contests to promote safety culture building and strengthen employees' safety awareness.

Work safety publicity and training

- Organize work safety education and training before and after the Spring Festival, Labor's Day and the National Day. Make solid efforts to conduct safety education and training for production suspension and resumption and overtime work at holidays for all employees, including the leaders of the Company; strictly implement the safety requirements of production and resumption, start operation with safety checked, risks investigated and employees trained
- Conduct accident warning education, learn lessons from various disasters and accidents, and carry out in-depth safety warning education for each position

Work Safety Month series of activities

- Actively participate in the online activities, such as selection and exhibition of emergency response publicity and snapshot of hidden dangers
- Organize enterprises to carry out special emergency safety drills

Work safety knowledge contest

- Carry out activities such as safety walking of employees, work safety knowledge contest, and online quiz for Knowledge Contest of Healthy China Initiative
- Participate in the Guangzhou 2022 Emergency Knowledge Contest themed with "Safety for me"

Case Wang Lao Ji conducts knowledge contest to raise safety awareness of employees

In the afternoon of June 23, 2022, Wang Lao Ji organized the 2022 Annual Work Production Knowledge Contest, covering electromechanical safety, occupational health, fire safety, operation in limited space and other basic safety knowledge; the contest questions were comprised of required questions and tie-breaker questions, which not only tested employees' knowledge on safety but also their agility and emergency response. Through the contest, employees were educated professional knowledge of work safety, thus increasing their safety awareness and creating a favorable safety culture atmosphere.



Activity scene of the knowledge contest

Occupational health

6,000

Publicity posters formulated and printed

127,387

Participants in safety related trainings

We concern about employees' health. We improve the occupational health management system, intensify publicity and education with posters and videos on *Prevention of Occupational Injuries and Safe Production* to increase employees' health awareness, strengthen the occupational disease prevention and treatment with health examination and labor protection, and effectively guarantee employees' health at work. According to the changes of employees working in positions with occupational hazards, Ming Xing. arranged health examination for employees on and off the job to improve their occupational medical files. RMB 258,300 was invested in purchasing protection supplies for employees exposed to occupational hazards to fully protect the health of employees.

Case Jing Xiu Tang conducts work-related injuries prevention training

On October 21, 2022, Jing Xiu Tang carried out a special training on work-related injuries prevention. About 150 department heads, managers and personnel from key positions participated in the training. He Zhonglian, Director of Guangzhou Association of Work Safety and Emergency Management, attended the meeting for guidance and Fu Chuandong and Deng Nianhai were invited to give thematic lectures. At the training, with realities combined with relevant regulations in pharmaceutical industry, participants learned about common occupational diseases and prevention measures, as well as the basic knowledge of hazardous chemicals and their management and emergency measures. Through the training, the skilled knowledge of work safety and the ability to prevent work-related injuries of employees were greatly improved, and the awareness of enterprises for work safety was enhanced.



Jing Xiu Tang conducts work-related injuries prevention training

Case Tian Xin receives work safety supervision and inspection

Tian Xin always puts work safety in the first place, and conscientiously implements hazards management, fire control, training and education and emergency management, etc. On April 29, 2022, Wang Shitong, member of the Standing Committee and Head of the United Front Work Department of Guangzhou Municipal Committee of the CPC, Li Chuyuan, Chairman of GYBYS and Hu Wenxin, the Party Secretary and Chairman of Labor Union of Tian Xin, visited the enterprise for work safety supervision and inspection before the Labor's Day and inspected the key areas for safety management of Tian Xin, such as hazards warehouse and boiler room. To raise employees' awareness of work safety and strengthen the capabilities to screen and inspect safety hazards.



Tian Xin receives work safety supervision and inspection

Charity and Community Development

We actively devote ourselves into social welfare undertakings. In response to national strategy of boosting rural vitalization, we play our business to the strength to participate in social services and empower community building. By participating in social services and empowering community construction, we enthusiastically give back to the community and share the fruits of development with the whole society.

RMB 1.5 million

Input in the construction of people's livelihood in paired-up towns and villages

RMB 900,000

Donations to sponsor students in need in Baise City

RMB 100,000

Input in study environment repair in Nanxing Town, Leizhou city, Zhanjiang

Rural vitalization

Answering the national call, we bear the mission of a state-owned enterprise in mind and put our responsibilities into full practice. To actively implement the work plan of helping rural vitalization, we take multiple measures in rural education, industry and culture, consolidate the achievements of the poverty alleviation and promote the construction of beautiful villages. We input RMB 2.5 million in rural vitalization in 2022.

