



广药白云山
GUANGZHOU BYS HOLDINGS

2017

Corporate
social
responsibility
Report

Guangzhou
Baiyunshan
Pharmaceutical
Holdings
Company
Limited





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1. ABOUT US

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. is a listed company under Guangzhou Pharmaceutical Holdings Limited (GPHL) (A-Shares 600332, H-Shares 00874). GPHL continuously passes on heritage, strives for breakthrough and innovation by pursuing the vision of “spreading love to everyone”, the core value of “cooperation, benefiting the world, upholding integrity, contribution, innovation and being industrious”, and the mission of “caring for life, pursuing excellence”.

Business summary

Since its establishment, the Group has been engaging in the pharmaceutical and health industry. After years of development, the scale and benefits of Group have been continuously expanded and has accumulated certain advantages in products and brand, cultural soft power, and industrial chain system. We own 3 national Chinese medicine recipes, 54 exclusive recipes, and a number of national and provincial well-known trademarks. In the meanwhile, the long history of the Group in Chinese medicine culture has created a number of state-level intangible cultural heritages, and has been actively demonstrate the long history and splendid culture of Chinese medicine by establishing the propaganda platforms such as Chen Li Ji Museum, Cai Zhi Lin Museum, “Wang Lao Ji” Herbal Tea Museum and “Shen Nong Cottage”. Furthermore, the Group has formed a industrial chain involving raw material, R&D, production, distribution and terminals.

The corporate culture of the Group has distinctive “red, green and blue” tri-color features, in which “Red” implies inheriting from ancestors, serving the people, and contributing to the society; “Green” implies longevity. A number of many century-old enterprises under the Group adhere to quality insistence and manufacturing Good medicine only; “Blue” implies innovation. We continue to invest in product development and production process updating, carry out pioneering innovation and continuous improvement.

Four Great Sectors, three new business forms

As one of the largest pharmaceutical manufacturers, we have established 4 great sectors and 3 new business forms. Four business segments, namely, “Great Southern TCM”, “Great Health”, “Great Commerce” and “Great Medical Care”. 3 new business forms include “E-commerce”, “Capital Finance”, and “Medical Instruments”.

12 Chinese Time-honored Branded Enterprises

It boasts 12 Chinese Time-honored Brand Enterprises, including 10 century-old enterprises.

12 Chinese time-honored branded enterprises

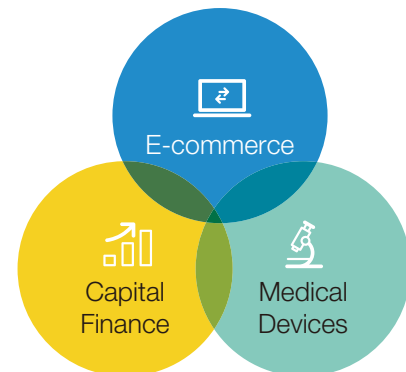
- Chen Li Ji, founded in 1600
- Jing Xiu Tang, founded in 1790
- Wang Lao Ji, founded in 1828
- Qi Xing, founded in 1875
- Ming Xing, founded in 1900
- He Ji Gong, founded in 1938
- ZhongYi, founded in 1662
- Cai Zhi Lin, founded in 1806
- Xing Qun, founded in 1868
- Pan Gao Shou, founded in 1890
- Guang Hua, founded in 1912
- Jian Min, founded in 1952

Major Chinese medicines products include Xiao Ke Pill, Qing Kai Ling series, Xia Sang Ju granules series, Hua Tuo Zai Pill, An Gong Niu Huang Pill, Wang Lao Ji Herbal Tea, Wang Lao Ji Qi Xing Tea for Children, Zhui Feng Tou Gu Pill and ect.; Major chemical medicines include cefathiamidine, cefixime, amoxicillin and Sildenafil Citrate Tablets, etc.. Major Great Health products include Wang Lao Ji Herbal Tea, ganoderma spore ailcapules etc..

FOUR GREAT SECTORS



THREE NEW BUSINESS FORMS



2. CHAIRMAN STATEMENT

A tree has to strike a firm root before it can flourish. A river has to have a fully dredged source before it can flow unceasingly far. Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. enjoys a long history and has always adhered to the philosophy of “the combination of Chinese and western medicine” in our exploration of the inheritance and innovation of traditional Chinese medicine culture. With “care for life and pursuit excellence” as our mission, while realizing business development, we always adhere to the responsibility principle of “spreading love all over the world” that is integrated into our management, business and the active performance of our corporate social responsibility. We have built a harmonious relationship with our stakeholders in order to realize the sustainable development in economy, society and environment.

In 2017, by closely focusing on the main theme of “Quality and Benefit Year”. We have achieved continuous improvement in overall strength by means of strengthening our brand, quality, and efficiency, and benefits. As one of the leading companies in China’s biomedical health industry, the Group has always been maintaining its leading position in the industry. In the past year, we have taken a global approach to international development, including hosting the Fortune International Science and Technology Brainstorm Conference and the medical health round table conference. Wang Lao Ji Herbal Tea and Baiyunshan Mineral Water have become exclusive official herbal teas and drinking water for Fortune Global Forum, “Shen Nong Cottage” has become a national 4A-level scenic spot and a designated reception point for Fortune Forum. We also won the honors of the second prize in the National Science and Technology Progress Award, China’s Top Ten Non-Governmental science technology and Economy of the Year, and China’s Double-Support Figures of the year. All work has achieved significant progress.

By adopting the People-oriented principle and the concept of “Striving for progress, kindness, and innovation”, we actively assumed our due social responsibility to cure more patients and save more lives. We actively adopted the strategy of “building a healthy China” put forward in the report of the 19th National Congress of CPC and commit ourselves to reducing medical expenses for the people, improving health, and improving people’s health and well-being so as to convert the “demographic dividend” into “health bonus”.

Committed to the faith that “the world is full of love”, we have upgraded the brand public-welfare activity – The mechanism for free recovery of expired family medicines. Over the 14 years since this activity began, more than 1,500 tons of expired family medicines have been recovered which has provided benefits to more than 600 million people. We have formulated the general principle of “accurate, early, and special” for our poverty alleviation work, carried out poverty alleviation work to people who really live poverty, and provided free medical checkups and medicine kits for Cadres for poverty alleviation in Guangzhou at the beginning of this year to earnestly fulfill our social responsibilities and fight against poverty. With the concept of people-oriented development, we attached great importance to production safety. The chairman, Party secretary and general manager are the Person in Charge of the Safety Responsibility System. We innovated safety production management system and our safety, which was recognized by all circles of the society. To create green life, we actively respond to the goal of “building a beautiful China” promoted in the report made on the 19th National Congress of CPC by continuing to increase investment in environmental protection and by committing ourselves to building a clean, lowcarbon, safe and efficient production system.

This year marks the 40th anniversary of the reform and opening up. We will focus on the theme of “Innovation and Efficiency Year, Promotion of High-quality Development” to lead employees to carry forward the spirit of “Working Hard to Get Win” of Guangdong merchant and continue to develop the four sectors, namely Great Southern TCM, Great Health, Great Commerce, and Great Medical Care, into bigger and stronger business. We will continue to contribute to raising the health level of the common people and developing human health career by strengthening our corporate party building, innovation, global distribution, capital operation and risk control. Meanwhile, We adheres to the responsibility philosophy of “Spreading love to everyone”, strengthen its efforts in patriotic double support, poverty supporting, expired drug recovery, donating money for education, accurate poverty alleviation and other love public welfare undertakings, so as to be contributive to and repay the society.





3. RESPONSIBILITY MANAGEMENT

We value social responsibility management and has been adhering to the responsibility philosophy of “Guangyao Baiyunshan spreads love to everyone”. When we develop our development strategy, we have incorporated our social responsibilities and have formed a “strategic in advance” – “internal practice” – “foreign communication” social responsibility work route.

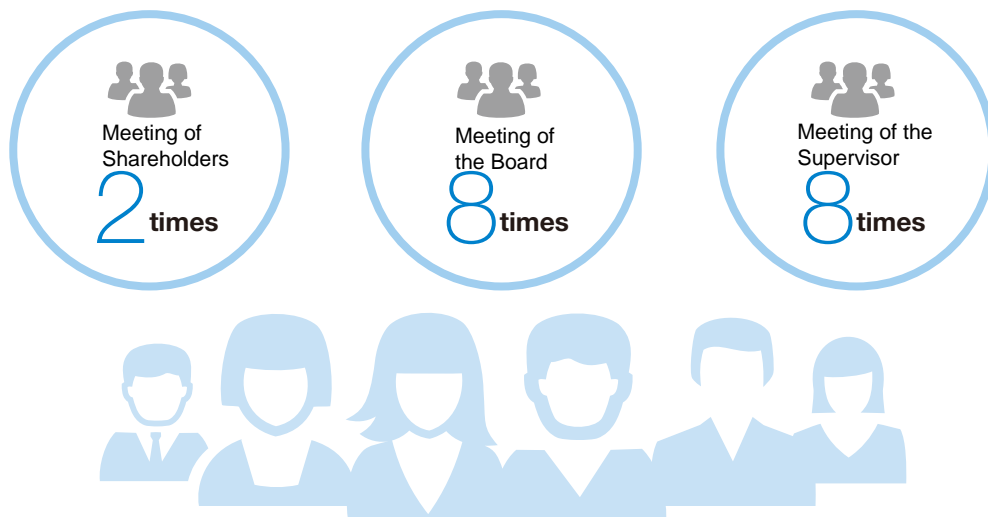
3.1 Shareholders' Responsibility

In accordance with the development strategy of “Quality and Benefit Year”, the group responds to the “carrying out the Healthy China initiative” set forth in the report at the 19th CPC National Congress by continuously centering on improving the quality and efficiency of the enterprise development, working hard to prompt the business of four great sectors, namely Great Southern TCM, Great Health, Great Commerce, and Great Medical Care, with the aim of improving the system for medicine supply. It is committed to improve the quality of products, operation, service and talents, pushes hard to build the brands of products and enterprise, and strives to promote its quality and efficiency, facilitating its business to achieve the continuous and stable growth.

In 2017, GPHL realized operation revenue of 20,954,225,000 yuan, an increase of 4.58% year-on-year, with the profit amounting to 2,492,976,000 yuan, an increase of 28.17% year-on-year. The net profit attributed to listed company shareholders reached 2,061,652,000 yuan, an increase of 36.71% year-on-year.

We strictly follow the requirements of the “Company Law,” “Securities Law,” “Shanghai Stock Exchange Main Board Rules,” “Hong Kong Stock Exchange Main Board Listing Rules,” the relevant laws and regulations of the Securities Regulatory Commission, and the “Articles of Association” of the company. The Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of the Board of Directors, and the Rules of Procedure of the Supervisory Committee require shareholders meetings, board meetings, and meetings of the board of supervisors.

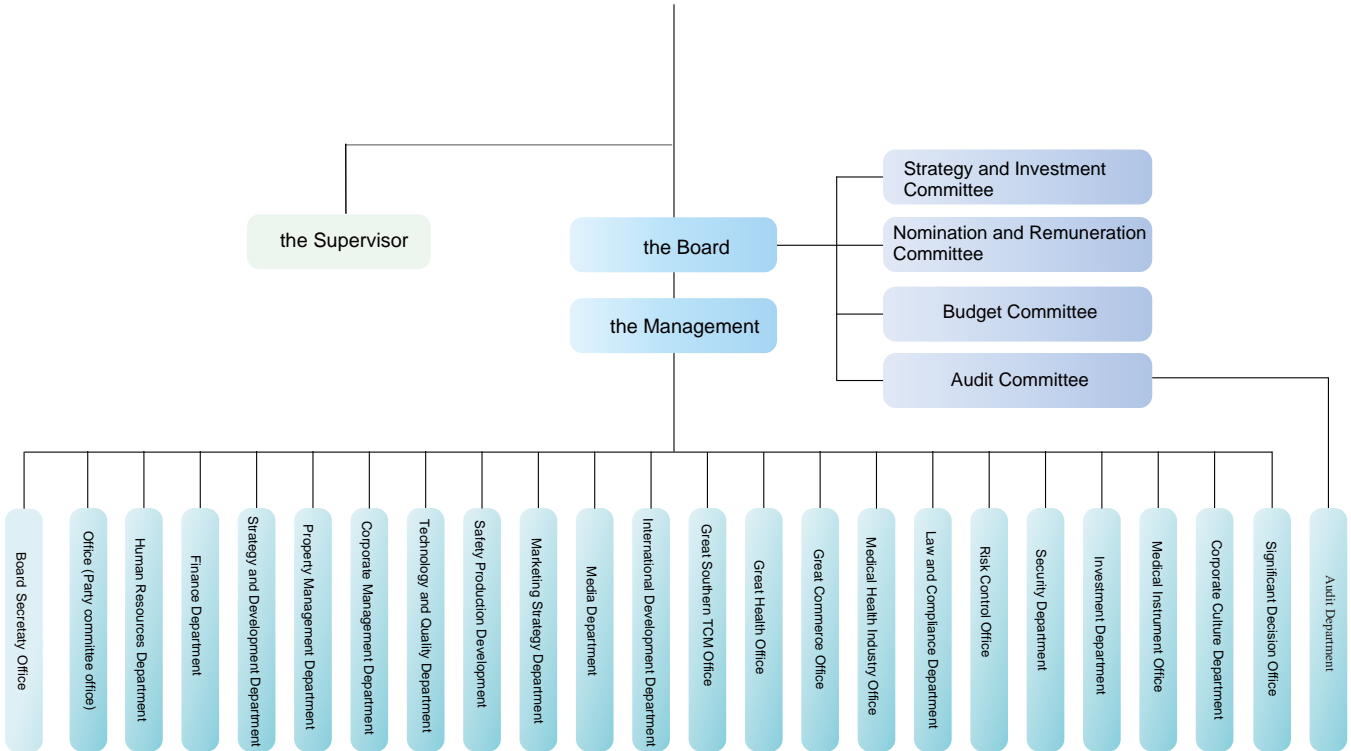
GPHL has set up a corporate governance structure, which is composed of the shareholders' meeting, the board of directors and their special committee, the board of supervisors and the executive offices. The Board of Directors has 10 directors, including 4 independent non-executive directors. It has four Specialized Committee, namely, the Audit Committee, the Strategic Development and Investment Committee, the Nomination and Remuneration Committee, and the Budget Committee. In 2017, the company convened 2 shareholders meetings, 8 meetings of the Board, 8 meetings of the Supervisors, 3 meetings of the Audit Committee, 6 the Strategic Development and Investment Committee, 2 meeting of the Nomination and Remuneration Committee, and 1 meetings of the Budget Committee.





