



2018

# Corporate Social Responsibility Report

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited



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

# ABOUT THIS REPORT

This is the 11th Corporate Social Responsibility Report released by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited. The Report discloses the ideas, practices and achievements of the Company's undertakings in corporate social responsibility (CSR) towards the economy, the society, the environment and so on in 2018. We hope to strengthen communication with stakeholders, build consensus, and promote sustainable development through the release of CSR Report 2018.

## Time horizon

From January 1, 2018 to December 31, 2018; part of the content herein with a moderate extension to the year before or after.

## Report scope

"Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited", including its subsidiaries and joint ventures, is the reporting entity.

## Preparation basis

Sustainability Reporting Guidelines Standards (GRI Standards) issued by Global Reporting Initiative  
Guidelines for the Preparation of Corporate Social Responsibility Reports in China (CASS-CSR4.0) issued by Chinese Academy of Social Sciences  
Environmental, Social and Governance Reporting Guide issued by HKEx  
Guide for Environmental Information Disclosure of Shanghai-listed Companies issued by Shanghai Stock Exchange  
Guiding Opinions on the Implementation of Corporate Social Responsibility by Central State-Owned Enterprises issued by SASAC

## Data sources

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

## Reliability assurance

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

## Appellations

For the convenience of expression and reading, in the Report, "stakeholders" are sometimes referred to as "you", and "Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited" is sometimes referred to as "GYBYS" "the Company" "the Group" or "we (us/our)". The abbreviations used herein have the same meaning as those defined in 2018 Annual Report.

## Access to the Report

The Report is available in printed or electronic form. You can download the electronic version from the Company's website ([www.gybys.com.cn](http://www.gybys.com.cn)), SSE website ([www.sse.com.cn](http://www.sse.com.cn)) or HKEx website ([www.hkex.com.cn](http://www.hkex.com.cn)), or get the print version by email ([sec@gybys.com.cn](mailto:sec@gybys.com.cn)) or phone (020-6628 1220).

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## SPEECH BY CHAIRMAN

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

As a comprehensive pharmaceutical enterprise which integrates medical manufacture, health care, circulation and retail, we are fully aware that the health and well-being of human beings is our long-term objective. In 2018, we always followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the important speech delivered by General Secretary Xi Jinping during his visitation to Guangdong, took high quality and sustainable development as the core, and provided our innovative solutions for human health undertaking.

#### We try to make everyone enjoy a healthy life

Without health for all, there will be no all-round well-off society. We take health for all as our unswerving objective, implement the "Healthy China" strategy proposed by the Central Party Committee and the State Council, and provide new solutions to the people's health with continually innovative products and medical service programs. We continuously strengthen research and development, have developed the only new clinical approved cephalosporin 1 new drug in China in the past 20 years, have initiated the establishment of a special committee for R&D and production of famous classical Chinese herbal medicine prescriptions, and have launched a major special project under Ministry of Science and Technology, namely "research and development of two Zhongjing prescriptions, including Wuzhuyu decoction, based on the prescriptions consistency assessment technology".

We attach importance to the fairness and accessibility of medical services, and provide the masses with high quality medical services in the links such as medicine, medical service and retail. A total of 143 varieties of the Company have been included into 2018 National Essential Drugs List (new edition), including 9 new varieties. We contribute more safe and reliable pharmaceutical products to health for all. Intelligent TCM Decoction Center preliminarily covers primary health care institution in Guangzhou City, and provides TCM decoction service for 41 health care institutions in Guangdong Province. Cai Zhi Lin develops characteristic chain terminal service, and continues to develop the business model of "chain drugstores + traditional Chinese medical centers".

#### We try to make everyone live in a green environment forever

A good ecological environment is the foundation for human survival and health. As a responsible corporate citizen, we always take green development as the core of our sustainable development. We are concerned about climate

change, biodiversity and other sustainable development issues. On the one hand, we actively reduce fossil energy consumption, promote clean and renewable energy substitution, widely adopt clean technologies, strive to reduce the emission of greenhouse gases and air pollutants, and help to mitigate global climate change. On the other hand, we attach importance to ecological environmental protection in the cultivation and collection process of Chinese herbal medicines, scientifically standardize the cultivation flow of Chinese herbal medicines, and protect the ecological environment and biodiversity of the cultivated fields. In 2018, we added 7 standardized Chinese herbal medicines cultivation bases. Now we have 53 standardized Chinese herbal medicines cultivation bases in total.

We continuously improve the construction of environmental management system, have a special working group for pollution prevention and control, remediate gaseous emission, sewage treatment and other key issues, and win the affirmation by The Sixth Environmental Protection Inspection Team of Guangzhou City. We have actively created national-level "green factories" such as Tian Xin, Zhong Yi, Xing Qun, and HWBYS which have successively passed relevant certification.

#### We try to make our business model more transparent and risk-controlled

Transparent and non-corrupt business model is a reliable guarantee for us to keep evergreen. We have set up special leading groups, monitoring groups, and oversight committees for five supervision projects, and have integrated them to form the risk prevention and control oriented supervision system. We attach importance to incorruptible culture construction, open Incorruptible GYBYS WeChat Official Account, make preparation for the establishment of GYBYS Incorruption Newspaper, carry out a series of activities themed on "carrying forward harmonious and happy family traditions, and building state-owned enterprise" steadily, publish a book named "Good Family Traditions of GYBYS", and conduct education against corruption through multiple platforms of the Company such as Party School, Incorruption Lecture and Micro Education for Party Members.

#### We try to operate on a more solid foundation

High quality talents are a firm foundation for our sustainable development. We have prepared "789" Three-year Training Program for Young Cadres (2018-2021) to vigorously train and select young cadres, and have launched the dual channels for staff occupation development. We actively attract and train talents through innovation, and successfully obtain the approval of Guangzhou Doctoral Workstation composed of nearly one hundred doctoral talents. We comprehensively promote education training engineering, and carry out training around the themes such as leading cadre ability, safety production, audit and new employee orientation training, to significantly improve job skills and overall quality of employees.

Safe and efficient products are the core guarantee for us to make contributions to human health. We build a high-handed posture for quality control, improve rewards and punishments system and quality interview system for internal quality control, carry out wide quality inspection, and rectify all defects found. We lead the quality improvement by technology. 19 subsidiaries of the Company have invested RMB 206 million in 33 standardized technical renovation projects. We vigorously carry out QC activities. 21 QC groups won the first prize at the Conference for Presentation of QC Achievements of Medical Quality Control in China. Zhong Yi "Xiaoke QC Group" won gold award for international publication on the 43rd International Quality Control Panel Congress.

Harmonious and stable community relations are external guarantee for our long-term development. In the past three years, we have invested over RMB 6,650,000 to conduct targeted poverty alleviation through hematopoietic industry aid. The collective economy income of three poor villages increased from RMB 10,300 in 2015 before the aid to RMB 180,000 in 2018. The poverty relieve rate was up to 92%. We also provide free physical examination and other services for over 700 poverty alleviation cadres in Guangzhou City, and provide a good health backing for more enterprises to carry out poverty alleviation. We join hands with Ali Health to start the 15th anniversary public benefit activities for home expired drugs door-to-door recovery, and initiate the first national home expired drugs recovery coalition in China.

Care for the life, heal the wounded and rescue the dying, make dedication happily, offer boundless love. With the fear of life, we continuously contribute our wisdom and strength to human health based on innovative varieties and high quality varieties, offer our solutions and love, and develop together with the new era.

# ABOUT US

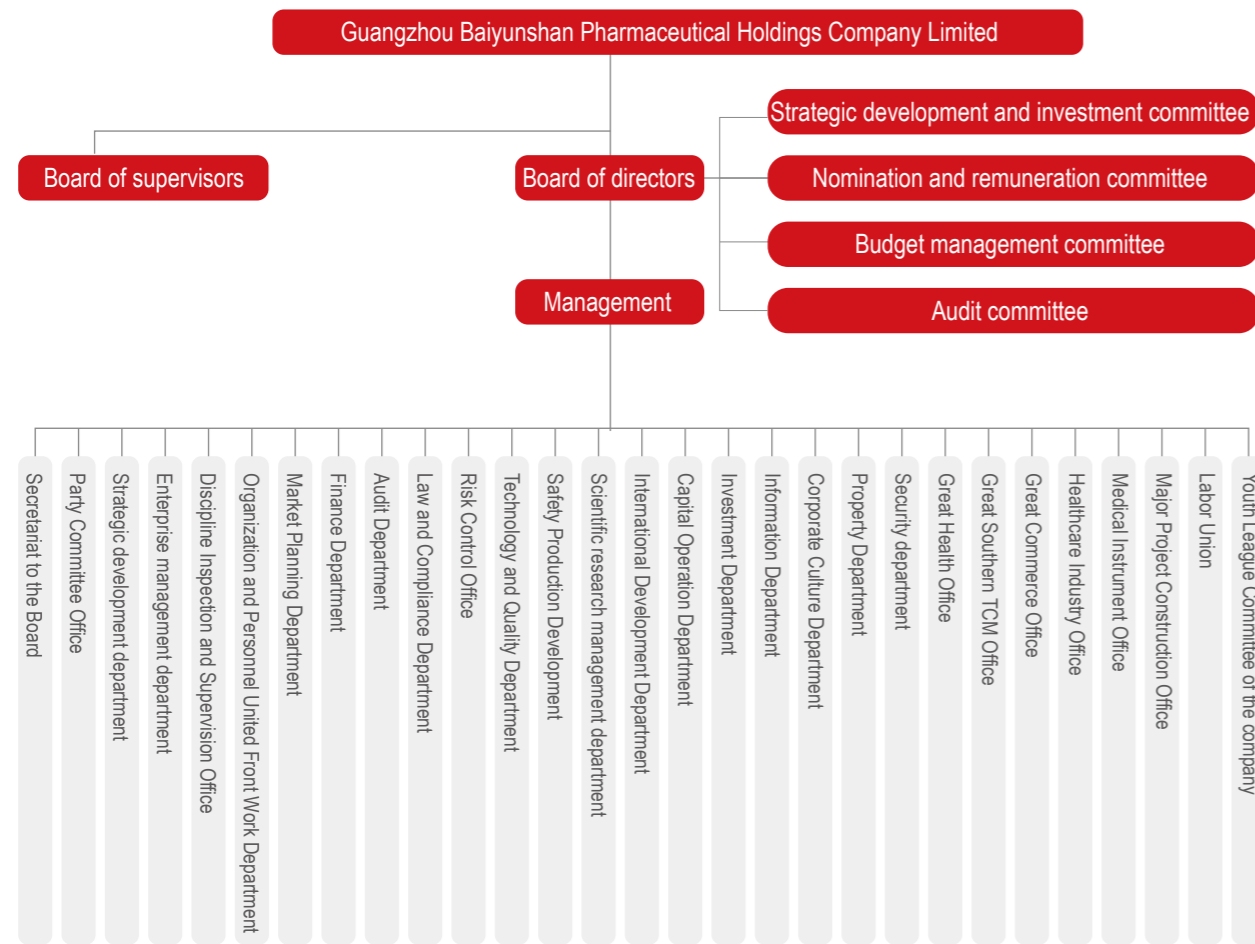
## Corporate profile

### Introduction

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited [A-Shares 600332,H-Shares 00874] is a listed company under Guangzhou Pharmaceutical Holdings Limited (GPHL). We are mainly engaged in R&D,manufacture and commercial logistics distribution of Chinese patent drugs & vegetable drugs,chemical crude drugs & preparations,biological drugs and massive health products as well as healthcare services.