Helping to increase villagers' income. To this end, we take the initiative to purchase plants from paired-up regions. For example, we purchased rice from Nanxing Town, fresh lychees from three orchards in Conghua and Huadu, as well as other agricultural products from Sandu County (such as Masang mushroom and Baiyu mushroom), helping rural residents increase their income, and boosting the development of rural industries.

Actively undertaking the task of lychee industry development in Guangdong. The Company has developed the lychee product "Lixiaoji" using the special product in Lingnan areas and plans to copy the business model of Ciningji to the vitalization of lychee industry in Guangdong.

Pairing up with Nanxing Town, Leizhou City to provide assistance, we established Chinese medicinal materials planting base utilizing local resources; we helped build the Party-Mass Service Center of Zhongluotan Town, Baiyun District of Guangzhou, which has been completed and put into use this year; we paired up with three towns and eight villages in Sandu County, Qiannan Prefecture, Guizhou Province and implemented 11 assistance projects, covering street lights, irrigation ditch construction and roads rehabilitation to boost rural development and build beautiful villages.

Carrying out school-enterprise cooperation. We conducted school-enterprise cooperation in Bijie and Qiannan, Guizhou. Guangzhou Pharmaceutical Ciningji Class at Bijie Vocational and Technical College has completed enrollment, admitting 22 students in electrician and maintenance major, which covers 4 filed poor students. The scholarship of the first half semester of 2022 in Qiannan Polytechnic for Nationalities has been granted for local talent cultivation.

Case "Canton Trading – 2022 New Year Online Shopping Festival" helps Tibetan products enter the Greater Bay Area

On January 16, 2022, Beijing Road, Guangzhou City witnessed the grand launching ceremony of Canton Trading 2022 New Year Online Shopping Festival themed with "Lost in the Beauty of Tibet, Select Superior Products from Linzhiyuan". GYBYS with its 8 subsidiaries, including WLJ Great Health, Wang Lao Ji, Chen Li Ji, HWBYS, Pan Gao Shou, Baiyunshan Han Fang, Cai Zhi Lin and Jing Xiu Tang conducts work-related injuries prevention training presented. Apart from anoderma lucidum spores oil and other special products from the Tibetan plateau, Ciningji, Lixiaoji and other quality products from GYBYS were also presented offline at the regular stalls and the on-site livestreaming booths, as well as online through the "Canton Trading + Guangdong Provincial Affairs Platform". With the New Year shopping both online and offline, the special products are promoted in the Guangdong, Hong Kong and Macao Greater Bay Area, helping rural vitalization in Tibet.



Famous and quality products of Guangzhou Baiyuanshan Pharma sold at the activity

Expired medicines recycling

Implemented for 19 consecutive years

Accumulatively benefited over 700 million person-times

More than 1,800+ tons of expired drugs recycled

We carry out regular expired drugs recycling campaign. With publicity and education of expired drugs disposal and smooth recycling routes, the problems in recycling expired drugs are resolved properly, unblocking the "last mile" of expired drugs recycling. In this way, we convey the CSR concept of protecting the community and the environment to the public.

On March 13, 2022, GYBYS carried out the "3.13 Household Expired Drug Recycling Campaign". At the event, the Company presented an immersive whole-process experience of expired drugs recycling and destruction and held the flag-awarding ceremony of the volunteer team of "Household Expired Drug Recycling Nationwide to Contribute to Rural Vitalization". Meanwhile, the Company and Bank of China Guangzhou Liwan Branch signed a strategic cooperation agreement. Both sides will integrate household expired medicine recycling with the application of digital currency through the leading 5G communication technology of China Unicom, contributing to carbon neutrality through "green finance".



Community empowerment

"Wanglaoji Loving Train" Spring Festival Travel Campaign

Going home during the Spring Festival travel rush is not easy, while traveling with kids makes the trip even tougher. To solve this problem, the 10th "WLJ Loving Train" Spring Festival Travel Campaign, launched by WLJ Great Health, working together with Zhongnanshan Medical Foundation, Sina Guangdong and China Railway Guangzhou Engineering Group, tailor-made the high-speed railway carriages for families with children, the first of its kind nationwide. Free tickets, puzzle games and fun interaction on the train enabled passengers with children have an easy trip.