3. RESPONSIBILITY MANAGEMENT (CONTINUE)

3.2 Internal control and management





3. RESPONSIBILITY MANAGEMENT (CONTINUE)

GPHL attaches importance to internal governance:

In the aspect of “three importance and one greatness” policy-making management, GPHL formulates the Implementation Guidance on Following the Rule of “Three Importance and One Greatness” Collective Policy-making, and Procedure and Approval System of “Three meetings” Implements the “Three Importance and One Greatness” Collective Policy-making. Thus, it clarifies the work flow and approval phases, striving for scientific and democratic policy-makings.

In the aspect of risk control, GPHL has formulated and improved 11 relevant risk prevention and control systems, such as the Interim Measures for Internal Audit Management (Trial), the Control and Regulation of Quality Risk Relating to Joint Venture, Mergers and Acquisitions, the Authorized Use of Trademark and Subcontract, the Notice of Strengthening the Risk Control of Enterprise Fund, the Implementation Guidance on the Prevention and Control of Enterprise Integrity Risk, the Risk Control and Approval Measure for Subsidiaries Economic Contract, the Standards of Enterprise Daily Risk Control, etc.

Under the leadership of Risk Control Office, the company has formed the risk information system comprising 17 departments and some members of the leadership. It carries out risk identification in various forms, such as self-evaluation, interview, seminar and questionnaires. In 2017, a total of 2,555 risk information was collected, including 366 high risks. Risk resolution measures have been formulated for 336 high-risk events.

THE 7 RISK PREVENTION AND CONTROL SYSTEMS

The company has formulated seven risk prevention and control systems, namely, Three Importance and One Greatness Collective Decision-making System, Conversation and Admonition Talk System, Bidding Supervision System, Audit System, Bidding Management System and Contract Management System.

The above-mentioned seven systems achieve full supervision over the whole operations of the company, including important policy-making, personnel appointment and removal, project arrangements, procurement of raw materials and equipment, projects construction, advertising marketing, and the operation of large-value funds.



3. RESPONSIBILITY MANAGEMENT (CONTINUE)

3.3 Responsibility communication

Our core mission is to care for patients' health and well-being, so as to create more value for stakeholders and to sincerely contribute to the health and well-being of the community. We have constructed a communication platform for our shareholders, customers, employees, partners, government, industrial peers, community and the public, making them gain a better knowledge about GPLH's activities in fulfilling.

Stakeholders	Communication needs	Communication approach
Shareholders and creditors	Disclose the business situations and major information related to corporate decision-making in a timely and accurate manner and provide a reasonable return on investment.	Conference exchange Periodic reports and temporary announcements Investor meetings Website, mail, investor hotline
Customers	To ensure product quality and safety, improve service level and provide information feedback and communication channels.	Customer meetings Visiting Customers Consulting Hotline and official WeChat Brand publicity
Employees	To establish a safe and healthy working environment, guarantee basic welfare and rights, and provide skill training and career development channel.	Satisfaction survey Enterprise information platform Employees' congress Democratic Consultative Dialogue Employees' seminar Internal mailbox
Business partners	To ensure a fair and transparent cooperation mechanism, provide opportunities for partners, and achieve a win-win situation.	Company website Phone, mail Work conference Mail correspondence
Government	To preserve and create value for state-owned assets, to actively cooperate with the government supervision, promote the industrial innovation and progress, and help cultivate a healthy and sustainable market environment.	Work reports Government consultation and proposals Government and enterprises forum Website, mail
Industrial peers	Conduct academic exchanges and study, and jointly promote industrial progress.	Peer exchange activities Industry seminars
Community and public	To provide employment opportunities for local residents, reduce the impact of production and business operation on the ecological environment, spread the knowledge about health and healthcare, and help the disadvantaged group.	Conference exchange Phone communications Community activities Public welfare Activities



3. RESPONSIBILITY MANAGEMENT (CONTINUE)

Stakeholder Questionnaires



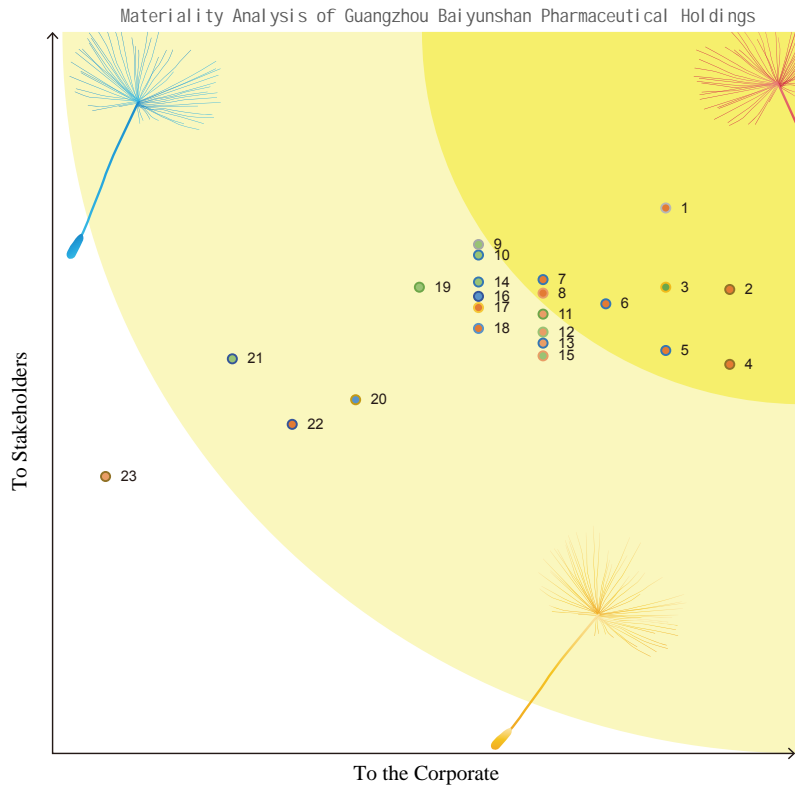
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GPHL holds that the expectations and aspirations of stakeholders are crucial for its sustainable development and adopts many methods to identify the specific campaigns relevant to stakeholders. In 2017, GPHL designed the stakeholders-targeted questionnaires based on national policies, hot topics, industry trends, etc. It received 591 feedback from stakeholders via online questionnaires, telephone interviews and email communication. It screened out 23 major issues by evaluating the importance of these feedback from the two dimensions of “Being important to the company” and “Being important to the stakeholders” and the three aspects of environment, society and governance.

Significant Issues



23





3. RESPONSIBILITY MANAGEMENT (CONTINUE)

The Significance Rank of GPLH ESG Issues			
Degree	Serial number	Questionnaire	Scope
High importance	1	Guarantee the quality and safety of the product	Society
	2	Provide training and skills promotion courses for employees	Society
	3	Properly dispose solid waste	Environment
	4	Offer competitive remuneration	Society
	5	Internal anti-corruption management	Society
	6	Conduct R&D innovation, and protect intellectual property rights	Society
	7	Pay attention to the safety and health of employees	Society
	8	Demand supplier's compliance	Society
	9	Devote resources to reduce pollution emissions	Environment
	10	Pollution emissions meets relevant standards	Environment
	11	Employment complying with laws and regulations	Society
Medium importance	12	Protect consumers' privacy	Society
	13	Create a fair and transparent promotion channel	Society
	14	Conserve energy	Environment
	15	Greenhouse gas emissions	Environment
	16	Continuous profit growth	Others
	17	protect the legitimate rights and interests of consumers	Society
	18	Advocating green supply chain	Society
	19	Conserve water	Environment
	20	The transparency of business information	Others
	21	Reduce product's packaging materials	Environment
	22	Participate in public welfare donations, disaster relief and other activities	Society
Low importance	23	Invest more resources to support the development of surrounding communities	Society

In accordance with the relevant standards of domestic and foreign social responsibility report and take into consideration its fulfillment of responsibility, public opinion analysis, peer bench-marking and the communication with stakeholders, we have selected 23 major issues for 2017 GHPL CSR Report. Rely on the analysis of stakeholders' feedback, we have created a matrix of and ranked the importance of these issues according to the two dimensions of "Being important to the company" and "Being important to the stakeholders", serving as the basis for preparing this report. These issues will be given priority in this report, acting as an important reference for our subsequent performing responsibility.





紅色傳承 • 懸壺濟世

Red heritage • the pot to help the world



黨建
Party building



精準扶貧
Precise poverty
alleviation



社區投資
Community
investment



員工關愛
Employee care





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC

The eternal “Red Gene”

4.1 Party building

The Group’s Party building has been integrated into the entire operation and management process, forming a 123 pattern of great Party building with GPHL characteristics. That is, sticking to one guideline: the positive interaction between the Party building and the big development; two combinations: the combinations of Party building, culture and society; three supports: the supports of philosophy, talents and integrity. We aim to promote the building of a service-oriented Party organization and a clean GPHL and implement the talent aggregation program.

Party building achievements

HWBYS is the only national advanced primary-level Party organization in the pharmaceutical industry in the past 10 years, and the only innovation practice base set up by the Party School of the CPC Central Committee in Guangdong province.

The Party committee of Wang Lao Ji won the title of “Guangzhou Advanced Primary-level Party Organization in Competing for Excellence”.

The Party committee of Chen Li Ji won the title of “Guangzhou Advanced Primary-level Party Organization”.

The Party committee of Chen Li Ji won the title of Advanced Primary-level Party Organization of Guangzhou.

Shennong Caotang is selected as one of the six “Guangzhou Education Bases of combating corruption and upholding integrity”.

We pay high attention to fight corruption and promote integrity. In order to actively promote scrupulous Party ethos and prevent risks of integrity-breach, a number of measures are adopted to maintain openness and transparency of operation, contributing to the sustainable development of the company and society. In 2017, we further improved the long-term work mechanism for building an honest and clean government and continued to implement the CPC Central Committees eight-point decision. We believe in that “prevention is more important than treatment” and highlight the “efficiency supervision” projects of subsidiaries to ensure full achievement of integrity.

At the same time, we have actively promoted the construction of a clean and honest party conduct and administration, continuously strengthened the education of scrupulous performance. By improving the integrity system, we have incorporated the prevention of corruption into the system construction, clarified the specific division of work, processes, and responsibilities, and highlighted the oversight, discipline and accountability functions of the Discipline inspection and Supervision Department.



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

4.2 Targeted poverty alleviation

4.2.1 PLAN

We have put forward the general plan of alleviating poverty featuring “Targeted, early and distinctive”

“Targeted” – the direction of poverty alleviation

“Early” – the time schedule requirements

“Distinctive” – the poverty alleviation pattern combining with the group’s characteristics

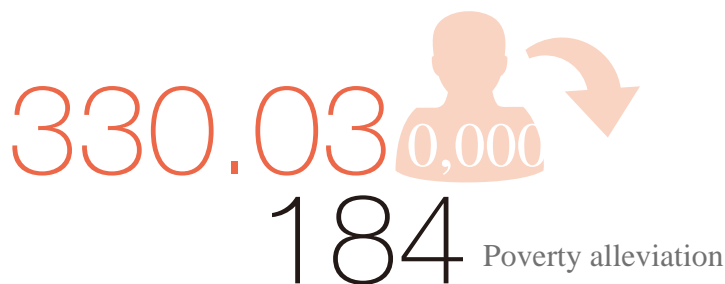
Three subsidiaries of the Company, namely Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd., Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd., and Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd., are responsible for the implementation of the specified poverty alleviation initiatives. The aforementioned subsidiaries planned to achieve the objective of “no worries for two things, guaranteed on three aspects and meeting the average” by the end of 2018 in accordance with the guideline of “targeted approach to aid the needy towards each village and household with the industry driving the whole village forward” towards three targeted villages with a contribution of not less than 2 million for each village. The aforesaid objective is to put the poor rural people in a stable condition that they no longer need to worry about food and clothes, compulsory education, basic medical services and residential safety are guaranteed and the index of the main areas of basic public services meets the average level in Guangdong Province.

4.2.2 ANNUAL SUMMARY

In 2017, to better carry out targeted poverty alleviation initiatives, the three subsidiaries formulated the general philosophy of poverty alleviation featuring “targeted, early and distinct” and assistance plan, established a leading group for targeted poverty alleviation, and conducted field investigations, accelerating the implementation of assistance projects. Under the general principle of poverty alleviation initiatives, accurate poverty alleviation work is carried out in an orderly manner.

4.2.3 ANNUAL ACHIEVEMENTS

In 2017, we continuously promote the targeted poverty alleviation work, with a total investment of 3.3303 million yuan, lifting 184 people out of poverty. Our achievements were widely recognized by the society, and we won the Bronze Medal of Hongmian Cup of Poverty Alleviation of Guangdong and the Silver Medal of Poverty Alleviation of Meizhou.





Index	Unit: RMB10,000 yuan
1. General information	
Including: 1. Fund	330.03
2. Materials trade	
	33.35
3. Number of poor people helped to be removed from administrative record for poverty registering (Person)	
	184
2. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input checked="" type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (piece)	9
1.3 Amount invested in industrial poverty alleviation projects	133.2
1.4 Number of poor people helped to be removed from administrative record for poverty registering (persons)	179
2. Poverty alleviation through employment	
Including: 2.1 Amount invested in vocational training	0.49
2.2 Number of people receiving vocational training	102
2.3 Number of poor people in administrative record for poverty registering employed (Persons)	71
3. Poverty alleviation through relocation	
Including: 3.1 Number of relocated people employed (Persons)	0
4. Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	1.4
4.2 Number of students receiving allowance (Persons)	21
4.3 Amount invested in improvement of education resources in poverty	0
5. Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poverty area	51.75



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Index	Unit: RMB10,000 yuan
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of project	<input checked="" type="checkbox"/> Launching ecological protection and construction <input type="checkbox"/> Establishing compensation for the ecological protection <input type="checkbox"/> Creating ecological and public welfare positions <input type="checkbox"/> Others
6.2 Amount invested	0
7. Protection for the most impoverished people	
Including: 7.1 Amount invested in helping the three left-behind groups	0
7.2 Number of people of the three left-behind groups helped (Persons)	0
7.3 Amount invested in helping poor people with disabilities	0
7.4 Number of poor people with disabilities helped (Persons)	0
8. Poverty alleviation in the society	
Including: 8.1 Amount invested in poverty alleviation in the east and west parts of the country	0
8.2 Amount invested in fixed-point poverty alleviation work	0
8.3 Poverty alleviation fund	0
9. Others	
Including: 9.1 Number of projects (Project)	35
9.2 Amount invested	176.54
9.3 Number of poor people helped to be removed from administrative record for poverty registering (Persons)	5
9.4 Details of other projects	Infrastructure construction, water conservancy construction, environmental control, renovation of dilapidated houses, etc.
3. Awards (details and levels)	the Bronze Medal of Hongmian Cup of Poverty Alleviation of Guangdong province 2016 and the Silver Medal of Poverty Alleviation of Meizhou 2016.