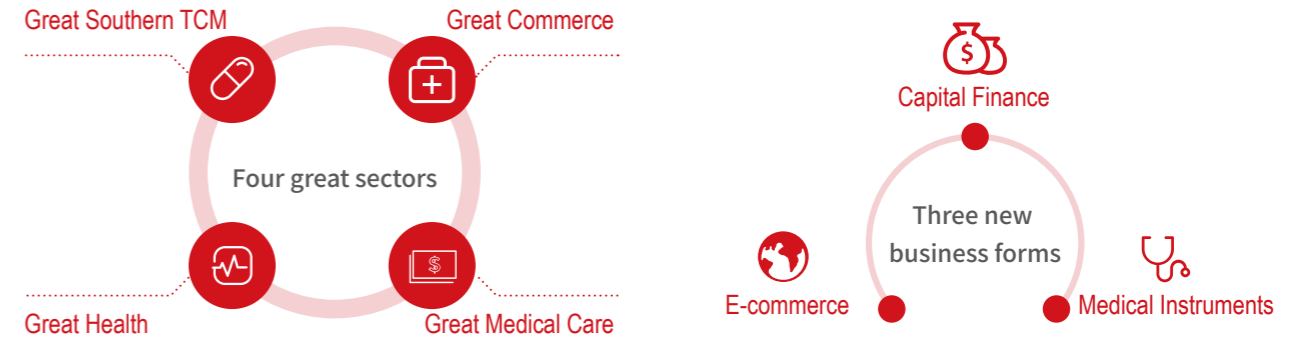
### Organizational structure

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



### Business layout

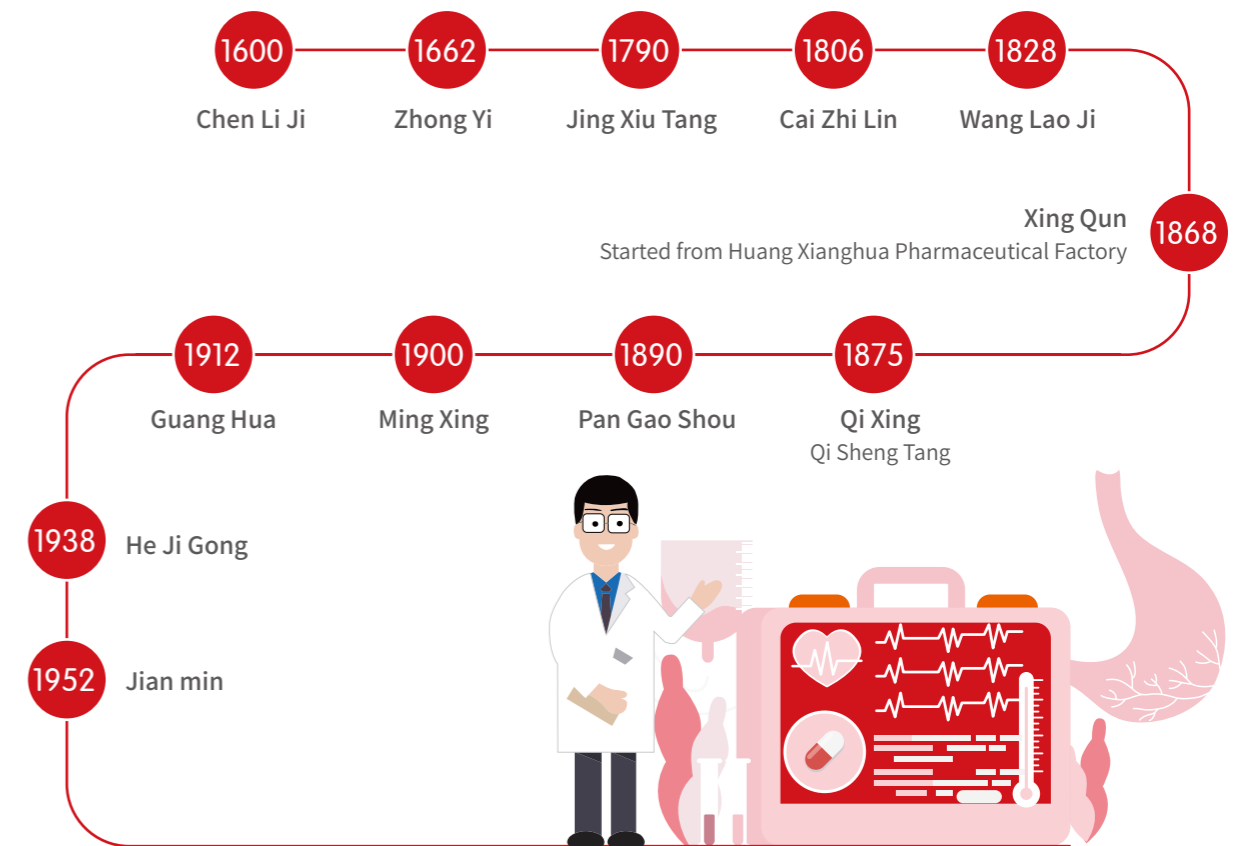
As one of the largest pharmaceutical manufacturers in China,we have established four great sectors and three new business forms after years of elaborate creation and accelerated development in the medical health industry. Four business segments are "Great Southern TCM","Great Health","Great Commerce"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



### Main products

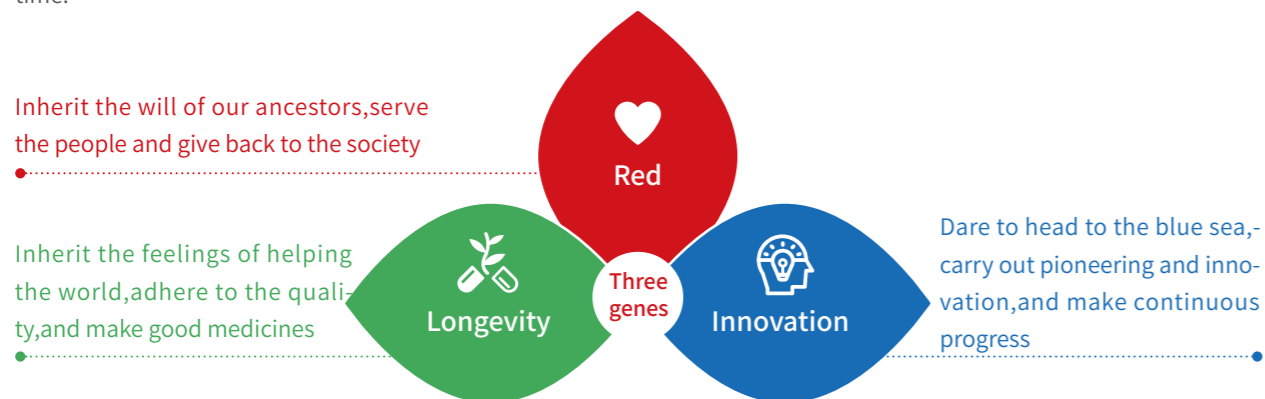
Major Chinese medicine products include Xiao Ke Pill,Qing Kai Ling series,Xia Sang Ju granules series,Hua Tuo Zai Zao Pill,An Gong Niu Huang Pill,Wang Lao Ji Herbal Tea,Wang Lao Ji Qi Xing Tea for Children,Zhui Feng Tou Gu Pill and so on. Major chemical medicine products include cefathiamidine,cefixime,amoxicillin,Sildenafil Citrate Tablets and so on. Major great health products include Wang Lao Ji Herbal Tea,ganoderma spore oil capsules and so on.

We own 12 Chinese time-honored brand enterprises. 10 of them are century-old enterprises.



## Corporate culture

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



## Corporate governance

According to the development thought of an "Innovation and Efficiency Year", GYBYS actively adapts to the new normal of economic growth, seeks improvement in stability, firmly follows the requirements of high-quality development, takes innovation drive as the core, accelerates the adjustment of business structure, and maintains the sustained and stable growth of business performance.

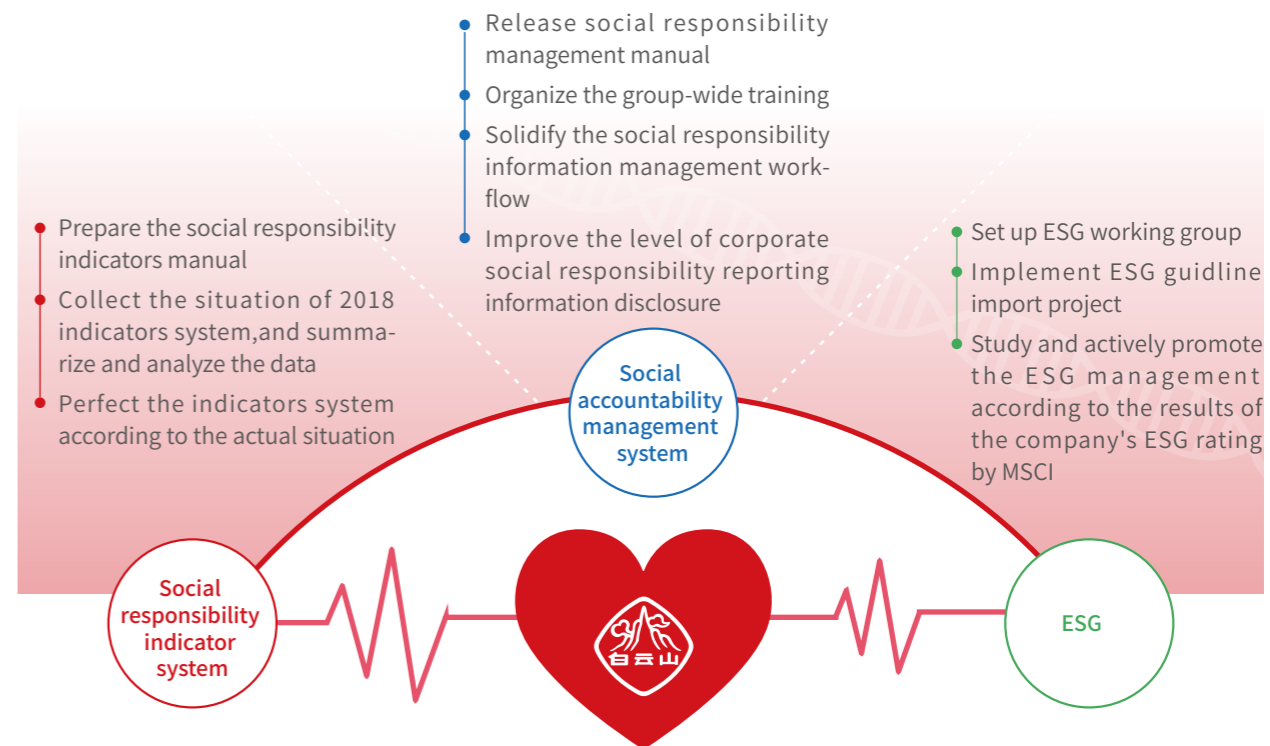
- In 2018, We obtained operation revenue of RMB **42.2** billion with an increase of **101.55%** year-on-year;
- Gained gross profit of RMB **4** billion with an increase of **61.20%** year-on-year;
- Net profit of listed company shareholders was RMB **3.4** billion with an increase of **66.90%** year-on-year.