In the carriage of the Wanglaoji Loving Train

"Gaokao Escorting" Action

During the 2022 National Higher Education Entrance Examination (also known as Gaokao), Wanglaoji Herbal Tea in green package (Qingyuan Office team in Central Guangdong Province) launched the "Gaokao Escorting" Action in Yingde City. The team set up convenient station to send Wanglaoji Herbal Tea to traffic police, SWAT police, volunteers, drivers, candidates and their parents, relieving the summer heat and reassuring candidates to take the exam.



Sending Wanglaoji Herbal Tea to Gaokao candidates

Support for MSE development

Due to raw material prices keeps rising, market demand is weakening and cost pressure on enterprises increases, leading to mounting difficulties for the operation of micro and small enterprises(MSEs). GYBYS actively responds to the national requirements to extend more support to small and medium-sized enterprises and assist them to survive tough times. In 2022, a total of 306 rental cases for MSEs, individually-owned business and senior care organizations were exempted, covering 232,400 square meters and worth of RMB 47,830,000, which helped them save rentals of more than RMB 50 million. Through lowering or waiving rentals, the cost pressure of MSEs and their operating difficulties have been relieved, promoting the healthy and stable business operation.



Implanting digital currency models in household expired drug recycling terminals (conceptual diagram)



Volunteer answering enquiries from local residents

GYBYS empowers household expired drug recycling activities with digital power, explores the possibility of implanting digital currency models in household expired drug recycling terminals, and promotes the use of digital currency in low-carbon consumption scenarios. The Company further expands the collection of expired household drugs to the vast rural areas to launch "Household Expired Drug Recycling to Help Rural Vitalization" campaign in seven major areas of Northeast, Northwest, Southwest, North China, Central China, East China and South China, and promote the recycling of household expired drugs to villages in many provinces across China to co-build beautiful villages.

The recycling network of GYBYS's household expired drug recycling activities has been expanded from urban to rural areas, upgraded from offline sites to online and mobile Apps, each upgrade of the household expired drug recycling mechanism has brought new changes that are convenient and beneficial to the people.

Outlook

Looking back, we innovated for transformation and forged ahead to gain new momentum for high-quality development. Going forward, we will press ahead forward with determination and perseverance and make utmost efforts to build a world-class biomedicine and health enterprise with unique industrial characteristics and distinct culture. Specifically, we will facilitate to build a healthy Guangzhou, consolidate the health foundation for modernization with Chinese characteristics, and make new and greater contributions to the value appreciation of state-owned assets and the vitalization of the historical city of Guangzhou with the four-pronged comprehensive strategy for enhancement of urban functions and overall leading position.

Access to Health Care

We focus on the sustainable development of the industry, we will continue to optimize the pharmaceutical sector, make inclusive healthcare industry strong by seizing the important opportunity to expand domestic demand, and empower industry growth in alignment with the development trend of digital economy. With innovations generated through in-depth industry-university-research-hospital collaboration, we will ramp up efforts on R&D of drugs such as traditional Chinese medicines, chemical drugs, biological drugs and innovative drugs, so that high-quality pharmaceutical products can benefit more people.

Ethics and Transparency

We will take the bottom-line thinking as the benchmark and firmly hold the bottom line of safe development to strengthen the prevention and control of corruption risks and create a corporate atmosphere of integrity. We will further advance the building of a robust compliance management system by completing a comprehensive range of tasks such as ensuring workplace safety, cyber security, comprehensive management and stability maintenance, and ideology, maintaining stability through letters and calls and confidentiality, etc. Meanwhile, we will further promote supply chains to fulfill social responsibilities, and strive to develop responsible supply chains.

Environmental protection

We will constantly optimize energy mix, improve resource management capabilities, tackle climate change and protect biodiversity, so as to facilitate the realization of China's 30·60 Decarbonization Goal. We will continue to build the "Green Guangyao" production and manufacturing system, improve HSE management system, further our efforts on green factory, develop circular economy, and effectively control and minimize environmental impact through responsible production and operation.