4.2.4 FOLLOW-UP ALLEVIATION PLAN

We will make great efforts on industrial “blood creating” alleviation as well as educational and intellectual alleviation. These will be implemented across the whole village, with new industrial ones suited to local conditions being implemented. Meanwhile, we will take extra care of the underprivileged and improve the residential environment. On top of improving the annual poverty alleviation plan, we provide greater support to the poor by proactively implementing the policy of “special policy to each household” in order to practically achieve the objective of targeted approach to aid the needy.

4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

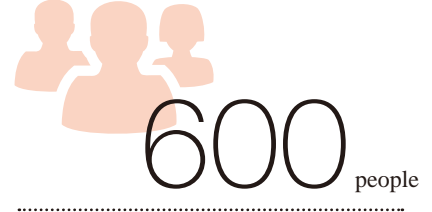
“Teach to fish” industrial poverty alleviation

By combining the advantages and resources, we explore a new mode of industrial poverty alleviation featuring “teach to fish”.

At the end of December 8, 2016, the construction of Guangzhou WLJ Great Health Industry Co., Ltd. base was commenced in the Guangmei Industrial Transfer Industrial Park, which will develop into as the world’s largest extraction base of herbal tea stoste. At the Merchants Conference 2017 just concluded in November 2017, Cai Zhi Lin Industrial Service Base has signed contract and is also ready to settle in this park. These two projects can provide over 600 jobs for local poverty-stricken labor force.

In November, the Group also signed an employment agreement on targeted poverty alleviation with Songyuan Township. Qualified labor force among poor households have priority over these jobs. We strive for a win-win situation through the integration of industrial assistance, establishing a long-term mechanism for industrial assistance.

Employment promotion



Photovoltaic power generation, and the combination of poverty alleviation with climate change mitigation

To perfect the long-effect mechanism of poverty alleviation, we implement photovoltaic power plant projects by allowing poverty-stricken households to take a stake. For each of the three villages, a 50-kilowatt photovoltaic power station has been built and connected to the grid, which can bring more than 50,000 yuan per year to the collective economy of these villages.

Most of the revenue is allocated to the village’s Love and Mutual Assistance Organizations, and devoted to their poverty alleviation initiative, benefiting the whole village.





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Promoting the idea of health, “Health, an integral part of poverty alleviation”

We highlight the idea of “health, an integral part of poverty alleviation”, and have invested nearly RMB300,000 yuan to support 4939 qualified villagers to purchase new rural cooperative medical care, improving the level of medical care. More than 1,300 households were granted household medicine kits and herbal tea beverages with a total value of 500,000 yuan. The medical team from the Second Affiliated Hospital of Sun Yat-Sen University carried out medical treatment in rural areas, with more than 200 people receiving medical treatment.

Health Promotion

4,939

Residents were provided medical care



Construction of people’s livelihood culture

We are continuing to help improve the rural environment and focus on these people’s livelihood projects.

In 2017, we built or renovated a total of 3 village clinics. We also constructed 0.15 km road and 1.2 km dam. 279 solar streetlights were installed and 1.8 km drinking water pipelines were renovated. Three new rural culture and leisure venues were built and 12 dilapidated houses were innovated.

This year, we have built a cultural and activity square in Jingkou village, which offers room of senior activity, child care, reading, technology training, convenient service center and rural committee for more than 3,000 villagers. Being well recognized by the local villagers, the square has become the village’s landmark and a typical project of targeted poverty alleviation there.





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

4.3 Community investment

2017 GPLH Community Investment Performance		
Fund donated	RMB10,000	360.91
Value of goods donated	RMB10,000	573.71
Number of volunteers	Persons	2,534
Volunteer hours	Hrs	8,478

4.3.1 PIONEER THE “THE MECHANISM OF RECLAIM HOME EXPIRED DRUGS”

GPLH actively practices the company’s philosophy of “spreading love to everyone”, constantly fulfills its commitment to citizens. Moreover, it pioneers the “the mechanism of reclaiming home expired drugs”.

The campaign of reclaiming expired drugs has benefited more than 600 million participants and recovered over 1,500 tons of expired drugs. It was awarded the Guinness World Record in 2014.

In 2017, GPLH has upgraded the campaign of reclaim expired drugs:



GPLH has joined hands with JD.com to launch the campaign of reclaiming expired medicine through door-to-door pickup service in 10 key cities across the country.

Consumers can enjoy free replacement of expired drugs without leaving home. It still carries out expired medicine recycle in more than 200 cities. During the period of the campaign, all expired common drugs, except injections and liquids, can be recycled free of charge, whether produced by GPLH or not.

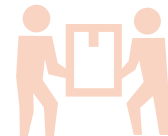
This campaign has played a positive role in guiding the public to establish a scientific concept of regular cleaning of home medical kit, rectifying and standardizing the medicine market order, and safeguarding the public health.

Involved with



600 million

Recycled expired drugs



1,500 tons

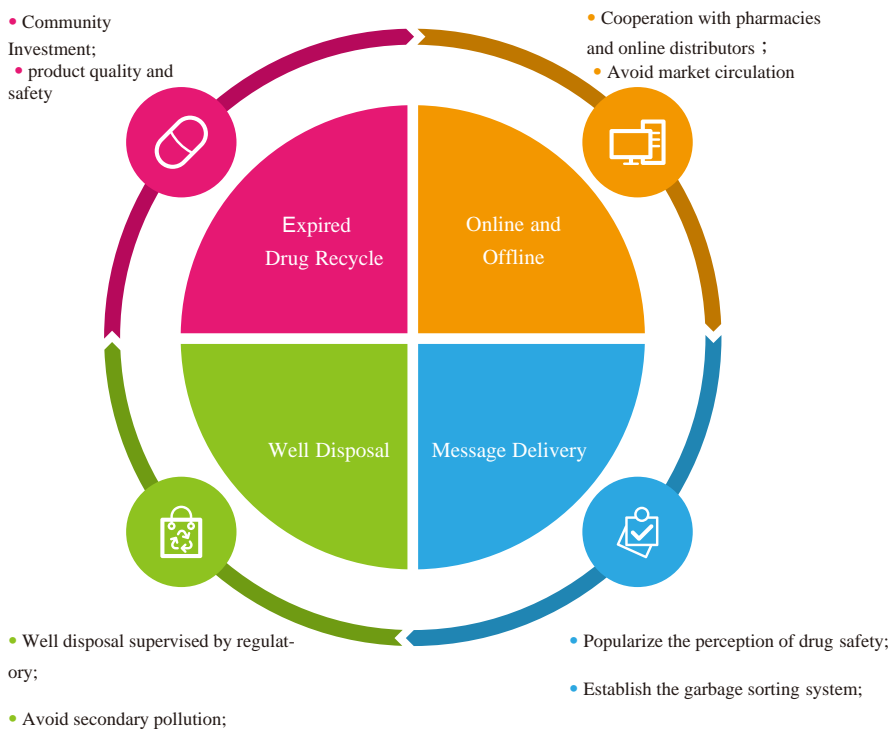


4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

On August 11th, GPLH has launched the campaign of reclaiming expired drugs and promoting garbage sorting in Guangzhou by joining hands with the Committee of Education, Science, Health and Sports of the People’s Political Consultative Conference of Guangdong province, Guangdong Food and Drug Administration, Guangdong Popular science Volunteers Association, Guangzhou Environmental Protection, Guangzhou Food and Drug Administration, Guangzhou Federation of Trade Unions, Communist Youth League Guangzhou Committee, Guangzhou Women’s Federation, Industry and Information Technology Commission of Guangzhou Municipality, and State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government.



In order to further promote the concept of green development by sorting garbage, GPLH has also invited “Little Mayors” of Guangzhou to put forward the initiative of reclaiming expired drugs and promoting garbage sorting and appointed them as the advocates of “environmental protection pioneers”, which promotes the concept of green philosophy among the youth.





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

4.3.2 “FASHION CHINESE MEDICINE” AND CULTURAL INHERITANCE

On July 1, 2017, TCM ushered in a new development platform with the effectiveness of Traditional Chinese Medicine Law. Chairman Li Chuyuan proposed that “fashion Chinese medicine” is to produce the health products mostly needed by the public with the most advanced technologies and the currently most popular marketing mode acceptable among young people. Therefore, we proposed to produce “fashion Chinese medicine” with the strategy of “modernization, internationalization, science popularization and massification”.

“Internet plus licensed pharmacist”

Cai Zhi Lin, has fully launched the online dispensing and decoction of Chinese medicine, making “fashion Chinese medicine” popular.

Adopting the mode of “fashion Chinese medicine workshop” and “Internet plus licensed pharmacist”, “Cai Zhi Lin Fashion Chinese Medicine Workshop” sets up a licensed pharmacist service platform that meets consumers’ needs. Its online dispensing and decoction of Chinese medicine has been fully launched, making Chinese medicine popular and acceptable among young people due to its convenience.



National 4A TCM museum

Shennong Caotang, China’s first semi open museum of Chinese medicine, integrates the history, culture and cultivation of herbs. It has already received more than one million visitors since it opened in 2016, and becomes an important window for the citizens to learn about the culture of Chinese medicine. The garden-like museum features the overall layout of halls, gardens, palaces and pavilions. The organic combination of the display of Chinese medicine’s history and culture and the original ecological planting of medicinal herbs portrays the rich Chinese pharmaceutical cultural connotation of Lingnan, health maintenance, Great Southern TCM and herbal tea.



Shennong Caotang Museum has profound cultural characteristics of traditional Chinese medicine in Lingnan, and it was listed as the designated reception place of the 2017 Fortune 500 Global Forum in Guangzhou. On December 8th, it received the forum’s guests and organized rich and colorful experience activities of the TCM culture.



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

A 400-year-old culture heritage base of TCM

Founded in 2004, Chen Li Ji TCM Museum is the first Chinese Medicine Industry Museum in Lingnan. With the help of advanced means of demonstration, the museum mainly introduces the traditional production process of TCM, displaying the history and technology of Chinese medicine. It is named as the “Guangzhou Patriotic Education Base”, “Guangzhou Popular Science Education Base”, “Guangzhou Chinese Culture Heritage Base”, “Guangzhou Demonstration Base of Enterprise Culture”, “Guangdong Industrial Tourist Attraction”, “Guangdong Publicity Base of Traditional Chinese Medical Culture” and “National Educational Base of Traditional Chinese Medical Culture”. Meanwhile, it is the education base of a number of colleges and universities of TCM.

In 2017, Chen Li Ji TCM Museum received 23,000 visits.





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

4.3.3 CONTRIBUTE TO THE HEALTHY CHINA INITIATIVE

Focus on men's health

In order to draw more attention to men's health, the Group launched the Men's Health China Tour by cooperating with authoritative organizations, such as China Sexology Association and the Andrology Association of Chinese Medical Association, the domestic authoritative andrologists, communities, factories and villages. With the aid of the Internet and other information platforms, we spread the knowledge and idea of men's health to more people, so as to help the public to better understand such male diseases as ED and form a correct diagnosis and treatment concepts and seek medical advice in a timely manner.

So far, the campaign has benefited more than over 3 million pharmacists and 100 million patients.



Dedicated to the prevention and treatment of Alzheimer's disease in the middle and old age group

HWBYS focuses on the promotion of the prevention and treatment of Alzheimer's disease among the middle-aged and the elderly. It pushes hard to spread the "Congming Cao", which is designed to prevent and treat senile dementia.

In 2017, HWBYS invested more than 10 million yuan to hold dozens of "Congming Cao" competitions, or smart exercises, which are devoted to the prevention and treatment of senile dementia all over the country.

Such competition and promotions have reached over hundreds of millions of people, which can protect them from senile dementia and help them lead a healthy later life.

Care for Male Health



100

million people involved



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

“Care for the waist, Strive for Healthy China”

Since 2014, Chen Li Ji has actively launched the communal charity activities of Chen Li Ji Waist Day themed “Care for the waist, strive for healthy China” for five consecutive years. It gives priority to public welfare, dedication to the society and the spread of positive energy.

In 2017, we donated living goods and family standing drugs worth about RMB110,000 yuan to the groups that use their waists intensively (drivers, nursing mothers, pharmacy staff, teachers, senior citizens, environmental sanitation workers, etc.), drawing people’s attention to waist diseases. Meanwhile, we spread extensively the waist disease prevention methods and knowledge of medication among the public.

Assistance for stroke patients

In 2010, Qi Xing join hands with Guangdong Branch Red Cross Society of China launched the public charity program of Huatuo Zaizao Philanthropic Foundation, aimed at offering assistance to these poor stroke patients.

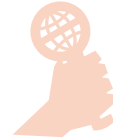
In 2017, the foundation approved to offer assistance to 1,193 poverty-stricken patients with stroke free of charge, and distributed 13,508 Huatuo Zaizao Pills, a stroke rehabilitation and relief drug.

Campaigns caring for women

Since 2005, Baiyunshan General Factory has hold parties to celebrate Women’s day and has donated a large amount of medicine, of which the value is over 60,000 yuan.

In March, 2017, more than 120 members of the Diable Women’s Association took part in the exchange activities themed with “Spreading love to everyone, maintaining health for everyone “ in Baiyunshan General Factory, which donated drugs worth of 50,000 yuan to the participants.