We have set up a corporate governance structure, which is composed of shareholders' meeting, board of directors and its special committee, board of supervisors and top management. Board of directors has 11 directors, including 4 independent non-executive directors.

We perform standard operation in strict accordance with the requirements of relevant laws and regulations including *Company Law, Securities Law, Shanghai Stock Exchange Listing Rules, Hong Kong Stock Exchange Main Board Listing Rules and so on as well as Articles of Association* of the Company. We convene shareholders' meeting, meeting of board of directors and meeting of board of supervisors in accordance with Rules of Procedure of Shareholders' Meeting, Rules of Procedure of Board of Directors, and Rules of Procedure of Board of Supervisors and other relevant requirements. In 2018, the Company convened 2 shareholders' meetings, 13 meetings of board of directors, 7 meetings of board of supervisors, 4 meetings of audit committee, 7 meetings of strategic development and investment committee, 4 meetings of nomination and remuneration committee, and 1 meeting of budget management committee.

## Sustainable development strategy and management

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



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

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

Board of directors is responsible for the operation and management of the Company's legal person property, is responsible to shareholders' meeting, and is responsible for convening shareholders' meeting and reporting to the shareholders' meeting, implementing the resolutions of shareholders' meeting, making decisions on the establishment of the Company's internal management departments, formulating the Company's basic management systems, managing the Company's information disclosure and so on.

Supervisors of the Company may attend meeting of board of directors, and raise questions or suggestions on the matters decided by board of directors. Board of supervisors is responsible to all shareholders, is responsible for inspecting the Company's financial affairs according to law, has the right to investigate the Company's property conditions, exercises the right of supervision over the Company's major business activities, to supervise and evaluate the Company's operations and property preservation & appreciation.

Responsibilities of shareholders' meeting, board of directors and board of supervisors are detailed in annual report of the Company in 2018.

## Major issues on the capital market

In 2018, in combination with the capital market, we formulated a series of plans and submitted them to shareholders' meeting for approval, continuously strengthened internal control and management, improved decision-making procedures to ensure efficient operation in accordance with laws and regulations, and strictly completed information disclosure.

### Accelerated the progress of major assets purchase

The Company convened an interim shareholders' meeting on March 29, 2018, and completed the transaction on May 31, 2018, marking the acquisition of 30% equity of pharmaceutical company was completed as a major asset purchase project.

### Completed the acquisition of Wang Lao Ji equity

GYBYS completed acquisition of Wang Lao Ji equity held by Tong Xing, and Tong Xing transferred all Wang Lao Ji equity in its own hands to the Company as per audit evaluation price. In September 2018, equity transaction execution and shareholder registration change were completed.

### Accelerated the progress of Wang Lao Ji series trademark purchase

The Company started Blending Wang Lao Ji Trademark into Listed Company in October 2017, convened a meeting of board of directors on December 27, 2018, and passed proposal related to acquisition of Wang Lao Ji series trademark. At present, a proposal has been submitted in terms of the first 2019 interim shareholders' meeting convened on March 28, 2019.

### Developed three-year (2018-2020) shareholder return plan for the Company

In accordance with relevant requirements of Notice on the Issues Related to Further Implementing Cash Bonus of Listed Companies and Regulatory Guidelines for Listed Companies No. 3 - Cash Bonus of Listed Companies issued by China Securities Regulatory Commission and Guidelines for Cash Bonus of Shanghai-listed Companies and Stock Listing Rules issued by Shanghai Stock Exchange, in combination with the actual situation of the Company, board of directors formulated three-year (2018-2020) shareholder return plan, implemented sustainable, stable and scientific profit distribution plan on the premise that immediate profits ensured sustainable operation and long-term development, and actively returned to shareholders.

### Followed up the raised fund management and use

The company actively promotes the implementation of fund and investment projects, and ensures compliant and effective use of the raised fund. In 2018, the Company carried out adjustment of specific uses of land for implementation of "Great Southern TCM" R&D Platform Project, add new fund-raising implementation entities, use part of idle fund for cash management, changed the uses of the raised fund, postponed fund-raising and investment projects, etc..

## Communication with shareholders

In 2018, board of directors of the Company continued to maintain dialogue with shareholders and investors, further strengthened the contact and communication with the capital market, deepened domestic and foreign investors' understanding of the Company, enhance the disclosure of investor information, and increased the market value. The Company attaches great importance to the protection of shareholders' privacy. Except otherwise stipulated by laws and regulations, the Company will not disclose shareholders' information without their consent.

The Company conducted communication with shareholders and information disclosure through written reports, activity communications and the shareholders' meeting, board of directors and board of supervisors.



### Written reports

- Regular reports (quarterly, semi-annual and annual reports)
- All the information submitted to Shanghai Stock Exchange and Hong Kong Stock Exchange for disclosure
- Other publications of the Company
- Various investigation reports
- Shareholding analysis reports



### Activity communications

- Performance roadshow and presentation for long-term investors
- Interim report performance statement teleconference
- "Investors Communication Day"
- Investors strategy conference



### Shareholders' enquiry and meeting

- Notices and circulars of shareholders' meeting
- Resolution of shareholders' meeting



## Guangyao Speed

We firmly believe that "development is the absolute truth". Since the establishment, we have adhered to the principle of diligence and innovation and followed the path of high-quality development. Relying on the courage of daring to be the first and the spirit of the first to eat crab, the Company has overcome many difficulties and become a national reform and opening-up banner.

### 1980

Baiyunshan General Factory set the corporate spirit of "loving the factory,prospering the profit,striving for realism,and keeping forging ahead",and made great strides forward. Sales revenue increased rapidly to RMB 120 million in 1987 from RMB 12 million in 1980.



In 1980,Xi Zhongxun,first secretary and governor of Guangdong Province,conducted a visitation to Baiyunshan Pharmaceutical General Factory and gave the instruction of "emancipating the mind,recruiting talents,establishing a brand,innovating technologies and caring for employees".

### From 2013 to 2017

Sales revenue was doubled in four years, creating "Guangyao speed" for corporate development.

### By the end of 2018

Operating revenue of GYBYS was up to RMB 42.2 billion

## BENEFIT THE WHOLE MANKIND AND WALK TOGETHER WITH REFORM

SPECIAL SUBJECT

"Started a business hard with two copper pots; refine Dan skillfully among white clouds. Benefit the whole mankind and run towards the four modernizations; become crouching tiger or hidden dragon in the mountains." Over the past 40 years,the Company starting a business with two big pots has strived for progress,made continuous innovation,united the strengths,always upheld the initial heart of blessing the public health,walked together with reform all the way,and developed into a large pharmaceutical group from a small pharmaceutical enterprise with more scattered subsidiaries and staying in Lingnan leisurely.

## Guangyao Solutions

The 40-year history of reform and opening-up is also a history of state-owned enterprise reform. We insist on emancipating the mind and carrying out reform and development,and constantly study new situations,solve new problems and summarize new experience. At each critical time point or important stage,we take the initiative to be the pioneer and become an epitome of the state-owned enterprise reform history.

### In 1976

Bei Zhaohan,newly inaugurated party branch secretary of Baiyunshan General Factory,dared to be the first,introduced a bold innovation,and took the lead in implementing the independence of human rights and property rights,creating a state-owned enterprise reform vanguard at that time,and realizing the rapid development of the enterprise.

### In 2001

GPC was listed in Shanghai Stock Exchange A shares,and became one of first batch of domestic companies listed in A+H shares.

### In 1993

"Baiyunshan A" led the enterprises in Guangzhou City,boldly reformed shareholding system,successfully landed Shenzhen Stock Exchange,and became one of first batch of listed state-owned enterprises.

### In 2013

GPC completed the first domestic case of major assets restructuring across Shanghai,Shenzhen and Hong Kong exchanges,re-named "Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited" based on merger with "Baiyunshan A" by absorption,pioneering the state-owned enterprise restructuring.

### In 1997

GPC was listed in HKEx H shares.

### In 2015

GYBYS started the plan for non-public offering of stock,raised nearly RMB 8 billion,and implemented employee stock ownership plan (ESOP),making a beneficial exploration for the state-owned assets reform of state-owned enterprises in Guangzhou City.

## Guangyao Innovation

Over the 40 years,we adhere to innovation-driven development; with the courage of daring dare to forge ahead and the determination of self innovation,based on irreproducible "atypical innovation",we contribute our wisdom and strength to the Chinese residents' average life expectancy of increase by 10 years old.



- The first one with self-established sales network across the country
- The first one to implement the "five guarantees" of products across the country
- Set up the first research institute in the industry
- The first pharmaceutical commercial company to implement the system of general agency and general distribution in China
- Initiated 24 hours drug selling service in China
- Initiated expired home medicines recovery mechanism in the world
- Established the first semi-open TCM museum - "Shen Nong's Cottage" in China

## Guangyao Forces

Over the 40 years of reform and opening-up,we always stick to the courage and wisdom,build roads through the mountains and bridges through the waters,have the courage to undertake the epoch mission of six forces of state-owned enterprises,are not afraid of difficulties,and press forward with indomitable will.

In May 2012

GPLH as the controlling shareholder,withstood the pressure from all sides,overcame many unimaginable difficulties,and successfully took back the trademark "Wang Lao Ji".