Cornerstone of Development

We will keep advancing the talent-empowered project, advance the multi-tier and systematic strategic personnel layout to nurture excellent talents in pharmaceutical industry, and actively carry out featured corporate cultural activities to create a safe and healthy workplace and harmonious and aggressive enterprise culture for staff. We will take solid actions to support rural vitalization based on our business strength, keep promoting our charity brand image, facilitate community development and promote social harmony.

ESG Indicator Index

Main Category	Contents	Position
A Environment		
Aspect A1: Emissions		
General Disclosure	Information on exhaust and greenhouse gas emissions, pollution to water and land, generation of hazardous and non-hazardous wastes: (a) policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Response to Climate Change、 Optimization of Resource Usage、 Lower Environmental Impact
A1.1	Emission types and relevant emission data	Response to Climate Change、 Optimization of Resource Usage、 Lower Environmental Impact、 Table for ESG's Key Performance Indicators
A1.2	Direct (range 1) and energy indirect (range 2) total greenhouse gas emissions (in tons) and (if applicable) density (in units of production, per facility)	Response to Climate Change、 Table for ESG's Key Performance Indicators
A1.3	Total amount of hazardous waste generated (in tons) and (if applicable) density (in units of production and facilities)	Waste management、 Table for ESG's Key Performance Indicators
A1.4	Total amount of harmless waste generated (in tons) and (if applicable) density (in units of production and facilities)	Waste management、 Table for ESG's Key Performance Indicators
A1.5	Describe the emission targets set and the steps taken to achieve them	Response to Climate Change、 Optimization of Resource Usage、 Lower Environmental Impact
A1.6	Describe the methods for handling hazardous and non-hazardous wastes and the waste reduction goals set and the steps taken to achieve these goals	Waste management
Aspect A2: Use of Resources		
General Disclosure	Policies for the efficient use of resources (including energy, water and other raw materials)	Optimization of Resource Usage
A2.1	Total direct and / or indirect energy consumption (i.e. electricity, gas or oil) and density (i.e. per unit of production, per facility) by type	Energy management、 Table for ESG's Key Performance Indicators
A2.2	Total water consumption and density (i.e. per unit of production, per facility)	Water resources management、 Table for ESG's Key Performance Indicators
A2.3	Describe the energy efficiency goals set and the steps taken to achieve them	Optimization of Resource Usage、 Lower Environmental Impact
A2.4	Describe any issues that may arise in obtaining the applicable water resources, the water use efficiency objectives set and the steps taken to achieve these objectives	Water resources management、 Lower Environmental Impact
A2.5	The total amount of packaging materials used in the finished product (in tons) and, if applicable, the percentage per production unit	Use of packaging materials、 Table for ESG's Key Performance Indicators
Aspect A3 : Environment and Natural Resources		
General Disclosure	Policies to reduce the significant impact of Issuers on the environment and natural resources	Response to Climate Change、 Energy management、 Water resources management、 Waste management、 Noise management、 Biodiversity Conservation
A3.1	Describe the significant impacts of business activities on the environment and natural resources and actions taken to manage the impacts	Response to Climate Change、 Energy management、 Water resources management、 Waste management、 Biodiversity Conservation
Aspect A4 : Climate Change		
General Disclosure	Identify and respond to policies on mitigation measures related to major climate related issues that have and may have an impact on the issuer.	Response to Climate Change、 Energy management、 Biodiversity Conservation
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Response to Climate Change、 Energy management、 Biodiversity Conservation

Main Category	Contents	Position
B Society		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (1) policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other treatment and benefits; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer	Employee rights
B1.1	Total number of employees by gender, type of employment, age group and region.	Employee rights, Table for ESG's Key Performance Indicators
B1.2	Turnover rate by gender, age group and region.	Table for ESG's Key Performance Indicators
Aspect B2: Health and Safety		
General Disclosure	Information on: (1) policies for providing a safe working environment and protecting employees from occupational hazards; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer	Occupational Health and Safety
B2.1	Number and rate of deaths due to work	Table for ESG's Key Performance Indicators
B2.2	Number of working days lost due to work injury	Table for ESG's Key Performance Indicators
B2.3	Describe the occupational health and safety measures adopted, as well as relevant implementation and monitoring measures	Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills in performing their duties. Describe training activities	Employee development
B3.1	Percentage of trainees by gender and type of employees (i.e. senior management, middle management)	Table for ESG's Key Performance Indicators
B3.2	Average number of training hours per employee by gender and type of employee	Table for ESG's Key Performance Indicators
Aspect B4: Labour Standards		
General Disclosure	Information on: (1) policies to prevent child labor or forced labor; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer	Employee rights
B4.1	Describe measures to review recruitment practices to avoid child labor and forced labor	Employee rights
B4.2	Describe the steps taken to eliminate violations when they are identified	Employee rights