Strive for Healthy China



20

Provinces involved

Free stroke medicine

13,508

Pieces donated to 1193 patients





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

4.3.4 SUBSIDY AND ASSISTANCE

Wang Lao Ji campus fund

Wang Lao Ji set up Wang Lao Ji Campus Fund in 2015. Its first batch fund of 25,000,000 yuan was devoted to support the training of talents in key colleges and universities across the country. So far, it has cooperated with 8 famous universities, such as, Peking University, Tsinghua University, Zhejiang University, Fudan University, Nankai University, Wuhan University, Jinan University, establishing a joint talent training mechanism. Nearly 500 students have won Wang Lao Ji's scholarship across the country, and about 23 school-level recreational and sports activities have been held. As a century-old time-honored brand, Wang Lao Ji has constant pursuing innovative development. On the other hand, it has committed itself to contributing to society by supporting campus public charity, deepening talent training, expanding the coverage of talent motivation. It continues to provide broader platforms and greater chances for students to pursue their dreams.

Love assistance themed with “New Life Program for Patients with Blue Lip”

The love assistance project of “New Life Program for Patients with Blue Lip” initiated by GPLH aims to help patients suffering a rare disease, pulmonary hypertension. By now, there is no treatment for pulmonary hypertension caused by a pulmonary vascular disease. Due to hypoxia, patients' lips look blue-purple, hence the name “blue lips”. They have to take medicines for the rest of life. Worse still, some patients have no choice but to give up treatment due to the high cost.

In this project, Baiyunshan General Factory donated over 1.26 million yuan of Sildenafil Citrate Tablets to those confirmed patients.

Academician Zhong Nanshan speaks highly of and actively supports the campaign.



Academician Zhong Nanshan delivered a speech at the kick-off meeting of the project



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Green box Wang Lao Ji spreading love to rescue

Affected by continued heavy rainfall, Hunan, Jiangxi, and Guangxi and other provinces suffered severe floods, with farmland being flooded, and houses collapsed. The disaster did concern the whole country and Wang Lao Ji. From the beginning of July, Wang Lao Ji cooperated with the Blue Sky Rescue, rushing to Ningxiang County of Hunan Province to rescue and send love assistance to the victims. After that, green box Wang Lao Ji went to Xihai of Mount Lu in Jiangxi and Guilin, Guangxi to rescue and spread love.



Organize an obligatory fire brigade

Chen Li Ji has an obligatory fire brigade formed by voluntary employees and a mini fire station. In 2017, Chen Li Ji successively organized four fire drills and 220 people participated.

4.4 Care for employees

“The first priority is talents in governance.” The company always regards employees as one of the core assets and insists on putting people first. It is committed to providing employees with an equal, safe and healthy working environment.

4.4.1 EMPLOYMENT COMPLIANCE

We strictly abide by the provisions of national laws and regulations such as Labour Law of the People’s Republic of China, Law of the People’s Republic of China on Employment Contracts, Insurance Law of the People’s Republic of China, Law of the People’s Republic of China on the Promotion of Employment, Trade Union Law of the People’s Republic of China. We recruit and employ employees within the scope permitted by law, and constantly regulate labor and employment management.

We have formulated the system for the Protection for Female and Juvenile Workers within our company, which clearly stipulates that “*minors under the age of sixteen shall not be recruited*”.

During the recruitment process, based on the existing strict and thorough review and approval process, we will conduct verification of the prospective employees’ previous company, working experience and their relevant background checks according to concrete situations. Moreover, we will also entrust the verification to a third party to avoid any violation in the employment process.



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Internal regulations for employment compliance

Article 11.3.1 of the Safety Production Management System of Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. clearly stipulates that when recruiting employees, temporary workers, and laborers, *the human resources department and each unit shall strictly review the recruitment process in accordance with the recruiting procedures, preventing any impostor or child labor (less than 16 years old).*

During the reporting period, we strictly abide by the relevant laws in all regions and achieve 100% signing rates of labor contract. We purchase local social insurance and other benefits for all employees in accordance with laws and regulations. In 2017, there was no violation of the Labor Law of the People's Republic of China, such as recruiting child labor or forced labor.

4.4.2 SAFETY AND HEALTH

GPHL's production safety philosophy:

Every piece of medicine we produced is not at the expense of our employees' safety

Every profit we earned is not achieved by reducing the input of security.

GPHL attaches great importance to employees' occupation health and safety, and strictly abides by the laws and regulations of Production Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Fire Control Law of the People's Republic of China, Regulations on Safety Production in Guangdong Province, Regulations on Safety Production of Guangzhou Municipality, etc. On May 1, 2017, Safety Production Management System of GPHL (Trial) was promulgated, which clearly clarifies responsibility and has perfect content.

GPHL set up a safety production committee with the chairman as the first responsible person, who is responsible for leading, supervising and managing the safety production of GPHL and units.

Fulfill the responsibility: The Group held 15 important meetings on safety production and signed Responsibility Agreement on Safety Production Objectives with each department of the Group and each unit of subsidiaries. The Group deployed all units to carry out the key work of safety production and ensured that the responsibilities for safety production were fulfilled.

Safety Production Meetings



15





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Risk investigation: GPHL attaches great importance to and continues to invest in safety production. According to the statistics, the safety committees at all levels organized a total of 2,856 safety inspections throughout the year. It dispatched 4,015 inspectors and discovered a total of 1,833 potential safety hazards. A total of 458 rectification notices were issued. All these potential safety hazards have been rectified, with the rectification rate reaching 100%.

GPHL explicitly stipulates in the Safety Production Management System:

“Practitioners should receive safety production training, be familiar with the relevant safety regulations and safety operation procedures, have necessary knowledge of safety production, master the safety operation skills of his or her position, know the emergency treatment measures of accidents, and be aware of their rights and obligations in safety production. Employees who are not qualified for safety training shall not be assigned to work.”

Safety Inspections

 2,856

Professional Inspectors

 4,015

Significant Findings

 458



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Training and drills: We hold regular safety production drills to comprehensively prevent occupational health and safety risks, creating a healthy and safe working environment for our employees. There are various kinds of training, such as all safety management personnel and occupational health management personnel training, the three-level safety education and training for new employees, training targeted these employees holding special job certificate, staff safety education and occupation health annual education and training, etc. Employees pass relevant training and meet the related requirements.

Safety drills



71

Safety training and drill performance of Baizhou Baiyun Pharmaceuticals for 2017

Number of safety-related trainings	923
Number of persons receiving safety-related training	39,167
Hours of safety-related training	110,243
Times of safety drill	71

Group fire emergency comprehensive drill

On June 19, 2017, the Group held fire emergency comprehensive drill within the Shishan Warehouse. Mr. Wu Changhai, the direct responsible person of the group's safety production, served as the commander in chief. More than 150 people participated in the drill. Through this drill, we aimed to standardize the emergency plan management of production safety accident, make the contingency plans more scientific, targeted, practical and more operational, further improve the disposition level of emergency plans. Meanwhile, it is hoped that it can strengthen their safety awareness and emergency self-rescue capability.





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Emergency drill for safety production and environmental protection in Guangzhou Baiyunshan Chemical Pharmaceutical Factory

On June 29, 2017, the first manufacturing department of Chemical Pharmaceutical Factory held a comprehensive fire safety emergency drill. The drill assumed that when the solvent was transported, an acetone tank pipe leakage was found in the north of Building 202. Before the reinforcement personnel arrived, rapid and effective emergency measures were first taken to contain the leakage, collect and clean up the leaked solvent. Workshop personnel were organized to evacuate and escape safely. At the same time, there was a fire emergency. The post personnel took fire extinguishers and hose guns in an orderly way and eventually extinguished the fire, minimizing the damage.





4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

The training conference of publicizing and implementing the Opinions of CPC Central Committee and State Council on Promoting the Reform and Development in the Field of Safety Production

On April 13th 2017, by using a video conferencing system, GPLH held the training conference of publicizing and implementing the Opinions of CPC Central Committee and State Council on Promoting the Reform and Development in the Field of Safety Production participated in by nearly 1,000 Party and company leaders, functional department heads, and personnel of key positions.

From June 22 to 23 2017, more than 300 company leaders and managers from various organizations attended the "Safety Training and the Activity of Bring Publicity to Company". Meanwhile, all units are arranged to organize various types of safety training.

Safety Training Course of the knowledge of preventing and controlling fire and explosion

The Safety Committee of Guang Hua conducted an analysis of the security situation and organized the training. This training was intended to help Guang Hua staff to better deal with fire emergency, be familiar with the operational procedures of ethanol being now used in pharmaceutical, and realize the risk involving his or her position, so as to improve the company's safety management.



4. INHERIT THE REVOLUTIONARY SPIRIT AND PRACTICE MEDICINE TO HELP THE PUBLIC (CONTINUE)

Themed training of “Work-related Injury Prevention”

In June 2017, Chemical Pharmaceutical Factory coordinated all staff, namely 362 employees, to attend the training themed Work-related Injury Prevention to be held. Through this training, we will make specific assessments of employees’ improved skills of accident prevention skills and occupational health awareness so as to improve the overall training.

Health examination: GPHL offers regular occupational health examination for employees. Up to now, the medical examination rate is up to 100%.

In 2017, GPHL earnestly carried out the occupational health management from the following 6 aspects:

- Standardize the management of enterprise occupational health archives;
- Implement prevention and prevention of occupational diseases and ensure the orderly conduct of physical examinations and occupational health examinations;
- Promote the education and training of occupational health;
- Supervise occupational hazard inspections;
- Promote the establishment of a demonstration unit of occupational health;
- Urge all enterprises to do a good job in the purchase, acceptance, distribution and discarding of labor protection supplies.

Physical examination rate







綠水青山 • 長壽產品

Lucid Waters and Lush Mountains,

Longevity Products



產品責任
Product liability



減少排放
Emission
reduction



節約能源
Energy saving



資源管理
Resource
management





5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS

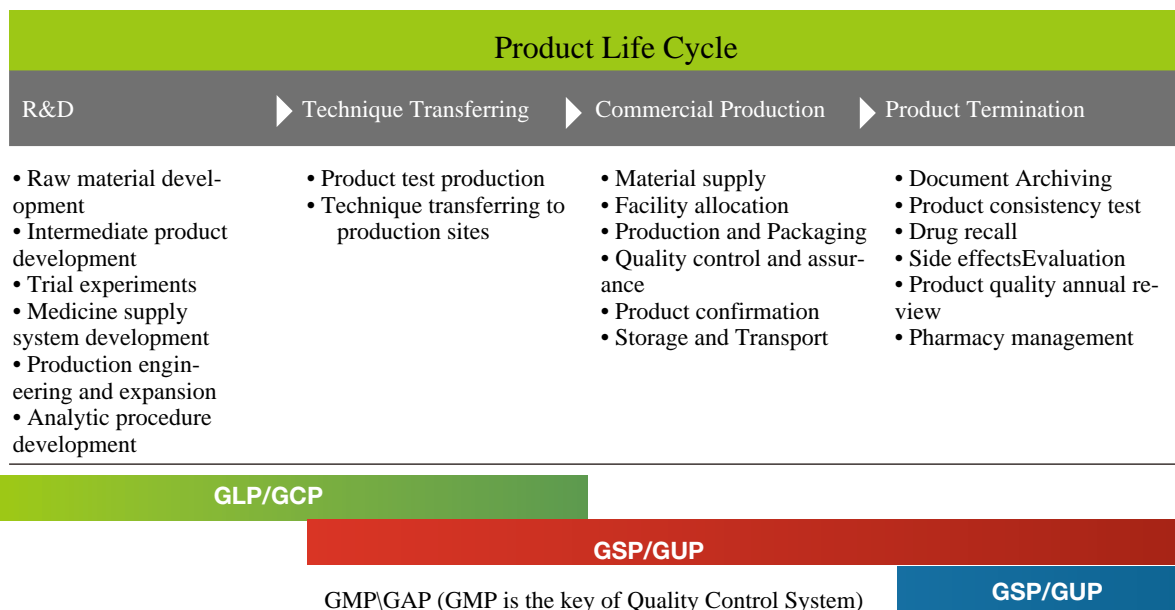
The year of 2017 is our “Quality and Benefit Year”

5.1 Product Liability

5.1.1 QUALITY CONTROL

“GPHL shall improve its soft power, hard power, and influence, ensure quality and benefit with excellent products, create quality and benefit with outstanding culture, drive quality and benefit with continuous innovation measures”
– Chairman Li Chuyuan

GPHL pays high attention to product quality and establishes an improved drug quality management system that meets the requirements of GMP (2010 Edition). The quality management system runs through the entire product life cycle, covering all factors that affect the quality of drugs.



Under the quality management system, we have developed a comprehensive management system and operational procedures, including: organization and personnel, plant facilities and equipment, materials and products, validation and verification, documentation, production, quality, sales, deviations, corrective and preventive measures, quality risk, change, complaint and recall, self-inspection, product quality review, supplier management, product process, quality standards, etc., to ensure that the quality management system can operate effectively.

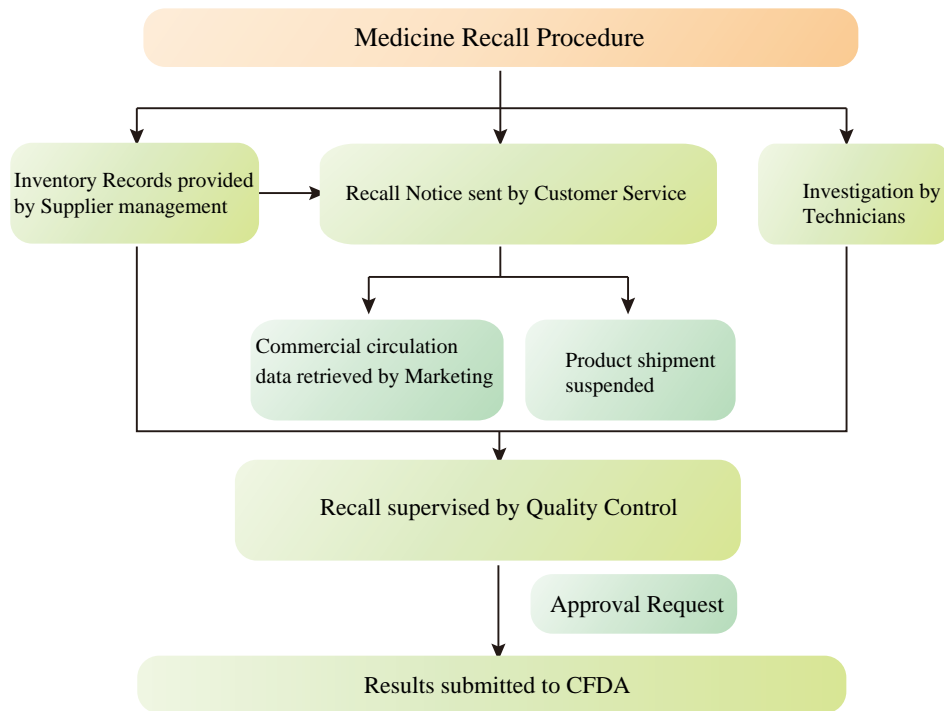
In 2017, no major quality accidents or major quality complaints occurred.