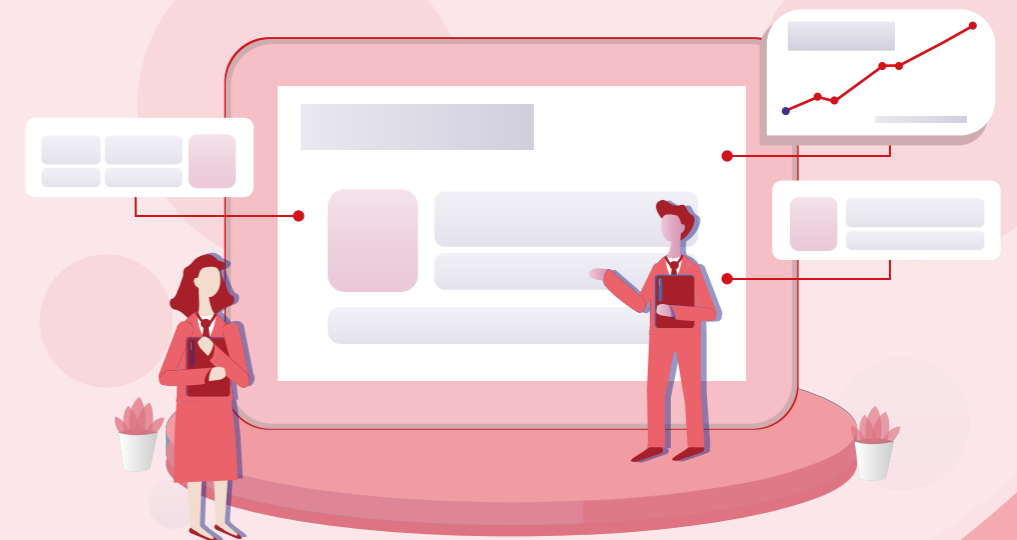
In 2012

WLJ Great Health Corporate Development Company was established as a wholly-owned subsidiary,mainly engaged in red-tin and red-bottle "Wang Lao Ji" herbal tea products as well as sugar-free,solid,brewed and other new forms of "Wang Lao Ji" herbal tea products.

In 2018

For Wang Lao Ji is the leader of Chinese herbal tea industry,according to the triangle strategy of "fashion,science & technology,and culture",WLJ Great Health Corporate Development Company vigorously promotes the refinement of channels building,the modernization of science and technology,the internationalization of brands,the diversification of individual products,and the differentiation of productivity layout,to make the massive health industry become feasible and strong and build Wang Lao Ji into an influential global brand.

The reformist spirit precipitated by generations of employees of GYBYS is motivating,promoting and brightening at the back of 40-year splendid achievements. We always uphold the spirits of "daring to be the first","blood and iron","perseverance" and "guide by party construction",have taken GYBYS to the road of development with high quality,and will continue to carry forward these spirits so as to make new progress in the new era.





# ACCESS TO HEALTHCARE

## Challenges and opportunities

Health is the foundation for promoting the development and well-being of all people, and is one of the most basic human rights. Improving the accessibility of drugs is an important means to protect the public's right of access to healthcare. However, the high prices of drugs and the weak development of primary care hinder the right of patients in poor and backward areas to enjoy health to some extent. To protect the public's right to generally enjoy health, the pharmaceutical industry is in urgent need of increasing the innovative R&D of drugs, setting the fair and reasonable prices of drugs and supporting the development of primary care so as to improve the accessibility of drugs and medical services.

At the same time, with the industrialization, urbanization, population aging, disease spectrum change, ecological environment change and lifestyle change, the health concept of the public has been shifted significantly, and the public's demand for health and medicine is increasingly growing, bringing opportunities for the development of healthcare industry.

The Group takes "caring for life and pursuing excellence" as the mission, and gives full play to its own resources superiority in healthcare industry. Based on continuous research and development of innovative drugs, the Group adopts a fair and reasonable pricing policy, actively helps with the development of primary care, carries out medical public benefit activities, and passes health knowledge and pharmaceutical products to patients in need.

At the same time, we continue to develop hospital community business, actively promote the sinking of terminal distribution network, lay DTP pharmacies and chronic disease pharmacies, further expand the scope of medical services, and help to improve primary health care services.

## Coping strategy



# Innovation for health and well-being

Innovation is the key for pharmaceutical enterprises to explore the development and solve public health care problems, and is also an important way to promote public health and well-being. GYBYS takes innovation as the blue gene of continuous improvement, takes "meeting the demand of patients and promoting the development of health industry" as the guide, continuously promotes the transformation of scientific and technological achievements, improves technical research and development system and intellectual property protection, continuously provides innovative treatment regimens for patients, and serves the development of human health undertaking. In 2018, GYBYS invested RMB 585 million in research and development, accounting for 6.08% of the main operation revenue of the Great Southern TCM.

## Transformation of scientific and technological achievements

Transformation of scientific and technological achievements is an important basis for promoting the application and promotion of new drugs, and is also an important way to improve the accessibility of drugs. GYBYS positively promotes the transformation of scientific and technological achievements, brings more health resources to the public, and improves the accessibility and availability of pharmaceutical products.

### JinGe

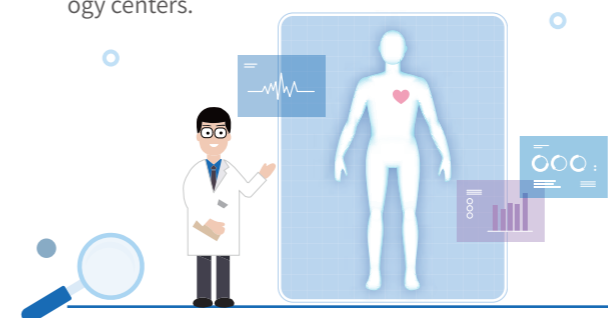
Erectile dysfunction is a common male sexual dysfunction that affects patients' normal life. GYBYS pay attention to men's health, and has developed a drug for treatment of erectile dysfunction over 16 years, namely JinGe, which has a significant therapeutic effect. In addition, JinGe can effectively alleviate the symptoms of patients with pulmonary hypertension, and improve the survival rate and life quality of such patients. In the love aid themed on "New Life Program for Patients with Blue Lips", the Company has offered free JinGe to pulmonary hypertension patients have been diagnosed and are eligible to take sildenafil citrate tablets.

### Rabies vaccine

Rabies is a zoonosis which can be spread by contact with the saliva of infected animals, and is the infectious disease with the highest mortality. Immunization immediately after exposure is the only effective measure to prevent rabies. Freeze-dried rabies vaccines for human use developed by GYBYS plays an important role in the control and prevention of rabies.

## R&D platform construction

By the end of 2018, GYBYS had built 78 R&D institutions (9 types) such as national R&D institutions and national enterprise technology centers, further improving its own ability in technical research and development. In 2018, there was 1 new provincial laboratory, 3 new provincial enterprise technology centers, 2 provincial engineering centers and 2 new municipal enterprise technology centers.



Type	Quantity
National R&D institutions	6
National enterprise technology center	1
Postdoctoral workstations	2
Provincial enterprise technology centers	14
Municipal enterprise technology centers	14
Provincial engineering technology centers	16
Municipal engineering technology R&D centers	14
Key laboratories at the provincial and ministerial level	6
Key laboratories at the municipal level	5

## Intellectual property protection

Effective intellectual property protection is a power guarantee for corporate R&D innovation. In accordance with the requirements of *Trademark Law of the People's Republic of China*, *Patent Law of the People's Republic of China*, *Law of the People's Republic of China for Countering Unfair Competition* and other laws and regulations, GYBYS has established Measures for Handling Major Intellectual Property Matters and other intellectual property protection systems, has defined the declaration, management, protection and innovation incentive of intellectual property, and has implemented intellectual property protection in R&D, production, sales and marketing links.



In 2018, thirteen enterprises such as Guangxi Ying Kang passed intellectual property standard implementation certification.

### Clinical and production approvals

In 2018, we received **2** drug production approvals and **6** clinical approvals

We received the clinical test approval issued for new class of chemical drug **1.1** cephalosporin sodium, obtained the authorization of **1** US patent and **2** Chinese invention patents, providing medicine support for the treatment of community acquired pneumonia.

### Scientific awards

"Research on Foundation of Chinese Medicine and Western Medicine Combination for and Transformation of Non-alcoholic Fatty Liver Disease" won **the first prize of 2017 Guangdong Provincial Science and Technology Progress Award**

"Research on Systematic Evaluation of Chinese-Western Combination Preparation Xiaoke Wan" led by Zhong Yi won **the second prize of 2017 Guangdong Provincial Science and Technology Progress Award**

"Research on Compound Kunxian Capsule in the Treatment of Rheumatoid Arthritis" declared by Chen Li Ji won **the third prize of 2017 Guangdong Provincial Science and Technology Progress Award**

### Invention patents

We applied for **125** patents

including **67** invention patents, **8** utility model patents, and **50** appearance patents

We were authorized with **52** patents

including **27** invention patents, **7** utility model patents, and **18** appearance patents

We obtained **1** foreign invention patent

### Chinese patent awards

"Application of a Traditional Chinese Medicine Composition in Preparation of Osteoporosis Treatment Drugs" of Chen Li Ji, "Preparation Method of Egg Yolk Phosphatidylcholine for Injection" of Guangzhou Han Fang and "A Sildenafil Citrate Tablet and Its Preparation Method" of Baiyunshan General Factory won Excellence Award among the 12th Chinese patent awards

## Affordable drug pricing

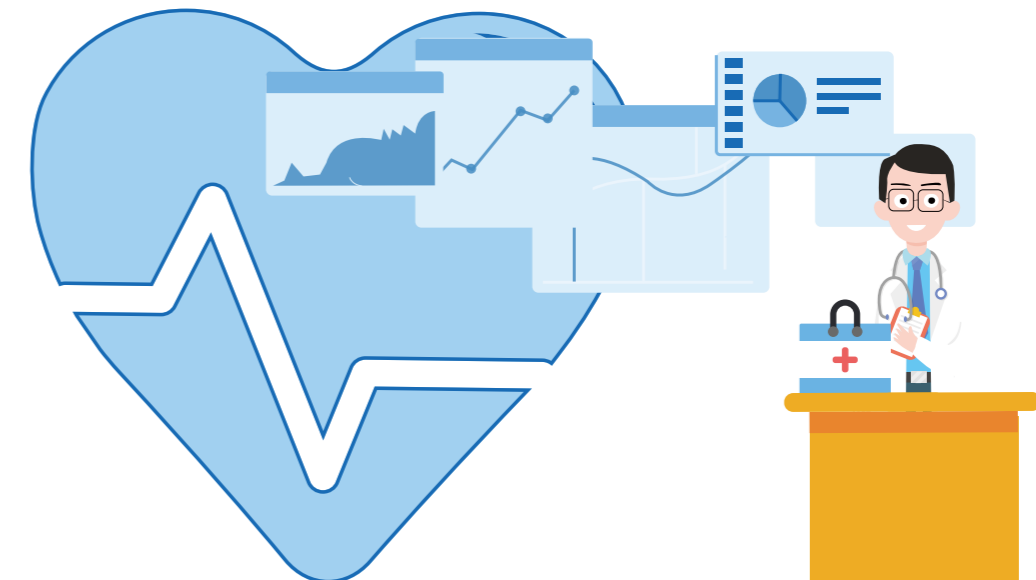
Drug expense is an important part of economic burden of disease. The Group provides fair and reasonable prices of drugs for the public, and improves the affordability of patients for drugs through fair and reasonable pricing.