Main Category	Contents	Position
B Society		
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Manage environmental and social risk policies in the supply chain	Supply chain management
B5.1	Number of suppliers by region	Table for ESG's Key Performance Indicators
B5.2	Describe the practice of employing suppliers, the number of suppliers to whom the practice is implemented, and the implementation and monitoring methods of the practice	Supply chain management
B5.3	Describe the management, implementation and monitoring methods for identifying environmental and social risks in each link of the supply chain	Supply chain management
B5.4	Describe the practices for promoting the use of environmentally friendly products and services when selecting suppliers, as well as the relevant implementation and monitoring methods	Supply chain management
Aspect B6: Product Responsibility		
General Disclosure	Information on the health and safety, advertising, labeling and privacy of the products and services provided and remedies: (1) policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	Responsible marketing
B6.1	Percentage of the total number of products sold or delivered that need to be recovered for safety and health reasons	Table for ESG's Key Performance Indicators
B6.2	Number of complaints about products and services received and how to deal with them	Product quality management , Table for ESG's Key Performance Indicators
B6.3	Describe practices related to the maintenance and protection of intellectual property rights	IPR protection
B6.4	Describe the quality verification process and product recovery procedure	Product quality management
B6.5	Describe the consumer data protection and privacy policy, as well as the relevant implementation and monitoring methods	Consumer rights protection
Aspect B7: Anticorruption		
General Disclosure	Prevention of bribery, extortion, fraud and money laundering: (a) policies; and (2) complying with relevant laws and regulations that have a significant impact on the issuer	Anti-corruption and anti-bribery
B7.1	Number and outcome of corruption lawsuits brought and concluded against the issuer or its employees during the reporting period	Anti-corruption and anti-bribery
B7.2	Describe preventive measures and reporting procedures, as well as relevant implementation and monitoring methods	Anti-corruption and anti-bribery
B7.3	Describe the anti-corruption training provided to directors and employees	Anti-corruption and anti-bribery, Table for ESG's Key Performance Indicators
Aspect B8: Community Investment		
General Disclosure	Policy on community involvement to understand the needs of the communities in which they operate and to ensure that the interests of the communities are taken into account in their business activities	Charity and Community Development
B8.1	Focus on areas of contribution (i.e. education, environmental issues, labor needs, health, culture, sports)	Charity and Community Development
B8.2	Resources (such as money or time) used in the area of focus	Charity and Community Development, Table for ESG's Key Performance Indicators

Table for ESG's Key Performance Indicators

ESG Indicator	Unit	2022	
A Environment			
Aspect A1:Emissions			
A1.1	Industrial wastewater	ton	2,551,382.96
	Density of industrial wastewater	ton /output value of RMB 10,000	1.15
	Chemical oxygen demand CODCr ¹	ton	181.65
	Ammonia nitrogen	ton	3.57
	NO _x	ton	28.74
	SO ₂	ton	0.39
A1.2	Total emission of greenhouse gas	ton	165,023.79
	Emission of Category 1	ton	48,290.80
	Emission of Category 2	ton	116,732.99
	Emission density of greenhouse gas	ton/output value of RMB 10,000	0.07
A1.3	Pharmaceutical waste (HW02) and waste drugs (HW03)	ton	460.33
	Other hazardous waste	ton	422.59
	Total quantity of hazardous wastes ³	ton	882.92
A1.4	General industrial wastes	ton	36,559.71
	Density of general wastes	kg/output value of RMB 10,000	16.51
Aspect A2: Use of Resources			
A2.1	Gasoline	L	468,786.53
	Diesel	L	1,125,768.79
	Coal	ton	0.00
	Natural gas	10,000 m ³	1,868.90
	Purchased steam	ton	54,495.20
	Purchased steam	KWh	158,051,123.70
	Comprehensive energy consumption ⁴	MWh	410,990.31
A2.2	Water consumption	ton	4,525,233.21
	Water consumption density	ton / output value of RMB 10,000	2.04
A2.5	Packaging material by weight	ton	40.20
	Packaging materials by number of pieces	piece	9,465.00
	Outsourced carton usage	ton	945.00