5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

In order to enhance the company's ability to withstand various risks and effectively protect the drug safety, we will organize recall simulation drills every 1 to 2 years.

Establish a well-designed drug recall procedure

After a drug is put on the market and it is discovered that it has hidden quality and safety hazards, GPLH shall require the production quality right holder to issue the "Drug Recall Instruction" to the supply logistics department according to the requirements of "Pharmaceutical Recall Management Regulations". Each department shall operate in accordance with the "Regulations on Drug Recall Management" and start the recall of drugs.



Well-received quality and brand

In the campaign of Guangdong Province Quality Month 2017 and Guangzhou Quality Brand Story Competition of "High Quality New Perspective", Wang Lao Ji, Zhong Yi, Jing Xiu Tang, were awarded Brand Story prize of Guangzhou Quality Brand Story Competition, highlighting the image of GPLH's emphasis on quality management.



The work of WLJ Great Health "Ingenuity", Jiangxin Duzhao, won the "Brand Story with Most Propagating Value Award" due to its exciting and engaging stories. The work of "Zhong Yi" "Craftsman brings excellent pharmaceutical" and the work of Jing Xiu Tang "Four generations pass on the spirit of dedication" won the "Excellent Brand Story Award". Ye Jizeng, deputy general manager of Guangzhou WLJ Great Health Industry Co., Ltd. was invited as a corporate representative to share Wang Lao Ji's brand quality philosophy.



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

5.2.2 CONSUMERS' RIGHTS AND INTERESTS

We are committed to providing a safe and reliable drug experience for consumers, and attach great importance to the processing of users' complaints and consultations;

And formulate the "Confidential system", clarifying "Scope of confidentiality" and "Measures";

Make full efforts to protect consumers' rights and interests.

"Guangdong Safety Medication Month" activity

In 2017, "Guangdong Safety Medication Month" was formally launched in Zhong Yi the popular science base for food and drug safety in Guangdong Province.

Luo Wenzhi, director of Guangdong Food and Drug Administration, Li Chuyuan, Chairman and Party secretary of GPHL, Zhang Chunbo, deputy general manager of GPHL, etc. attended the launching ceremony.



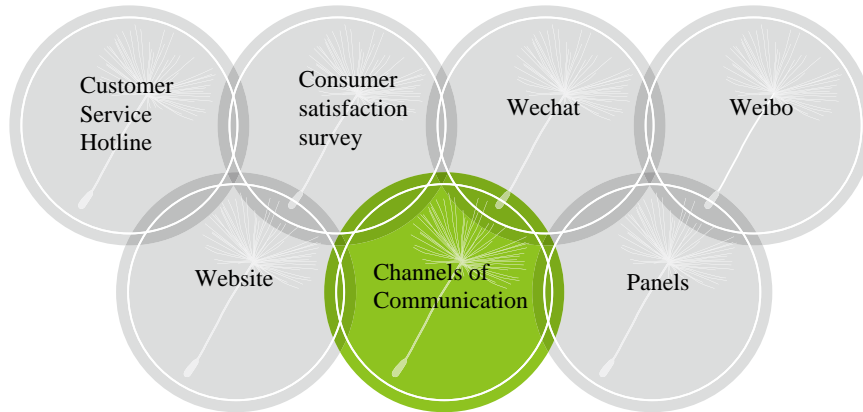
People attending the ceremony visit Baiyunshan Zhong Yi Pharmaceutical Co. Ltd.,
the popular science base for food and drug safety

In 2017, a series of activities involving "Guangdong Safety Medication Month" enabled more people to pay attention to, understand and ensure medication safety. It made safety medication more popular among people and protected the happiness and well-being of millions of families.

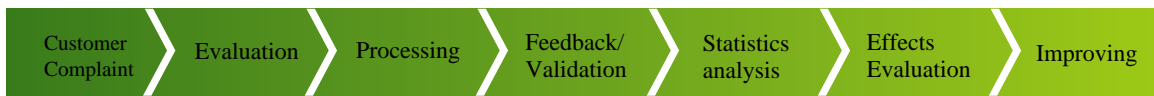


5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

“Customer Complaint Management Measures” was formulated to respond to customers’ complaints in a rapid, correct and efficient manner, maintain company’s reputation and promote quality and after-sales service.



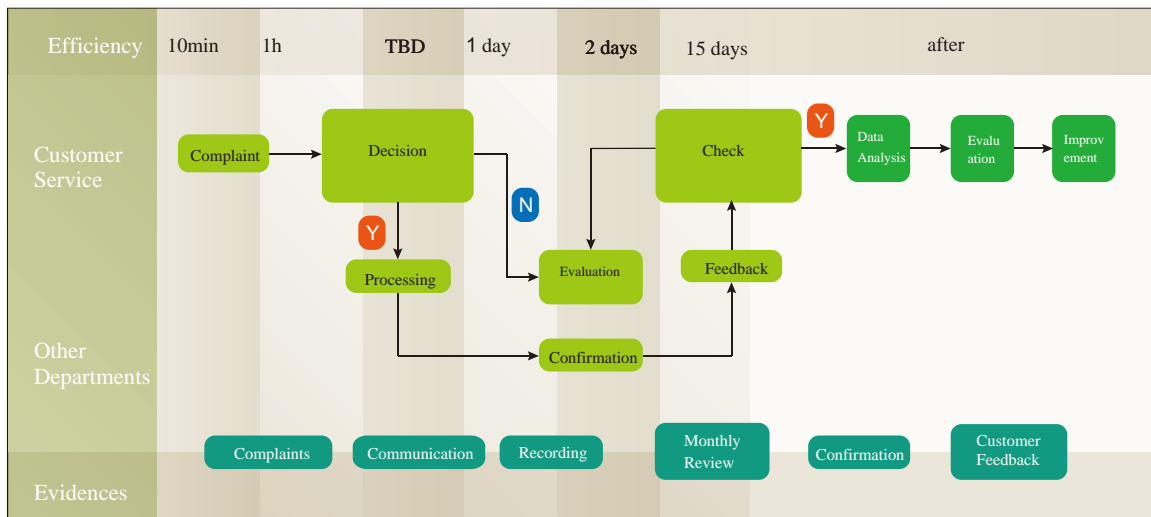
For the feedback from consumers, we will handle 100% of them and provide 100% feedback. The processing flow is as follows:



HWBYS launches a toll-free 800 customer service telephone to respond efficiently to consumer feedback

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited sets deadlines for handling customer complaints:

1. After receiving customer complaints, the 800 telephone customer service specialists forwarded the information to the relevant processing department within one hour.
2. After receiving the information from 800 telephone customer service specialists, the complaint handling department completes the case within 24 hours.
3. After the complaints handling department finishes the case, it requests the information to be returned to the 800 telephone customer service specialist within 24 hours.
4. After receiving the information feedback, 800 telephone customer service specialists shall contact the complaining customers with 1 hour to learn the level of customers’ satisfaction, so as to consolidate, maintain and develop the loyal consumer groups.





5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

5.2 Green Development

In order to thoroughly implement the green development deployment of the 19th CPC National Congress and the five development philosophies of "innovation, coordination, green, openness, and sharing", China Manufacturing 2025, Cleaner Production Promotion Law of the People's Republic of China, GPLH makes full efforts to promote the green and innovative development and accelerate the building of green manufacturing systems of the company and its subsidiaries. Among them, Tian Xin and Zhong Yi, were awarded the title of National Green Factory.

5.2.1 REDUCE EMISSIONS

GPLH attaches great importance to pollution management, strictly complies with national laws and regulations, such as Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Integrated Waste water Discharge Standard of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise, and the demands of local relevant policies. It formulates environmental protection management system and completes the comprehensive management system of environmental protection system.

We manage the entire process of environmental pollution:

SOURCE

- Considering environmental impact at the beginning of the project, implement environmental assessment on every under-construction project.

PROCESS

- To achieve the goal of "Energy saving, pollution minimizing and efficiency improving" with clean production techniques;
- Conduct environmental evaluation on every subsidiary, in order to identify risks of environmental management.

END

- According to wastewater, emissions, solid waste and noise related regulatory, ensure the effectiveness of environmental management to minimize the pollutions.

5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

Water: the group according to the relevant provisions of environmental protection, production and operation process properly collect waste, ensure the effluent meet the “Integrated Waste Water Discharge Standard” (GB8978), “Guangdong Integrated Waste Water Discharge Standard” (DB4426) and the emission standards of the industry and other related areas; at the same time, GPHL continues to improve the effect of waste water treatment and increases the amount of reused water.

GPHL Wastewater Discharge in 2017

Industrial wastewater discharge	Ton	2,528,752
Intensity of Industrial wastewater discharge	Ton/Industrial Production (ten-thousand yuan)	1.37
Chemical oxygen demand COD _{Cr} emissions	Ton	110.84
Ammonia nitrogen emissions	Ton	3.33

Wastewater treatment upgrading

Tian Xin actively participated in the establishment of national green manufacturing demonstration enterprises and became the first batch of National Green Factory. By May 2017, Tian Xin has passed the international certification of three systems, including environmental management system ISO14001:2015 standard, quality management system and occupational health and safety management system standard.

At the same time, Tian Xin has also upgraded its wastewater treatment equipment this year, effectively improving the drainage water quality, reducing the COD volume by about 2 tons annually.

Technology

Upgrade the reducing emissions

Under the guidance of the Guangzhou Han Fang, an internal “Environmental Protection Management System of Guangzhou Baiyunshan Han Fang Modern Pharmaceutical Co., Ltd.” was formulated, and the work of waste water reduction was actively promoted. In 2017, the water circulation system of the lecithin plant has been improved by changing the original pump to a dry pump, which could reduce waste water discharge by approximately 18,000 tons annually.



Gas: The Group properly collected and processed the exhaust gas generated during the production and operation process in accordance with the relevant environmental protection regulations to ensure that the exhaust emissions complies with the Integrated Emission Standard for Air Pollutants (GB 16297) and other relevant regional/industrial emission standards; and it constantly improved the processing efficiency and reduced random exhaust emissions.

GPHL air pollutant discharge 2017

NO _x emissions	ton	24.59
SO ₂ emissions	ton	5.42



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

Reduce the emissions of volatile organic compounds

Chemical Pharmaceutical Factory invested 1.925 million yuan for the comprehensive management of volatile organics, maintaining the clear air. After conducting technical exchanges with dozens of environmental protection companies, we have formulated the plan of biological treatment of waste gas, which can reduce emission of volatile organic compounds (TVOCs) from production process and waste water treatment facilities by 9.72 tons/year.



VOC-rich water storage tank



Biological VOC treatment Devices

Reduce dust emission

In 2017, the third manufacturing department of Zhong Yi transformed the water spray dust removal system by replacing the old cyclone water film dust removal with the horizontal cyclone water film dust remover. A large amount of dust in the exhaust gas was purified and the odor in the exhaust gas was removed. After the equipment modification, the dust removal rate increased from the previous 40% to 94.9%, and the odor removal rate of traditional Chinese medicine was increased from about 20% to 92.5%.



Horizontal airing dust remover

Reduce the emission of acid waste gas

Chemical Pharmaceutical Factory installed the glass fiber reinforced plastics spray tower and other equipment on the 205-2# deodorization facility in order to reduce the emission of acid gas in the process of hydrochloric acid preparation. The emission reduction was invested 50,000 yuan.



Spray tower for odor removing

Reduce sulfur dioxide emissions

At present, Wang Lao Ji change the boiler fuel from diesel to natural gas. The cleaner fuel can reduce sulfur dioxide, smoke and dust emissions effectively, where the annual emission of smoke and dust is reduced by 0.23 ton.



Natural gas remodelled boiler

Noise: In accordance with the relevant environmental protection regulations, the Group has implemented noise prevention and control measures such as shock absorption, noise reduction and sound insulation to ensure the compliance with Emission Standard for Industrial Enterprises Noise at Boundary (GB12348) and other relevant regional/industrial emission standards.



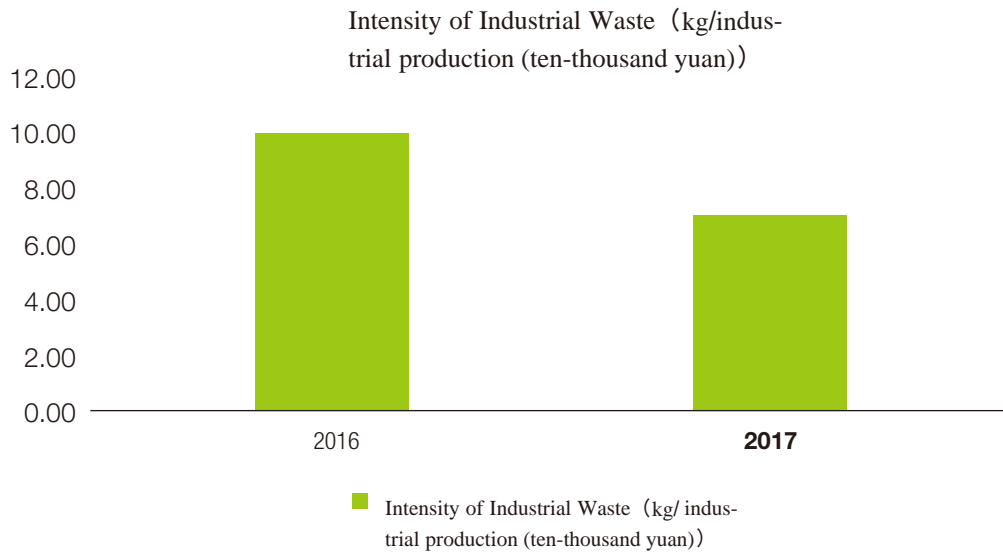
Natural gas pipeline



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

Solid waste: The Group classifies, properly stores and disposes the solid waste in accordance with the relevant environmental protection regulations. The management of hazardous waste complies with the relevant provisions of the “Standard for Pollution Control on Hazardous Waste Storage” (GB 18597) and the “Manifest Management on Transfer of Hazardous Wastes”. It signed a hazardous waste transfer contract with a qualified hazardous waste disposal company and implemented the “quintuplicate vouchers” system.