### Fair and reasonable pricing

Fair and reasonable drug pricing is an important way to effectively alleviate patients' unreasonable medical expense burden and ensure patients' access to drugs and medical services. In accordance with relevant requirements of Opinions on Advancing Drug Price Reform issued by National Development and Reform Commission, combined with our own production and operation costs and market supply-and-demand situation, we set "recommended retail prices" for drugs, and accept the supervision by pricing departments of all provinces, to ensure that patients can obtain drugs at fair and reasonable prices.

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

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



# Improvement of access to health care

Access to health care is closely related to the physical and mental health of the public. We promote the prevention and treatment of diseases, help with the development of primary care, popularize health knowledge, and carry out health public benefit activities, to meet the public's demand for drugs, health care services and health knowledge.

## Promote the prevention and treatment of diseases

The prevention and treatment of diseases are an effective way to enhance the people's health and well-being. We give full play to our own advantages, throw ourselves into prevention of Alzheimer's disease and treatment of pulmonary hypertension, and bring health hope for middle and old aged groups and pulmonary hypertension patients.

### Prevention of Alzheimer's disease

Disease prevention can greatly reduce the impact of diseases on physical and mental health of the public. HWBYS focuses on the development of the prevention and treatment of Alzheimer's disease among the middle-aged and the elderly, and pushes hard to spread the "Congming Cao", which is designed to prevent and treat Alzheimer's disease, to improve the healthcare awareness of the middle-aged and the elderly for the prevention and treatment of Alzheimer's disease.

### Treatment of rare diseases

We make positive cooperation with all parties to promote diagnosis and treatment of rare diseases and improve patients' accessibility, bringing hope to Chinese patients with rare diseases. Pulmonary hypertension is a pulmonary vascular disease that cannot be cured at present, also called "blue lips". Patients would have to take medicines for the rest of life. According to statistics, there are about millions of patients with pulmonary hypertension in China. All drugs with indications are imported from abroad. 90% of patients will discontinue or abandon the treatment for they cannot bear the medical expense for a long time.

To meet the demand of patients with "blue lips" for home-made targeted drugs, in 2017, Baiyunshan General Factory joined hands with iSEEK PH Hope Center to start the love aid themed on "JinGe New Life Program for Patients with Blue Lips", and provided free JinGe for the diagnosed pulmonary hypertension patients suitable for taking sildenafil citrate tablets to relieve their pains. By the end of 2018, the value of first batch of aid drugs had exceeded RMB 1.26 million, bringing benefits to 1,715 patients with pulmonary hypertension.

### Case HWBYS helped with the promotion of "Congming Cao"

From January 2018 to February 2018, HWBYS and other organizations jointly held the 2nd BYS Compound Danshen Cup "Congming Cao" successively in Henan, Liaoning, Guangdong, Shanxi, Hebei and other provinces, to help the middle-aged and the elderly improve the healthcare awareness for the prevention and treatment of Alzheimer's disease through "Congming Cao", which integrates sports, health preserving, fitness and happy dancing. For the "Congming Cao" competitions, over RMB 11 million was invested, and over 10 competitions were held, driving 50,000 middle-aged and old persons to participate, and effectively helping middle-aged and old persons cognize Alzheimer's disease correctly, keep away from diseases and enjoy a healthy old age.



## Help with the development of primary care

Improving the fundamental medical workers' diagnosis and treatment level plays an important role in promoting the development of primary health care services. We help primary physicians improve diseases prevention and treatment knowledge through primary physicians training activities.

In 2018, Guangdong Branch Red Cross Society of China and Qi Xing "Huatuo Zaizao Philanthropic Foundation" jointly organized 3 primary physicians training activities in Xinyi City, Yunfu City (Yun'an District) and Meizhou City, invested RMB 19,000 in total, and provided training for over 400 primary physicians.

### Case "Huatuo Zaizao Philanthropic Foundation" Providing Physicians and Technologies for Primary Physicians Training Class

On November 29, 2018, the 13th "Huatuo Zaizao Philanthropic Foundation" Providing Physicians and Technologies for Primary Physicians Training Class was held in Meizhou City. The training took primary physicians of Meixian District and Meijiang District and medical care personnel of related departments of Municipal TCM Hospital as the objects, taught the characteristics, risk and prevention of cardiovascular and cerebrovascular diseases, hypertension and other diseases, and enhanced primary medical care personnel's understanding and treatment of cardiovascular and cerebrovascular diseases, hypertension and other diseases. During the training, Qi Xing also provided three-month dosage of Huatuo Zaizao Pills for stroke patients whose families were difficult in Meizhou City.



## Popularize health knowledge

Popularization of health knowledge helps to promote the public's health idea and disease prevention ability. We popularize health knowledge to community residents and provide the public with opportunity to gain health knowledge through scientific knowledge propagation into communities.



Pan Gao Shou held the 4th Lung Protection Date Series Public benefit activities across the country, and called on the public to protect lungs, breathe healthily and improve their awareness of lung care and protection.



He Ji Gong continually invested personnel and money in communities and schools for gratuitous treatment as well as health knowledge propaganda and education, and promoted community residents and school students to improve their health protection awareness.

## Fulfill health public benefit

We actively give back to communities, provide drug support for people needing care, and give them opportunities of access to healthcare.



In May 2018, He Ji Gong installed love medicine kits furnished with Quick-acting Pills for Heart Resurrection, Essential Balm, Adhesive Bandage Strip and other topical drugs for external use on 100 FAW buses in Guangzhou, to provide convenience for passengers.



In 2018, Chen Li Ji held the communal charity activities of Chen Li Ji Waist Care Day themed on "Caring for the waist and Striving for Healthy China", and provided loins-strengthening and kidney-invigorating bolus for 9 types of people easily suffering waist strain such as teachers, policemen, fire fighters and sanitation workers.



Wang Lao Ji carried out Small Children Medicine Kit Giveaways, implemented "Love Your Children The Right Way - Gold Children's Health Manager Program", and held Sangongzai • Love Your Children The Right Way Child-rearing Lecture and other activities in kindergartens, building a children health ecology from the terminals such as parents, kindergartens and pharmacies.



The Group donated RMB 500,000 drugs to Shantou flooding disaster area in August 2018 through Guangdong Branch Red Cross Society of China to support the disaster area in prevention and treatment of typhoid, stomach upset, skin infection and other diseases caused easily after the flood.

# ETHICS AND TRANSPARENCY

## Challenges and opportunities

Ethics and transparency have gradually developed into the core part of CSR strategy. Pharmaceutical companies should not only attach importance to drugs, but also attach importance to transparent business ethics practice. Only after adhering to moral and ethical bottom lines, ensuring the drug use safety of patients and continuously improving product quality, business ethics and business operation transparency can long-term support be gained from stakeholders.

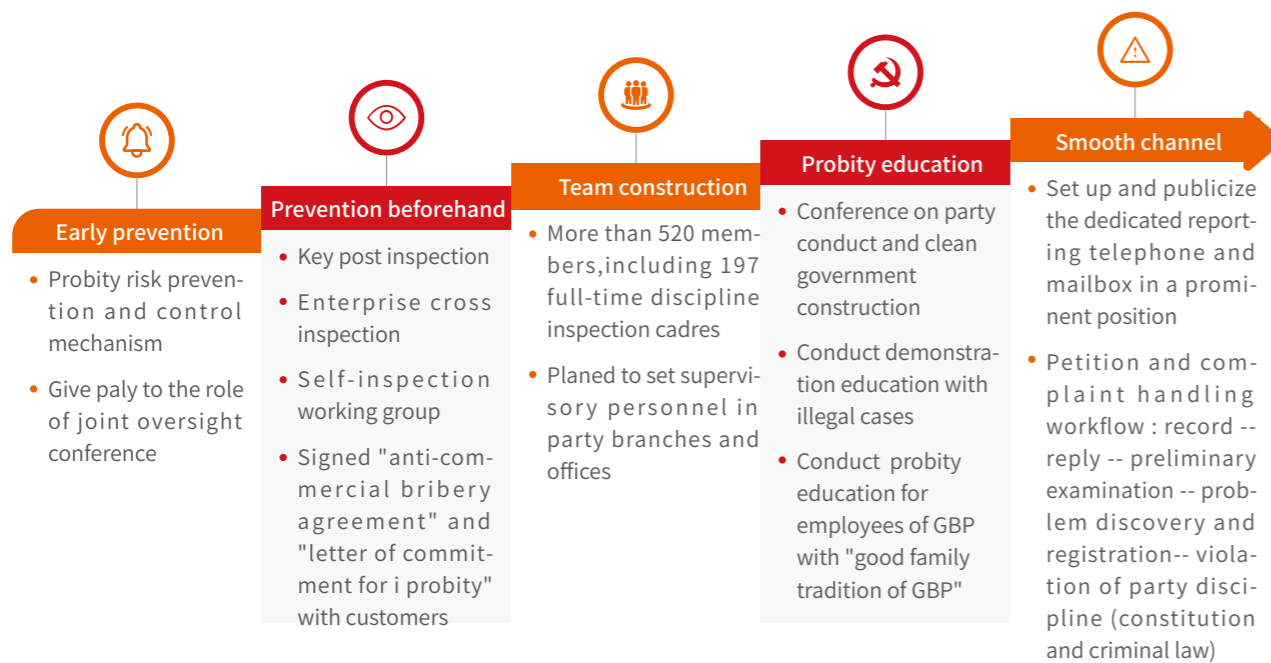
We have formulated new ethics and transparency objectives as well as a series of anti-bribery and anti-corruption control measures, to ensure moral sales and marketing, and improve the transparency of clinical trials. We strive to always adopt bioethical approaches in whole business and supply chain, adopt high-standard moral practice and scientific action, and tackle the challenge of business ethics with transparent operation.

## Coping strategy

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

In 2018, The Group carried out corruption monitoring in advertising,sales,procurement and investment aspects,planned to strengthen corruption monitoring in engineering and property fields in 2019,and settled 4 corruption lawsuits. The Group adopted more transparent anti-bribery and anti-corruption policy and programs,to display fair operation idea,strengthen the idea of employees to obey laws and regulations,and improve its compliance risk prevention ability.