¹ Due to the increase of production in 2022, sewage discharge and discharge concentration have increased

² Due to the replacement of biomass boilers, resulting in an increase in NO_x emissions and a decrease in SO₂ emissions

³ Increased due to process change and processing cycle

⁴ The increase resulted from the expansion of production and statistical coverage

ESG Indicator	Unit	2022	
B Society			
Aspect B1:Employment			
B1.1	Total number of employees	person	24,249
	Number of male employees	person	14,807
Gender	Number of female employees	person	9,442
	Number of employees below 30	person	4,955
Age	Number of employees aged 30-50	person	17,767
	Number of employees aged 50 or above	person	1,527
Education	Postgraduate and above	person	678
	Undergraduate	person	8,194
	Junior college	person	7,176
	High school and below	person	8,201
Type	Number of full-time employees	person	24,249
	Number of part-time employees	person	0
B1.2	Employee turnover rate	%	12.55%
	Turnover rate of male employees	%	17.27%
	Turnover rate of female employees	%	8.95%
	Turnover rate of employees below 30	%	24.76%
	Turnover rate of employees aged 30-50	%	12.13%
	Turnover rate of employees aged 50 or above	%	1.31%
	Aspect B2: Health and Safety		
	B2.1	Work related deaths in 2020	person
Work related deaths in 2021		person	1
Work related deaths in 2022		person	0
Proportion of employees died at work		%	0%
B2.2	Total loss days due to work reason	day	711
Aspect B3:Development and Training			
B3.1	Total person-times of training	person-time	211,853
	Male employees who took part in training	person	11,082
	Female employees who took part in training	person	12,402
	Senior management employees who took part in training	person	194
	Middle management employees who took part in training	person	1,473
	Total training duration of all staff	hour	637,699.16
	Per capita training duration	person/hour	26.30
B3.2	Training hours of male employee	hour	168,303.41
	Average training hours for male employees	person/hour	11.37
	Training hours of female employees	hour	161,419.45
	Average training hours for female employees	person/hour	17.10
	Training hours of senior management employees	hour	8,557.40
	The average training hours by senior Management	person/hour	44.11
	Training hours of middle management employees	hour	51,498.79

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Aspect B3: Development and Training		
Average training hours for middle management employees	person/hour	34.96
Relevant safety training times	time	771
Relevant safety training person-times	person-time	127,387
Relevant safety training duration	hour	118,861.50
Safety drill times	time	193
Aspect B5: Supply Chain Management		
Number of suppliers	number	6285
South China	number	2,985
East China	number	1,623
North China	number	443
Central China	number	13
B5.1 Northeast China	number	236
Northwest China	number	334
Southwest China	number	640
Hong Kong, Macao and Taiwan	number	27
Overseas	number	11
Number of audits conducted on suppliers this year	time	2,997
Aspect B6: Product Responsibility		
B6.1 Total volume of products that were sold or shipped for safety and health reasons.	box	0
Percentage of products sold or shipped subject to recalls for safety and health reasons.	%	0
Total number of customer calls	time	33,329
Complaint (involving "product quality" and "service quality")	time	2,307
B6.2 The percentage of customer complaint respons	%	100%
Consumer privacy protection training times	time	5
Aspect B7: Anticorruption		
B7.1 Number of corruption lawsuits	case	0
Fines imposed on issuers or employees	RMB	0
Total number of directors trained in anti-corruption training	person-time	20
Duration of anti-corruption training for board members	hour	24.5
B7.3 Total duration of anti-corruption training for board members	person-time	10,006
Employee anti-corruption training duration	hour	40,705
Aspect B8: Community Investment		
B8.2 Fund donation	RMB 10,000	1,046.74
Article donation value	RMB 10,000	1,564.82
Number of volunteers	person	11,185
Volunteering hours	hour	157,071.32

Notes:
1.Both data calculation method and correlation coefficient refer to HKEX How to Prepare Environment, Society and Management Report, unless otherwise noted;
2.Greenhouse gas emission of natural gas was calculated according to Industry other Industries Corporate Greenhouse Gas Emission Calculation Method and Guidance of Report released by National Development and Reform Commission.



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