GPHL's transfer and disposal of waste 2017		
Medical waste and waste medicine	ton	223
Other hazardous waste	ton	449
Total amount of hazardous waste	ton	672
General industrial waste	ton	12,2951
Intensity of general industrial waste	kg/indus- trial production (ten-thousand yuan)	7.00



Solid waste management system and specialized working group

Tian Xin has established corresponding solid waste management systems according to their own production processes, including “Product Yield Improvement Incentive Program” and “Reducing Energy Consumption Cost Incentive Program”, further controlling the production of solid waste. It regulates emissions standard and maintains ecological harmony. The wastes and packages generated during the pharmaceutical process are temporarily stored in the temporary stacking site of solid wastes in the plant area and are classified by specialized solid waste sorting personnel. Part of the hazardous wastes are disposed by waste disposal companies with qualification and operating license.



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

5.2.2 CONSERVE ENERGY

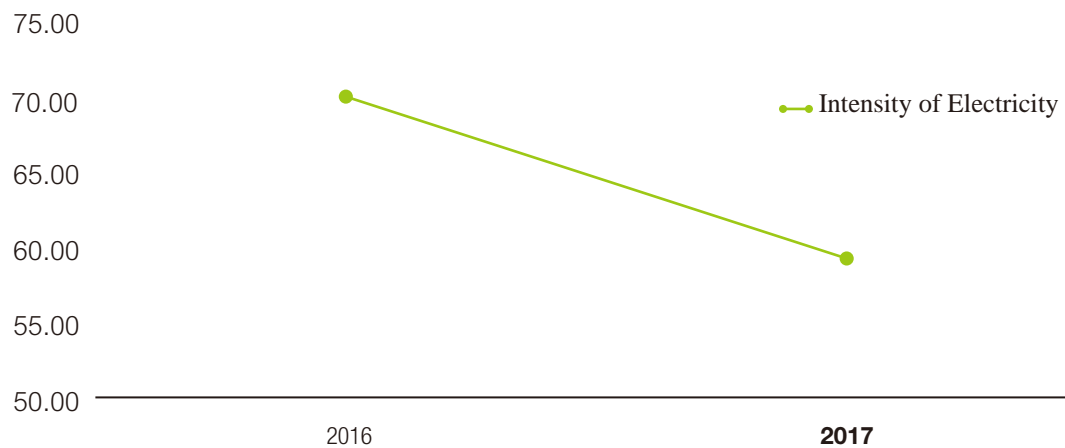
By strengthening the management of energy consumption during operations, we established teams and set up relevant energy management programs to implement comprehensive management and control of energy consumption. We formulate targeted plans to effectively improve the overall efficiency of energy. The Group's Safety Production Development Department directed subordinate production-oriented enterprises to improve their policies and systems on energy management and established a series of management systems.

The overall energy management system includes the "Baiyunshan Pharmaceutical General Plant Energy Management System" of the Baiyunshan General Factory, as well as an incentive mechanism, such as the Programs of Reducing Energy Consumption Cost Reward of Tian Xin.

GPLH Energy Use in 2017

Gasoline	Litre	274,463
Diesel	Litre	471,993
Coal	Ton	11,931
Natural gas	10,000 m ³	1,475
Steam purchased	Ton	16,605
Electricity purchased	10,000 Kw/h	10,959.48

Intensity of Electricity (kwh/industrial production (ten-thousand yuan))





5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

Save 300,000 cubic meters of natural gas annually	Wang Lao Ji recycles the bactericidal high-temperature backwater to the hot water tank to pre-heat the cold water, which can reduce the heat energy consumption and the use of steam and natural gas.
Conserve 229,200 kWh electricity annually	The air-conditioning chillers Chemical Pharmaceutical Factory of GPLH was newly installed CQi smart electricity safety management system, realizing intelligent cooling control. The average energy-saving rate is about 19.88%. The environmental protection Roots blower adopts the frequency conversion control system, and the average power saving rate is about 30%.
Conserve 80,000 kWh electricity annually	Ming Xing reconstructs the refrigeration system, by purchasing two sets of screw-type fluorine refrigerators to replace the ammonia refrigerators. The ammonia refrigerant can directly cool the ice brine, saving a secondary cooling medium and related facilities, and avoiding the risk of ammonia leakage.
Conserve 43,000 kWh electricity annually, and reduce the generation of waste cleaning water and wastewater	Jing Xiu Tang installed a circulating water treatment system for the cooling tower. It can remove old scales and prevent new ones with its physical descaling device, making the water entering the air conditioning system be continuously purified. It replaces the time-consuming and labor-intensive way of traditional chemical injection and manual cleaning, which greatly improves the heat transfer efficiency and reduces the generation of cleaning waste liquid and waste water.
Conserve 67,680 cubic meters of natural gas annually	Baiyunshan General Factory has successively built 3 sets of condensate and flash steam comprehensive recycling systems, providing water for boiler feed-water and hot water for the guest house of employees.
Conserve 28,000 kWh electricity annually	Ming Xing gradually replaced nearly 600 lighting tubes with energy-saving and environmental friendly LEDs.
Conserve 660,000 kWh electricity annually	Baiyunshan Medical and Healthcare Industry Company has carried out the energy-saving renovations of the central air-conditioning system in the warehouse Huangjinwei, including the replacement of host equipment, and the new installation of frequency conversion control equipment and BA management system.



circulating water cooling system



A/C Water Recycle System



Air Conditioning Remodeling



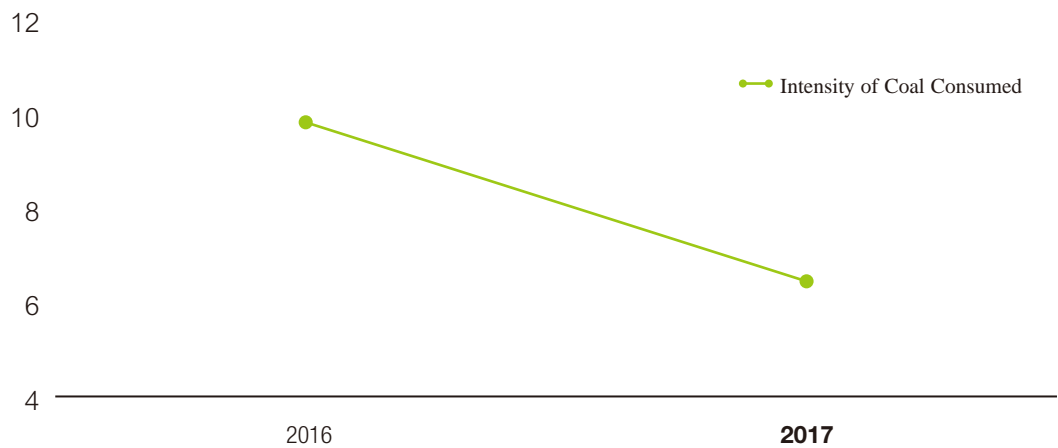
A/C Self-adaptation Controlling System



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

GPHL is committed to the application of clean energy to reduce the environmental impact of energy use. From July 2017, GPHL has completely cancelled the use of coal, and has been using clean energy such as natural gas instead.

Intensity of Coal Consumed (kg/industrial production (ten-thousand yuan))



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

5.2.3 COPE WITH CLIMATE CHANGE

We are committed to coping with global climate change, reducing energy consumption, and promoting the use of renewable energy and green office. We are devoted to the reduction of global climate change and the sustainable development of the environment. In 2017, GPHL controlled its greenhouse gas emissions at 158,651 tons of carbon dioxide equivalent.

Apply renewable energy to reduce greenhouse gas emissions



Zhong Yi installed solar photovoltaic power generation facilities on the top of its plant. The monthly power generation capacity exceeds 700,000 kilowatt-hours, equivalent to a reduction of 5,000 tons of carbon dioxide emissions per year.

Reduce GHG Emission



5,000

ton CO₂ equivalent

Baiyunshan General Factory prepares carbon emission reports, regulates the calculation of greenhouse gas emissions and formulates emission reduction plans.



In the report, carbon dioxide emissions are calculated in accordance with the National Development and Reform Commission's guidelines, and the "Carbon Emission Reduction Plan for Enterprises" is formulated.



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

5.2.4 CONSERVE WATER RESOURCES

GPHL attaches great importance to the impact of water consumption and sewage discharge on the environment. It adopts water-saving technology to reuse water, promotes water conservation and strives to reduce water consumption. In 2017, the total water consumption of GPHL was 3.55 million tons, equivalent to a intensity of 1.92 tons/industrial production (ten thousand yuan).

Water-saving facilities Chemical Pharmaceutical Factory newly purchased three sets of screw vacuum pumps to replace water ring vacuum pumps. The cooling water of the original water ring vacuum pump is directly discharged to the environmental protection station, and three screw vacuum pumps are installed through the renovation of the equipment. It can conserve 22,000 cubic meters of water per year.

Ming Xing renovated its extraction group of water ring vacuum pump.

Different from the previous water pump, water ring vacuum pump can recycle water, which can greatly reduce the use of water resources and achieve the recycling of water resources. Meanwhile, it reduces the water flow noise of the pump operation, with water resources utilization rate reaching 85% and water recycling capacity amounting to 1,703,469 tons.

The water ring vacuum pump of lecithin workshop of Guangzhou Han Fang was replaced by dry pump.

Water-saving Spiral Vacuum Pump

Water reuse The Shennong Caotang Museum of HWBYS reuse water. The waste water treatment technology is integrated into the landscape engineering system, combining the artistic means and ecological technology. The ecological and environmental protection concept is introduced into the "Shennong Caotang Museum" park.

Apart from being used for greening and flushing in the "Shennong Caotang" garden area, part of the waste water from the waste water treatment station is also used to flush the boiler and supply the workshop with cooling water after deep treatment. It increases the comprehensive utilization rate of the waste water and reduces the discharge of water pollutants, improving the environmental protection image and bringing the clean production to a new level.

It can conserve 95,000 cubic meters of water per year.

Water recycling devices



Treated water pool



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

5.2.5 ECO-FRIENDLY

In order to achieve sustainable and eco-friendly development, GPHL has reduced the impact of Chinese herbal medicine collection on the ecology and established 90 GPA medicinal materials bases throughout the country. While protecting the ecology, preventing soil erosion, and maintaining biodiversity, it guarantees the source of the varieties of Chinese herbal medicines for pharmaceutical enterprises in terms of quality and price, enhancing the core competitiveness of the pharmaceutical industry and accelerating the modernization and internationalization process of Chinese medicine.

Cultivation Base



Company-Cultivator Cooperation

In 2017, GPHL established a demonstration base for the cultivation of Chinese herbal medicines such as *Kadsura coccinea*, *Millettia speciosa*, and *Cibotium Barometz* in Ruyuan County, Shaoguan.

Cibotium Barometz belongs to the Chinese Second Class Key Protected Wild Plant and Second-Class Key Protected Species of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES Convention), and the market stock is low; *Millettia speciosa* is consumed heavily as food and drug, particularly as a health care food. Thus, it enjoys a huge market demand and a large market size.

Due to its high nutritional and medicinal value, *kadsura coccinea* is widely used. It integrates food, ornamental, landscaping, greening and medicinal value.



After the establishment of the planting base, it can:

- Improve the supply of medicinal materials and their quality;
- To reduce the collection of wild herbs, and preserve the protected plants so as to keep the soil and water.
- Herbs take root in the soil for a long time, thus it can improve the soil and protect the vegetation;
- By promoting the pattern of “companies plus farmers and cooperatives” in the cultivation area, it can promote the local economy and increase the income of poor farmers.



5. LUCID WATERS AND LUSH MOUNTAINS, LONGEVITY PRODUCTS (CONTINUE)

When designing products, we bear the saving packaging materials in mind, and reuse the packaging materials in the production process, so as to reduce the impact on natural resources.

Reduce product's packaging materials

In the production of herbal tea beverages, we continue to reduce the use of packaging materials from the very beginning:

- Remove the outer film of carton
- carton is changed into PE film

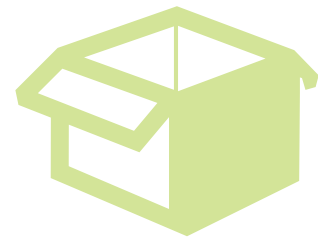
By reduce the packaging material, we help save more than 10 million production costs for the company.

Reuse of the packaging materials

In the production process, Chen Li Ji returns the all undamaged plastic packaging materials to the manufacturer for recycling. It specifies that the packaging cartons be repeated 4-5 times in order to reduce the consumption of paper packaging materials.

At the same time, Chen Li Ji continues to study and explore new types of packaging materials. It actively introduces the calcium plastic box which can be reused 15-20 times.

Use



**Reusable Calcium
Plastic Packages**





駛向藍海 • 繼往開來

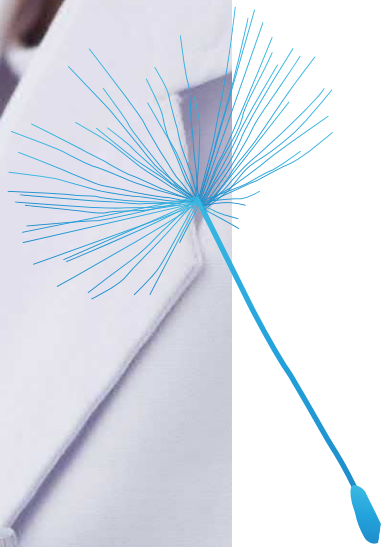
Sail for the blue sea, and usher in the future



研發創新
Innovating



發展培訓
Development training





SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE

6.1 Research and development innovation

Innovation is our blue gene.