- We formulated and implemented, *Measures for Internal Auditing and Management, and Rules for Discipline Inspection Commission to Implement the Supervision Responsibility for Party Conduct* and *Clean Government Construction* and other relevant policies,to prevent bribery,extortion,fraud and money laundering.
- Anticorruption report and supervision procedures



**Case** **HWBYS encouraged employees to supervise corruption**

HWBYS standardized case investigating and prosecuting,conducted special examination for anti-corruption,promoted the reform and innovation of case investigation leadership system and working mechanism,strengthen the leadership and guidance of its discipline inspection commission in case investigation,increased the working force to combat corruption,promoted the party conduct and clean government construction,and deepened the struggle against corruption. At the end of each month,HWBYS reported statistics of special examination of anti-corruption and situation of corporate work style construction,and encouraged employees to supervise accepting bribes and other corrupt behaviors.

# Transparent operation

Effective and moral sales and marketing is the key for the Group to realize sustainable development of business and improve health care services for the people. The Company always abides by moral rules and relevant laws and regulations for identification,assessment and combing of compliance risk,and takes countermeasures for management and improvement,to ensure the compliance and transparency of business and operating activities.

## Legal operation

In 2018, GYBYS revised *Measures for the Management of Licensing and Authorization of Trademarks and Trade Names of GYBYS* and other systems,and followed the policies, rules and regulations in marketing,advertising and sales,to ensure more transparent cooperation and marketing.

## Legal risk prevention and control

The relevant systems for the management of legal review have been improved in 2018.And we,focused on strengthening the team building of Legal Affairs Office (subsidiaries preliminarily built a legal team),built Legal Compliance Club for group-wide law popularization.



Based on in-depth learning of the spirit of the 19th National Congress of the Communist Party of China,according to relevant requirements for comprehensively deepening legal enterprise governance,GYBYS officially founded "GYBYS Legal Compliance Club" in July 2018.



GYBYS carried out the fourth station activities of primary law popularization jointly with Department of Justice of Guangdong Province and Guangzhou Municipal Bureau of Justice.

## Whistleblower protection policy

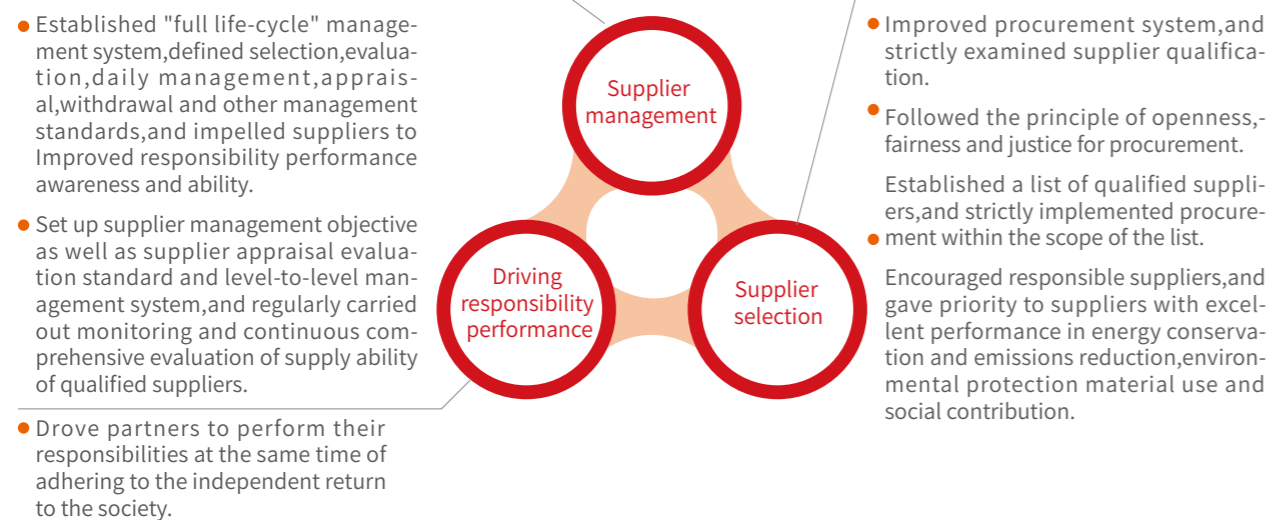
With reference to petitioner protection documents issued by Guangzhou Municipal Commission for Discipline Inspection,the Group implement whistleblower protection policy,do not disclose any information about any petitioner,give a reply to the petitioner secretly,and send a written reply by EMS (relevant petitioner protection provisions of regulations on letters and visits).

# Supply chain management

Increasingly complex regulatory requirements and high expectations towards enterprises urge the Group to seek for moral supply chain solution in the whole organization and within the whole supply base scope. GYBYS is committed to building and maintaining strong and sustainable supply chain for supporting the manufacturing and sales of new drugs as well as the effective supervision and control of potential risks of supply chain link.

## Supplier management system

The Group has realized whole process management of major control points such as basic principle for supplier selection, bidding scope, procurement method, announcement, supplier admittance, tender evaluating and tender determining. The bidding is open and transparent, and the procurement channels are unified, effectively reducing the procurement cost. In 2018, the Group independently conducted 1,645 times of supplier audit. For completed procurement bidding, the Group reviewed and evaluated it as per key management assessment indicators set in advance, further continuously optimized whole bidding process of procurement link, and improved comprehensive ability and level of procurement management.



## Supplier management methods

- Release a list of qualified suppliers.** In order to retain the excellent resources and establish a benign competitive environment with the survival of the fittest, since 2013, the Group has annually carried out assessment rating of suppliers, and released a list of qualified suppliers to the society, which becomes an important basis for quantifiable management of suppliers of the Group.
- Implement responsibility-based procurement policy.** The Company implements responsibility-based (sustainable) procurement policy, add environmental protection and social requirements to the contracts, include sustainable behaviors into new supplier investigation matters, carry out regular audit of sustainable behaviors of long-term cooperative suppliers, strengthen communication with suppliers, and jointly promote the sustainable development of supply chain.
- Protect workers' rights and interests.** The Company strictly abides by relevant national laws and regulations, implements labor wage margin system on suppliers, requires suppliers and partners not to employ children under the age of 16, protect the rights and interests of minors and woman workers, and legally handles various social insurance for workers. The Group requires suppliers to provide regular safety and health training for employees, handles accident and death benefit insurance for employees in high-risk positions, and effectively protects the rights and interests as well as health and safety of hard workers on the front lines.
- Improve the competitiveness of supply chain.** The Company upgrades supplier evaluation method and implements real-name evaluation. The Group proactively identifies suppliers' potential social responsibility risks related to employees and environment, make risk assessment, and take active measures to reduce or eliminate such risks.

## Environmental and social protection of suppliers

Affiliated enterprises of this company have formulated and issued a series of social and environmental policies such as Xian Cao Cultivation Entrustment and Purchase Agreement, Targeted Poverty Alleviation by Co-building and Sharing Wang Lao Ji Herbal Tea Raw Material Base and Standard Cultivation of Radix Isatidis, to ensure that suppliers protect biodiversity as well as rights and interests of peasant households (vulnerable groups).



- Inspected suppliers' processing procedures on a regular basis**
- Protected biodiversity**  
Guide the control over pesticide residues during the growth of Chinese herbal medicines, train the working personnel, and guided the selection of pesticides.
- Saved the endangered Chinese herbal medicine - kadsura coccinea**
- Protected the rights and interests of vulnerable groups**  
The Group purchased Chinese hebal medicines from poverty areas (Nanxiong and Guizhou) at high prices to protect the rights and interests of peasant households.

**Case** Cooperated with excellent suppliers to co-build standardized cultivation bases of raw materials of Wang Lao Ji Herbal Tea

Standardized cultivation bases of raw materials of Wang Lao Ji Herbal Tea were co-built by WLJ Great Health Corporate Development Company, and GYBYS-purchase Center. At present, there are three varieties and five bases.

Environmental detection was conducted before cultivation to ensure the sustainable development of base environment. Traditional crafts were adopted, and high efficient and environmental friendly drying methods such as electric backing and sunshine shed drying were introduced for processing honeysuckle. Traceability system was established for honeysuckle products so that sources could be found, the destinations could be followed and the responsibilities could be investigated. Bio-particle coal was adopted for processing chrysanthemum to protect the environment and realize green processing.

The bases of the Group took social responsibility of poverty alleviation consciously to realize mutual benefit and create a win-win situation. At present, we have built 1,000 high standard ecological experiment demonstration bases, driving more than 300 people to obtain employment; scientifically led the cultivation of more than 5,000 mu standard demonstration bases, with income increase of over RMB 150 per mu; upgraded and modified 3,000 square meters poverty alleviation production workshops, newly built 500 square meters drying workshops, provided 80-100 employment positions, gave priority in arranging employment for poor households according to position requirements; carried out new peasants. Chinese herbal medicines cultivation and processing technology training, providing popular science training for more than 1,000 people, and helping more than 200 poor households.

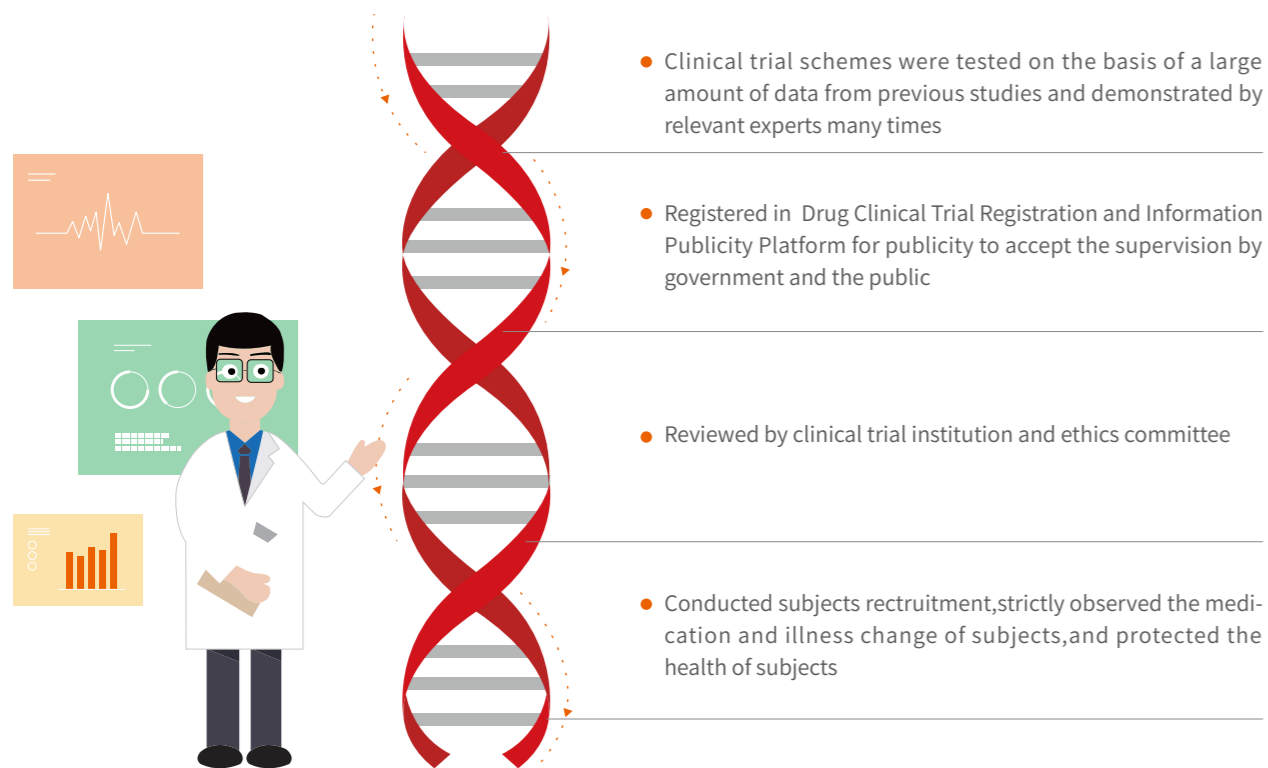
## Medical ethics

With the development of medical care and therapies from theory to reality, the boundaries and standards of bioethics must keep pace with the times. During experimental animal production and animal experimentation, GYBYS follows animal ethics and measures related to animal welfare protection, and carries out examination and supervision of experimental animal welfare ethics, to ensure that experimental animal facilities and environment meet relevant national standards and requirements for kind treatment of experimental animals and that rules and regulations for animal production and use are complete and effectively implemented.