6.1.1 INNOVATION PLATFORM

The company has a well-developed technological innovation system, and it strengthens the construction of the platform for many years.

There are 72 R&D institutions at all levels,

Types of R&D institutions	Quantity
National Enterprise Technology Center	1
National R&D institutions	6
Postdoctoral workstation	2
National Enterprise Technology Center	11
National Enterprise Technology Center	16
Municipal Enterprise Technology Center	12
Municipal Engineering Technology R&D Center	14
Key Laboratory of provincial and ministerial level	5
Key Laboratory of municipal level	5

Traditional Chinese medicine engineering technology such as research and development, automatic control and on-line testing of traditional Chinese medicines and Chinese medicine health products, Chinese medicine preparations, supercritical CO₂ extraction, countercurrent extraction, macroporous resin adsorption and separation, quality control of Chinese herbal medicine fingerprints, synthesis of cephalosporin antibiotic raw materials And the technology, aseptic powder production technology and preparation technology are the leading technologies in China.

In 2017, there were 2 new provincial engineering centers and 4 provincial enterprise technology centers

- Zhong Yi and Jinan University jointly build "Guangdong Province modern Chinese Medicine Engineering Technology Research Center";
- Chemical Pharmaceutical Factory and South China University of Technology jointly established the "Guangdong innovative pharmaceutical technology and process control engineering technology research center", which was identified by Guangdong provincial science and technology department.
- Guang Hua, Guangzhou Han Fang Wang Lao Ji and Ming Xing have passed the certification of provincial enterprise technology center.

R&D Institutions



Leading



Core Techniques



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

6.1.2 FRUITFUL ACHIEVEMENTS IN SCIENTIFIC RESEARCH

The company attaches great importance to intellectual property work. The company has formulated a series of systems related to intellectual property management, such as the Measures for the Handling of Major Intellectual Property Rights, based on laws and regulations concerning national and industry-related intellectual property rights, and conducted various aspects such as the declaration, management, rights protection, innovation and incentives of the company's intellectual property rights. Refinement. The company's intellectual property management system will be implemented in production, sales, research and development, marketing, and other aspects, effectively protecting the company's intellectual property rights. At the same time, it also stimulated the enthusiasm of employees for their invention and creation and intellectual creation and strengthened the management of technological R&D achievements.

An overview of the system of intellectual property management

"Measures for matters relating to important intellectual property rights"	"Information management system for intellectual property"
"Measures for matters relating to important intellectual property rights"	The evaluation method of the intellectual property management system
"Management system for patent work"	Regulations on the protection of intellectual property rights
"Management system of trademark work"	"Regulations on the management of intellectual property"
"Management system of copyright"	Management Manual for intellectual property rights



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

We have always focused on the R&D of science and technology and continuously increased our investment in innovation. We have carried out scientific research in the form of a combination of new drug development, secondary product development, and food and health food development with a combination of imported projects and independent research and development. In 2017, the company achieved remarkable results in the field of scientific research and innovation, including:

Investment

In 2017, we invested 378,288,000 yuan into R&D, accounting for 1.78% of the operating income.

Achievements

Obtained 13 drug production approvals

4 provincial and ministerial science and technology awards
2 prefecture-level science and technology awards

62 patents were applied: among them, 54 items of invention patents and 8 utility models;
39 patents are authorized: among them, the invention patent is authorized 35 items, and the utility model patent is authorized 4 items

Jing Xiu Tang passed the national intellectual property management system certification; HWBYS was identified as the 2017 State Intellectual Property Demonstration Enterprise, and Chen Li Ji was recognized as the 2017 National Enterprise with Intellectual Property Advantages.

Drug Production Approval



13

Patents



62

Authorized Patents



39



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

6.2 Development training

GPHL has always adhered to the concept of “Strengthening the Enterprise by the Talents” and is committed to building a comprehensive training system that involves the participation of all employees from middle-level and senior leaders to front-line employees. We have developed a personalized training and incentive system for all employees, expanded career channels for employees, continuously improved the talent education and training system, established a training effect assessment mechanism, provided employees with a good development platform, and helped companies achieve sustainable development.

At present, high-level talents include: 2 Nobel prize winners, 8 academicians, 2 National doctors, 2 specialist receiving a special State allowance, 24 chief experts, 24 doctoral candidates and 50 postdoctoral candidates.

6.2.1 TALENT PLANNING

GPHL has formulated the “13th Five-Year Plan for Talent Implementation Planning” and is committed to creating a “first-class talent team in biomedical health”. The plan includes the talent team construction and development project and the in-house training mechanism construction project, and has formulated the objectives regarding the introduction, cultivation, assessment, incentive, and selection of talents, aiming to create a well-structured reserve cadre team. Employees continuously improve their own quality and professionalism.

Through the completion of the “ten major projects” and the establishment of “five innovation mechanisms”, we aim to achieve the “talent planning goals”.

Bio-medicine



Top Researchers

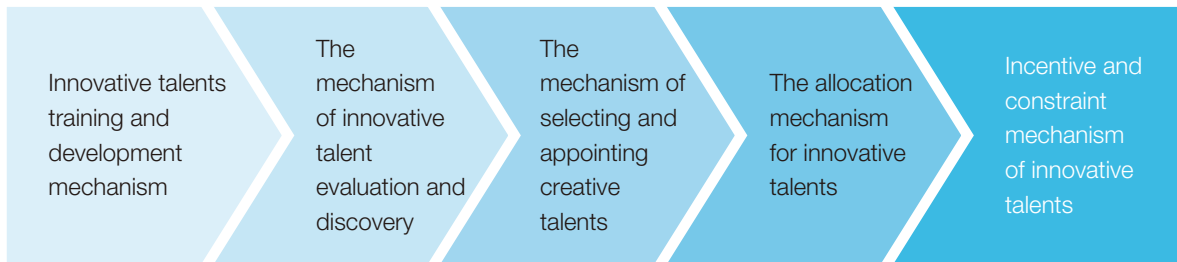
Ten major projects





SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

Five innovation mechanisms



Talent planning goals

The per capita profitability increased significantly	Through the deep integration of informationization and industrialization of management and streamline the organization, control staff efficiency "per capita profitability continued to improve.
A significant increase in the number of high-level talents	Setting up a team of high-end talents
Increasing investment in talents	The staff training and education funds increased, the annual training hours per capita reached 80 class hours, the training rate of talent reached 100%.
A great improvement in the quality of talents	The average education level of talents is continuously improved, and the structure of talents is further optimized.
Further optimization of talent development environment	We should build and improve the scientific research institutions at all levels of the state and provinces, and the post-doctoral workstations, continuing to improve the platform for the development of talents.

6.2.2 TRAINING SYSTEM

We pay special attention to personnel training, formulate and strictly abide by the staff training management system, internal trainer training management measures, and employee career development management system, etc., and constantly improve the company training system, and build professional talents communication platform.

There is a corresponding training framework for the training of talents in different fields

Training institutions	Training fields
GPHL Doctor Club	Training of scientific research talents
GPHL marketing club	Training of marketing talents
Baiyunshan Shennong College	Medium-high level management personnel training
Wang Lao Ji Business School	Talents training for fast consumption goods product
Shahuai College	Cultivation of business talents



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

Meanwhile, the company is committed to building a contingent of internal trainers to create an elite team of internal trainers with the “three good” criteria, namely “good ideological qualities, good lectures, and good training results”. In 2017, the company established a training management team to improve the selection and assessment of internal trainers, established incentive mechanisms for internal trainers and strengthened system training of internal trainers.

In 2017, the total number of trainees reached 123,029, the total number of training hours for all employees reached 685,731 hours, and training hours per person reached 31 hours.

Advancing cadres' leadership

Peking University Leadership Training Program 2017

The report of the 19th CPC National Congress put forward that talents are the strategic resources for the implementation of national rejuvenation and competition in the market.

In early 2017, GPLH signed a strategic cooperation agreement with the School of Government and Management of Peking University. They conducted in-depth strategic cooperation in scientific research projects, personnel training and training of staff, academic seminars and forums, student internships, planning and construction of corporate university of GPLH.

From November 18th to 20th, 2017, Chairman Li Chuyuan led nearly a hundred middle and senior management personnel to attend a three-day centralized training study at Peking University, the highest academic institution in the country. Many heavyweight experts and professors gave depth and breadth explanations on the interpretation of the Nineteenth National Spirit, the international and domestic economic situation, marketing strategies and brand building, and the traditional Sinology humanistic spirit, so that all students were involved in ideological awareness, thinking patterns, there is a profound understanding and awareness of working methods.



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

Interactive and competition

The Second "Xinhua Cup" of Baiyunshan General Factory Micro-class Contest

Baiyunshan General Factory successfully held the second micro-curriculum competition in 2017. The competition is participated by the employees. The training is automated, time-based, and intuitive. It aims to promote and encourage the artisan culture "Specializing in research, good at summing up, willing to share, and sustainable heritage" and to promote the entire plant employees to enhance professional skills.

This is the second contest held by Guangzhou Baiyunshan Pharmaceutical General Factory. The works are in the form of "specified content + optional content". Micro-curriculum works are more business-oriented and more targeted. The participation of all employees was extremely high. A total of 211 people from 19 departments participated in the competition and 145 courseware were submitted, an increase of 52.63% over the first competition.

The Micro-curriculum Contest is the first company in the group to hold micro-curriculum contests and the first company to introduce mobile learning platform with "zero input". The competition has created a positive and positive wave of "learning, summarizing and sharing" to promote the growth and progress of employees at all levels.





SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

Lectures

Cai Zhi Lin's Internal Training Lecture Series

By tapping the resources of internal trainers and offering a total of 30 hours of class time each year, more than 1,400 employees have been trained internally, and the training time is over 3,000 hours, forming a good learning atmosphere.



Various training

Baiyunshan Medical and Healthcare Industry Company Held the "Face to the Challenges, Transform and Improve Efficiency" 2017 Company Mid-level Management Training Project

He Ji Gong 2017 "Family Breeze. Family Rules "Experience Camp"

Qi Xing held the Youth Training Program Youth Training Camp – Eagles Training Program





SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

Special Training Seminar of "Women Leadership Promotion" 2017



Middle-high leaders of Guangzhou Pharmaceutical Holdings Limited visit and study



Students' remarks:
Ye Wanqing said: "The sustainable development of enterprises depends on the training of talents in enterprises and the retention of talented people. Enterprises need to plant new trees, new equipment, and new talents in order to drive innovation. It is necessary to give full



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

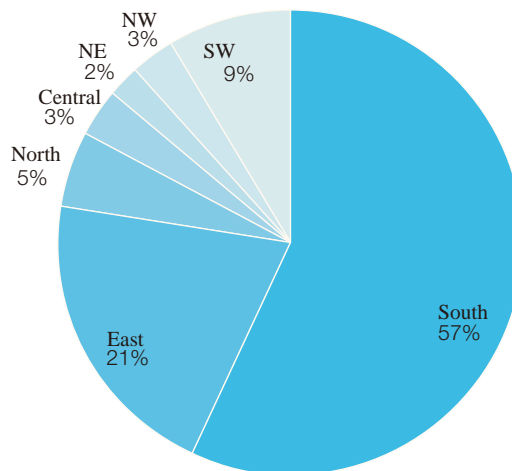
6.3 Win-win cooperation

We have always pursued “win-win cooperation and development together” with our suppliers.

SUPPLY CHAIN MANAGEMENT SEMINAR

In 2017, the supply chain management seminar was held in Meizhou. The raw and auxiliary packaging materials and suppliers of Chinese herbal medicines from all parts of the country and the heads of procurement companies of the company’s subsidiaries jointly discussed the development plan.

At the meeting, Mo Jihua, executive vice president of the Guangdong Provincial Enterprise Confederation, presented the Group with the first-class plaque for the modernization and innovation of enterprise management in Guangdong Province, and pointed out that the centralized procurement project has innovatively built a centralized procurement platform and played a role in disciplinary inspection and supervision. The effective supervision mechanism of external procurement prices, construction and practice so far, has achieved a good harvest of economic benefits, political benefits, and management benefits.



Supplier area classification



SAIL FOR THE BLUE SEA, AND USHER IN THE FUTURE (CONTINUE)

Centralized, platformized procurement

Since 2015, the Group has actively integrated various procurement supply resources and implemented centralized procurement.

In 2017, the company has established two centralized procurement platforms: a centralized procurement platform for Chinese herbal medicines and a centralized procurement platform for raw and auxiliary packaging materials, which stabilizes procurement quality, reduces procurement costs, and optimizes resource allocation.

In order to standardize the management of suppliers and ensure the quality and compliance of purchased materials, the Group adopted a centralized procurement platform based on the "Drug Administration Law," "Food Safety Law," "Drug Management Quality Management Standards," and "Medical Device Operation Quality". Management Regulations and other related management methods have formulated internal management policies such as Supplier Management System and Supplier Assessment System. The whole process management has been realized at the major control points of supplier selection, bidding scope, procurement method, announcement release, supplier access, bid evaluation and calibration, and the quality of medicines has been ensured from the source.

Supplier Admittance Management

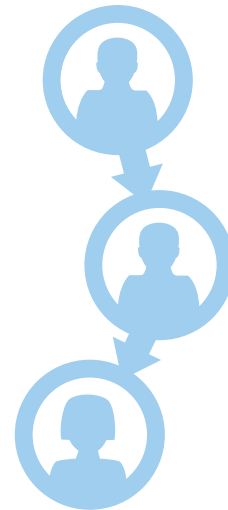
The Supplier Management System has formulated five principles for supplier access, including the principle of legal operation, quality first principle, principle of service, cost advantage principle, and principle of mutual benefit cooperation. In addition to satisfying the above access principles, suppliers must also be assessed by the Quality Management Department in the evaluation of their qualifications and quality system management levels. If necessary, they can organize and implement relevant tests and conduct on-site audits based on the material levels.

Supplier daily audit

The Group conducts comprehensive assessments of suppliers from production qualifications, personnel organizations, production environment and plant, equipment status, material management, production management, etc., and asks suppliers to rectify deadlines for problems found on the site. The rectification measures must go through the quality management department. The evaluation confirms that its quality system guarantees the quality of the supplied materials.