In accordance with relevant provisions of Regulations for the Administration of Affairs Concerning Experimental Animals and Guidelines on Kind Treatment of Experimental Animals issued by Ministry of Science and Technology, the Group has established Experimental Animal Management Committee and Experimental Animal Ethics Committee, formulated articles and relevant systems of Experimental Animal Management Committee, and obtained good results in experimental animal production & use, platform operation and so on.

## Transparency of clinical trials

In accordance with national medicine policies and regulations, the Group provided relevant information about national policies, passed the audit of hospital ethics committee, and strived to consistently provide high-standard moral practice and scientific practice in all trials. During the process of clinical trials, GYBYS strictly abided by Criteria for the Quality Control of Clinical Trial of Drugs, Declaration of Helsinki and relevant national clinical regulations.



# ENVIRONMENTAL PROTECTION

### Challenges and opportunities

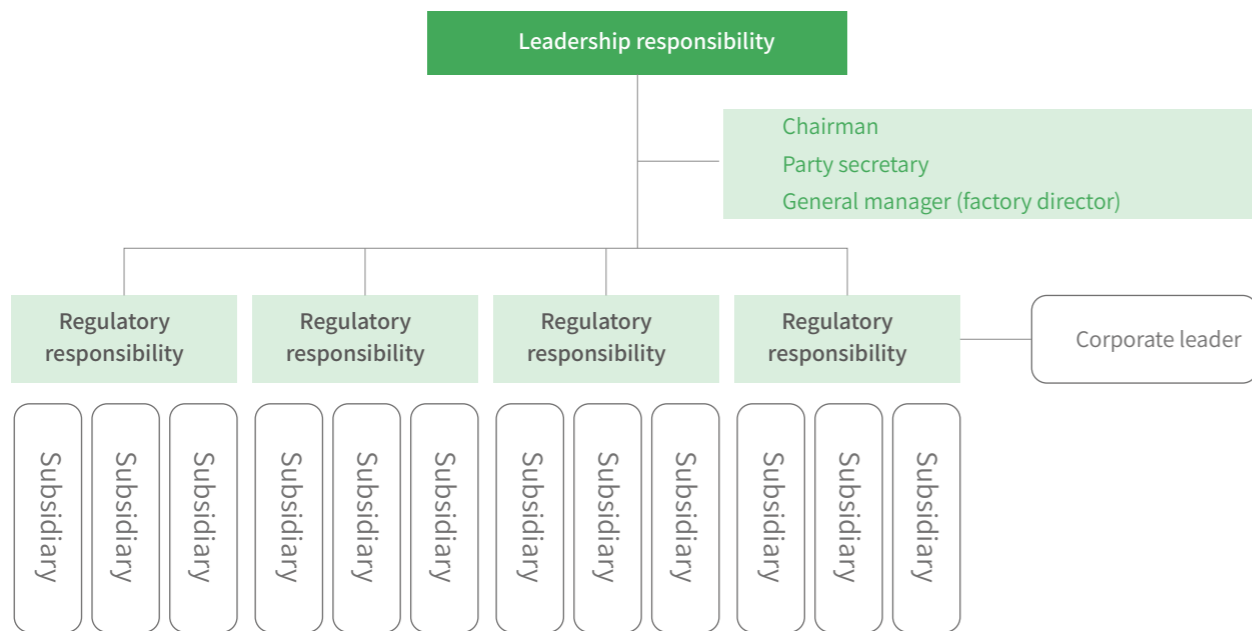
Climate change has become a global environmental problem gaining extensive attention. At the same time, with environmental pollution and destruction, rich biodiversity of the world has been under a serious threat, affecting the material foundation of human survival and sustainable development. The 19th National Congress of the Communist Party of China made the strategic plan of "accelerating ecological civilization system reform and building a beautiful China", and put forward higher requirements for environmental protection. In addition, with the popularization of environmental protection knowledge, the public's environmental protection awareness and environmental demand are unceasingly growing, and living environment requirements are increasingly higher... The external environment and the public's demand for environmental protection will certainly bring bigger challenges and higher development risks for the enterprise's environmental protection. Under such a background, the enterprise needs to seize the development opportunities brought by environmental protection industry development and environmental protection technology update to further reduce environmental risks.

To better cope with the challenges of environmental protection, the Group continuously improves its own environmental management, carries out equipment upgrading, strengthens environmental protection training and environmental protection propaganda and other measures, improves the use efficiency of energy and resources, reduces waste emissions, actively responds to climate change, combines with its own development reality to protect biodiversity, and reduce the environmental risk in corporate operation.

### Coping strategy

# Environmental management

With respect to environmental management, the Group implements environmental protection responsibility system. Chairman, party secretary, general manager (factory director) jointly assume leadership responsibility for environmental protection of the organization. Among them, principals of subsidiaries, as the first persons responsible of the organization for environmental protection, directly supervise and manage environmental protection, implement the entire process management of environmental pollution, and help GYBYS build a "Green GPL" manufacturing system. In 2018, The Green Design Platform for Herbal Tea of WLJ Great Health Corporate Development Company is selected as the 2018 National Green Manufacturing System Integration Project; Following Tian Xin and Zhong Yi, Xing Qun and HWBYS successively won the national title of "green factory".



**4** enterprises have passed "Guangzhou Environment-Friendly Enterprises"

**9** enterprises have passed "Guangdong Cleaner Production Enterprises"

**13** enterprises have passed "Guangzhou Excellent Cleaner Production Enterprises"

**1** enterprise has passed ISO 14001 Environmental Management System Certification

**Case** Conducted special inspection of environmental protection, and standardized environmental management

In 2018, the subsidiaries of the Company received 242 times of supervision and inspection by higher environmental protection departments. When Central Environmental Protection Inspection Team visited Guangzhou from June 7 to July 7, and when Guangdong Provincial Environmental Protection Inspection Team visited Guangzhou from December 4 to December 18, the subsidiaries of the Company received 13 times of environmental protection inspection by 7 departments. All findings were normal. The subsidiaries of the Company did not encounter any environmental accidents, did not get any effective environmental complaints, and did not receive any environmental penalties.



# Tackle climate change

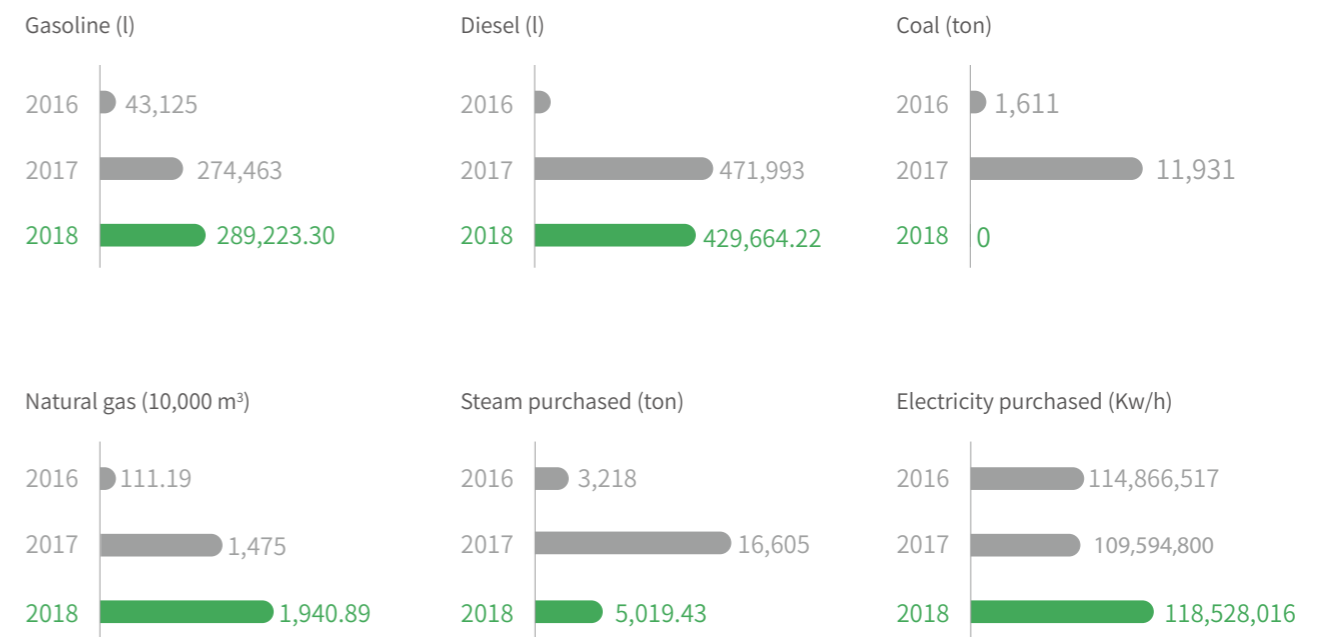
Climate change has become a serious global environmental issue. Actively taking responsibility for emission reduction has gradually become an important part of responsible operation of the enterprise. The Group is committed to contributing to emission reduction of greenhouse gases and air pollutants, slow global climate change and sustainable development of environment by reducing energy consumption, using clean and renewable energy, adopting clean technology, etc.

In 2018, greenhouse gas emission was **116,537.36** tons, and emission density was **0.07** tons/RMB 10,000.