BAIYUNSHAN GENERAL FACTORY SUPPLIER RED AND YELLOW CARD MANAGEMENT SYSTEM

In order to promote suppliers to continuously improve the quality of materials, Baiyunshan General Factory set up a supplier red and yellow card management system. For the cases of unsatisfactory annual evaluation, quality problems, and inconsistency with internal control quality standards, etc., the relevant suppliers are presented with yellow card warnings. For unqualified on-site audits, or for a total of 2 yellow card warnings received within 24 months, Baiyunshan General Factory will issue a red card warning and suspend the supplier's material procurement.



Centralized audit

The Year 2017 is Quality and Benefit Year. we conduct centralized audit on suppliers, strengthen source quality control and achieve win-win cooperation.

We conducted centralized on-site audits of 21 raw and auxiliary materials and packaging material suppliers and participated in more than 60 auditing experts.



7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDELINES CONTENT INDEX

Level	Main performance indicators	Chapter
A1 General Disclosure	Policies on emissions and emissions of greenhouse gases, emissions to water and land, and the generation of harmful and non-hazardous waste.	6.2.1 Reduce emissions
A1.1	Types of emissions and related emissions data.	Reduce emissions ESG ESG Key Performance Indicators
A1.2	Total greenhouse gas emissions and intensity.	Cope with climate change ESG ESG Key Performance Indicators
A1.3	The total amount and intensity of hazardous waste generated.	Reduce emissions ESG ESG Key Performance Indicators
A1.4	The total amount and intensity of non-hazardous waste generated.	Reduce emissions ESG ESG Key Performance Indicators
A1.5	Describe the measures to reduce emissions and the results obtained.	Reduce emissions
A1.6	Describe the ways to treat hazardous and non-hazardous waste, measures to reduce production, and results.	Reduce emissions
A2 General Disclosure	Policies for the effective use of resources including energy, water and other raw materials.	Conserve energy
A2.1	Total energy consumption and intensity.	Conserve energy ESG ESG Key Performance Indicators
A2.2	Total water consumption and intensity.	Conserve water resources ESG ESG Key Performance Indicators
A2.3	Describe energy use efficiency programs and results.	Conserve energy
A2.4	Describe any problems with finding a suitable water source, as well as improving water efficiency programs and results.	Conserve water resources
A2.5	The total amount of packaging materials used in finished products and the amount per unit of production.	Eco-friendly ESG ESG Key Performance Indicators
A3 General Disclosure	Reducing the issuer's policies that have a significant impact on the environment and natural resources.	Eco-friendly
A3.1	Describe the significant impact of business activities on the environment and natural resources and the actions that have been taken to manage the impact.	Eco-friendly
B1 General Disclosure	Information on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other benefits and benefits, and compliance with relevant laws and regulations that have a significant impact on the issuer.	Employment Compliance



7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDELINES CONTENT INDEX (CONTINUE)

Level	Main performance indicators	Chapter
B1.1	The total number of employees by sex, type of employment, age group and region.	Employment Compliance ESG ESG Key Performance Indicators
B1.2	Employment loss ratio by sex, age group and region.	Employment Compliance ESG Key Performance Indicators Table
B2 General Disclosure	Information on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations that have a significant impact on the issuer.	Safety and health
B2.1	The number of and rate of deaths due to work.	Safety and health ESG Key Performance Indicators Table
B2.2	Absent days due to work-related injury.	Safety and health
B2.3	Describe the adopted occupational health and safety measures, and related implementation and monitoring methods.	Safety and health
B3 General Disclosure	Policies on improving employees' knowledge and skills in performing job duties. Describe training activities.	Development training
B3.1	Percentage of trained employees divided by employee category (eg senior management, middle management, etc.).	Development training ESG Key Performance Indicators Table
B3.2	The average number of hours each employee completed training by gender and employee category.	Development training ESG Key Performance Indicators Table
B4 General Disclosure	Information on policies to prevent child labour or forced labour and compliance with relevant laws and regulations that have a significant impact on the issuer.	Employment Compliance
B4.1	Describe measures to review recruitment practices to avoid child labour and forced labour.	Employment Compliance
B4.2	Describe the steps taken to eliminate the situation when a violation is found.	Employment Compliance
B5 General Disclosure	Manage supply chain environmental and social risk policies.	Win-win cooperation
B5.1	The number of suppliers by region.	Win-win cooperation ESG Key Performance Indicators Table



7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GUIDELINES CONTENT INDEX (CONTINUE)

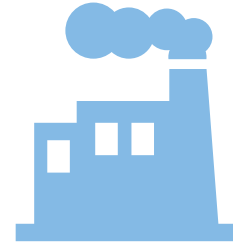
Level	Main performance indicators	Chapter
B5.2	Describe the practice of hiring suppliers, the number of suppliers to whom the relevant practices are implemented, and the methods of implementation and monitoring of relevant practices.	Win-win cooperation
B6 General Disclosure	Information on health and safety, advertising, labels and privacy issues and remedies for the products and services provided, and compliance with relevant laws and regulations that have a significant impact on the issuer.	Quality Control Consumers' rights and interests
B6.1	Percentage of total sold or delivered items due to safety and health reasons.	Quality Control
B6.2	Number of complaints about products and services received and how to deal with them.	Quality Control
B6.3	Describe practices related to the maintenance and protection of intellectual property.	Research and development innovation
B6.4	Describe the quality verification process and product recovery procedures.	Quality Control
B6.5	Describe consumer data protection and privacy policies, and related implementation and monitoring methods.	Consumers' rights and interests
B7 General Disclosure	Information on policies to prevent bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations that have a significant impact on the issuer.	Party building
B7.1	The number of corruption lawsuits filed against the issuer or his employees during the reporting period and the results of the lawsuit.	Party building
B7.2	Describe preventive measures and whistle-blowing procedures, as well as related implementation and monitoring methods.	Party building
B8 General Disclosure	Policies on community involvement to understand the needs of the communities in which they operate and to ensure that their business activities take into account the interests of the community.	Community investment
B8.1	Focus on areas of contribution (eg education, environmental issues, labor needs, health, culture, sports).	Community investment
B8.2	Use resources in the focus area, such as money or time.	Community investment ESG Key Performance Indicators Table



8. ESG KEY PERFORMANCE INDICATORS

2017 ESG KPIs		
Performance Indicator	Unit	Data in 2017
Industrial waste water*	ton	2,528,752
Intensity of industrial waste water	ton/industrial production (ten-thousand yuan)	1.37
CODCr for chemical oxygen demand*	ton	110.84
Ammonia nitrogen	ton	3.33
NO _x *	ton	24.59
SO ₂ *	ton	5.42
Total greenhouse gas emissions	Ton (equivalent CO ₂ emission)	158,651
Pharmaceutical waste (HW02) and Waste drugs (HW03)	Ton	223
Other hazardous waste	Ton	449
Total amount of hazardous waste discharged	Ton	672
Industrial waste	Ton	12,951
Intensity of Industrial waste	kg/industrial production (ten-thousand yuan)	7.00
A2 resources and energy use		
Gasoline	Liter	274,463
diesel	Liter	471,993
coal	Ton	11,931
Natural gas	Ten-thousand m ³	1,475
Purchased steam	Ton	16,605

Emission



in 2017

Note: Emissions of pollutants shall be consistent with the "Determination of Discharge Confirmation and Discharge Charges" issued by the EPA of the local place where the enterprise is located.



8. ESG KEY PERFORMANCE INDICATORS (CONTINUE)

2017 ESG KPIs		
Performance Indicator	Unit	Data in 2017
Purchased electricity	kWh	10,959.48
Intensity of electricity consumes	kWh/industrial production (ten-thousand yuan)	59.20
Water consumed	Ten-thousand ton	355
Intensity of water consumed	ton/industrial production (ten-thousand yuan)	1.92
packages	ton	13,550
B1 Employment and labour		
Total number of employees		
Employees in total	Person	21,955
Male	Person	14,236
Female	Person	7,719
Under the age of 30	Person	10,213
30 to 50 years old	Person	9,984
50 years of age or older	Person	1,758
Employee turnover rate		
Employee turnover rate	%	14.1
Male	%	17.9
Female	%	7.6
Under the age of 30	%	19.4
30 to 50 years old	%	10.4
50 years of age or older	%	5.8

Energy and Resources



in 2017

Employment



14,236

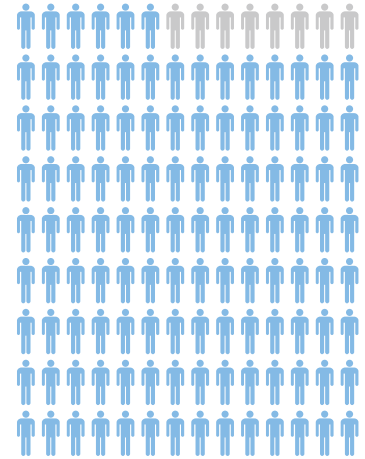
7,719



8. ESG KEY PERFORMANCE INDICATORS (CONTINUE)

2017 ESG KPIs		
Performance Indicator	Unit	Data in 2017
B2 Health and security and B3 Development and training		
Number of deaths due to work	Person-time	0
Total number of trainees	Person-time	123,029
Total staff training duration	Hour	685,731
Staff training hours per person	Hour	31
Number of Safety-related training	Time	923
Safety-related training person-time	Person-time	39,167
Safety-related training duration	Hour	110,243
Number of safety drills	Time	71

Employee Turnover



in 2017

EHS Training



in 2017



8. ESG KEY PERFORMANCE INDICATORS (CONTINUE)

2017 ESG KPIs			
Performance Indicator	Unit	Data in 2017	
B5 Supply chain management			
Ratio of suppliers by the region			
South China	%	57.13	
East China	%	20.56	
North China	%	5.13	
Central China	%	3.37	
Northeast China	%	2.39	
Northwest China	%	3.03	
Southwest China	%	8.40	

Supplier Distribution



in 2017

2017 ESG KPIs			
Performance Indicator	Unit	Data in 2017	
B8 Community investment			
Donations	Ten-thousand-yuan	360.91	
Value of items donated	Ten-thousand-yuan	573.71	
Number of volunteers	Person	2,534	
Volunteer hours	Hour	8,478	

Community Investment



in 2017



9. OUTLOOK

The year 2018 is a crucial year for the implementation of the 13th Five-Year Plan. We will adhere to the spirit of the 19th National Congress of the Communist Party of China, set 2018 as the “Innovation and Efficiency Year”, and insist on pursuing progress while ensuring stability and new development philosophy. Driven by innovation, we will explore more efficient management and development models in the area of social responsibility.

We will respond to the Beautiful China initiative and build a green development system

We will continue to improve the environmental management system, and further implement environmental protection policies in conjunction with Beautiful China initiative, building a green and low-carbon recycling system. It can reduce resource consumption, pollution emissions, and ecological damage. We will strive to actively introduce clean production technologies and improve the green development system in the drive for innovation.

We will strive to enhance the health and well-being of the people by combining the Healthy China initiative

We will continue to implement policies for the production, distribution and use of drugs, accelerate the research and development of new drugs, and actively promote the consistent evaluation of quality and efficacy of generic drugs already on the market. Meanwhile, we will implement the “two-invoice system”. With the principle of “enhancing the health and well-being of the people”, we will further improve the centralized procurement mechanism for drugs and consumables, and advance the negotiation of national drug prices so as to meet the multilevel, diversified, and personalized health needs of the people.

We will continue to adhere to the “targeted poverty alleviation” strategy and invest in social welfare

We will further advance targeted poverty alleviation work. Based on the overall poverty alleviation concept of “targeted, early, and distinctive”, we will follow the guideline of “targeted approach to aid the needy towards each village and household with the industry driving the whole village forward” and continue to invest in the three villages and towns, by exploring the corresponding development model according to local conditions to so as to achieve the objective of “no worries for two things, guaranteed on three aspects and meeting the average” by the end of 2018.

In 2018, we will continue to adhere to the philosophy of “Care for life and strive for excellence” and hope to work with all stakeholders to jointly promote sustainable and high-quality development.



10. ABOUT THIS REPORT

This is the 10th Corporate Social Responsibility Report released by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited. Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited 2017 Corporate Social Responsibility Report (the “Report”) systematically discloses the principles, practices, achievements and the future outlook of the Company’s undertakings in corporate social responsibility (CSR) towards shareholders, customers, business partners, the environment, employees and the society and so on in 2017.

Standard of preparation

Most contents disclosed in this Report are prepared in strict accordance with the requirements of the ESG Reporting Guide of the HKEx. Some parts of this Report follow the disclosure guidelines laid out in Guiding Opinions on Corporate Social Responsibility of State Enterprises published by the State-owned Assets Supervision and Administration Commission of the State Council, Guidelines for the Preparation of Corporate Social Responsibility Reports in China (CASS-CSR3.0) published by the Chinese Academy of Social Sciences, and the G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative.

The preparation of writing the report content includes identifying and arranging important stakeholders, identifying and ranking important ESG issues, deciding on the boundaries of the ESG report, collecting relevant materials and receipts, compiling data based on the data, and reviewing the data in the report.

Data Sources and Reliability Statements

The data used in the report comes from the official documents, statistical reports or relevant public information of the Group;

The Group’s board of directors and senior management team have approved this report to ensure that there are no false records, misleading statements or major omissions in the contents of this report.

Report scope and boundaries

The content of this report covers Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. and its subsidiaries and joint ventures; it is consistent with the 2017 report and the data disclosure does not include the joint venture company.

Title Description

For the ease of presentation and reading, “the Group” and “we” in this Report refer to the Company and affiliated holding companies; “Guangyao Baiyunshan” and “Company” refer to the Company. Definitions of the abbreviations used in this Report are the same as the definitions laid out in the Company’s 2017 annual report.

Report availability

The Report can be read online, and the electronic versions available, in the websites of SSE (www.sse.com.cn) and HKEx (www.hkex.com.hk).

We look forward to your comments and thoughts on this Report to help us continuously improve our method of preparation and social responsibility performance. Mailing address: 45 Shamian North Street, Liwan District, Guangzhou; E-mail: sec@gpc.com.cn.

Report versions

This Report is available in the Chinese and English languages. In the event of discrepancy in interpretation, the Chinese version shall prevail.

We would like to express our sincere gratitude to all those who have contributed to this report and our outstanding social responsibility performance.



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