# Energy management

Greenhouse gases mainly come from fossil energy consumption. For fossil energy use in pharmaceutical production, in strict accordance with the requirements of *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*, *Law of the People's Republic of China on Conserving Energy*, *Cleaner Production Promotion Law of the People's Republic of China*, *Renewable Energy Law of People's Republic of China* and other relevant regulations and policies, combined with *Energy Management System of Baiyunshan General Factory*, *Tian Xin Energy Consumption Cost Reduction Incentive Program* and others formulated by the Company, the Group carries out energy consumption management with respect to gasoline, diesel, coal, natural gas and electricity during the process of operation, to improve energy use efficiency and achieve energy conservation and consumption reduction.

## Energy consumption data





## Energy consumption reduction

WLJ Great Health Corporate Development Company modified the boiler flue gas waste heat recovery, and recovered high temperature sterilization backwater and tank wash trough heat energy, saving about

**630,000** m<sup>3</sup> natural gas a year;

## New energy development and utilization

Guangxi Ying Kang implemented Solar Hot Water Project, saving

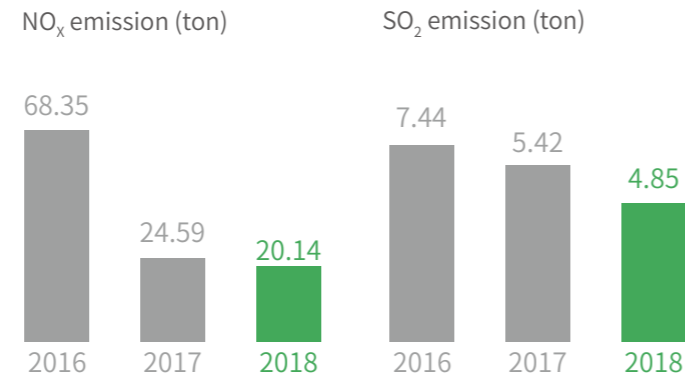
**20,700** m<sup>3</sup> natural gas a year;

Zhong Yi installed solar photovoltaic power generation equipment on the roof of factory building, and used light and heat resources for power generation. In 2018,

**652,939** Kw/h power was generated in total.

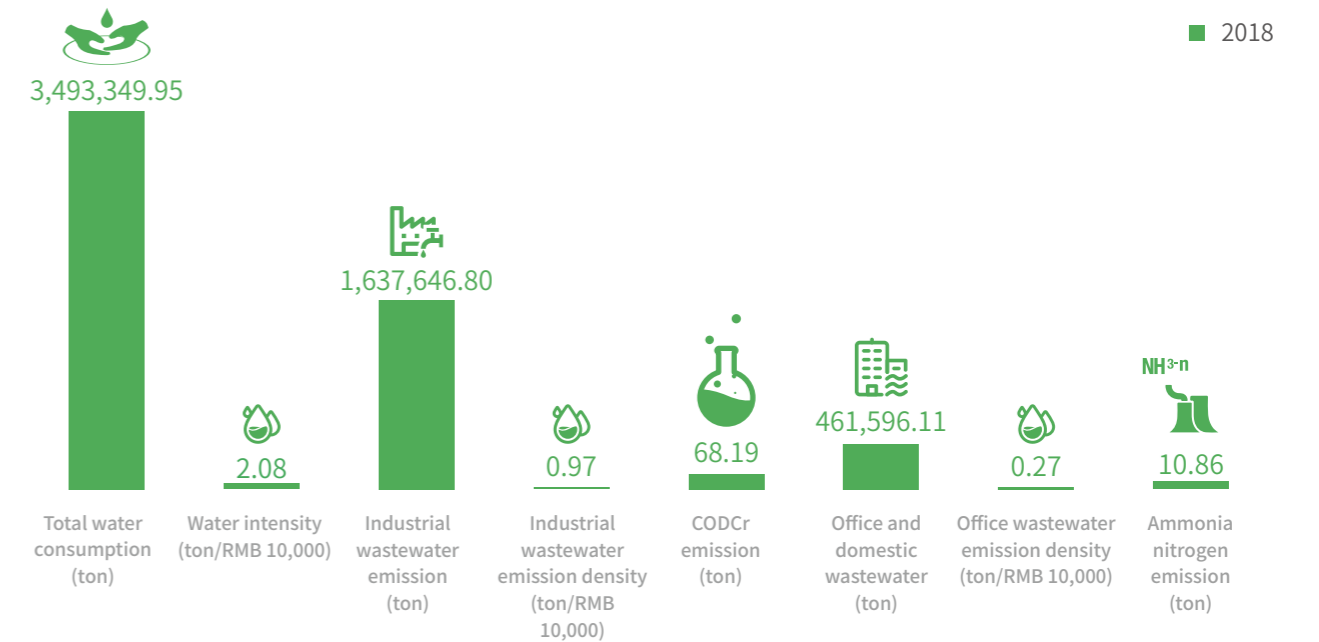
## Exhaust emission management

The Group carried out technology upgrading of production workshop equipment, to realize cleaner production, reduce the emission of VOCs, dust, acid waste gas and sulphur dioxide, and ensure that exhaust emission meets *Integrated Emission Standard for Air Pollutants*.



## Water resource management

Available and high quality fresh water is a limited resource. The Group attaches importance to water resource conservation and protection, and treats sewage in the process of production and operation, to ensure conformance to *Integrated Wastewater Discharge Standard* and reduce the impact of water resource wasting on the environment.



## Water resource recycling

The Group strengthened the recycling of reclaimed water and reduced tap water addition and waste water production through adding cooling tower circulating water treatment system, installing concentrated water integrated recycling system and other measures.

**Case** Jing Xiu Tang cooling tower circulating water treatment system helped to reduce waste liquid and waste water from cleaning

Jing Xiu Tang added cooling tower circulating water treatment system for 24 hours constant processing of circulating water, used physical incrustation cleaner to remove old incrustation and prevent new incrustation, continually purified water in air conditioning system, and replaced traditional dosing and manual cleaning methods and so on which consumed time and labor, greatly improving heat exchange efficiency, and reducing waste liquid and waste water production at the same time of saving electricity.

## Sewage treatment

The sewage treatment stations of the subsidiaries of the Group strictly abide by local environmental protection discharge standards, and apply a variety of new technologies to treatment of sewage to be discharged. Key sewage discharge organizations have installed on-line monitoring system of water pollution sources as required for monitoring and governance, to ensure stable and up-to-standard discharge of sewage. In daily management, the subsidiaries strengthen inspection and detection of sewage treatment system; some have signed operation management agreements related to sewage treatment with third parties, to improve the level of sewage control with the help of professional management institutions.

### Case Comprehensive treatment of VOCs of chemical pharmaceutical factory helps to reduce emission of VOCs

Chemical pharmaceutical factory invested RMB 11.13 million, implemented comprehensive treatment of VOCs, and modified LDAR (Leak Detection and Repair) system. After modification, VOCs emission of chemical pharmaceutical factory decreases from 134.5 tons/year to 5.8 tons/year. The proportion is above 95%. At least 128.7 tons VOCs emission can be reduced a year.



Controversy and response

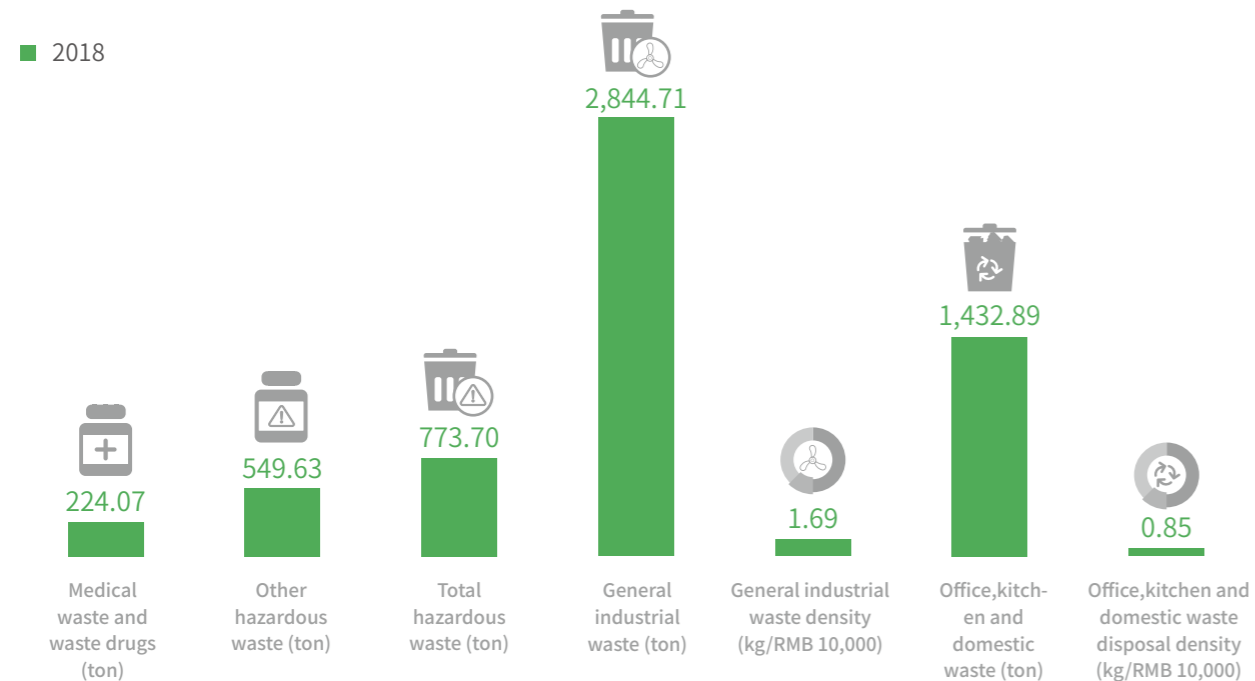
**Controversy** Respond to the dispute of WLJ Ya'an in the MSCI 2018 rating

**Response** WLJ Ya'an took extraction as main process, consumed and discharged much water, and needed to be emphatically monitored, so it was included into 2018 key pollutant discharging units in Sichuan. In the process of production and operation, WLJ Ya'an laid stress on environmental protection, discharged wastewater from production after reaching the standards, and did not discharge sewage into the local river. In 2018, in order to further strengthen up-to-standard discharge of production sewage, WLJ Ya'an installed automatic online monitoring system for strengthening the supervision and management of sewage discharge.

For more, please click <http://www.yaan.gov.cn/htm/openview.htm?id=20180312104224-755237-00-000>

## Waste management

In strict accordance with the requirements of *Solid Waste Pollution Prevention and Control Law of the People's Republic of China* and other laws and regulations, the Group recycles hazardous wastes produced in operation such as waste drugs, chemical preparation kettle bottom liquid, waste cartridges and light tubes, and deliver them to a third party with professional processing qualification for disposal; delivers general industrial wastes such as kitchen waste, landscaping waste and packaging boxes to a third party with qualification for recycling, to ensure each type of waste can be treated properly.



- Carried out fixed-point maintenance for vehicles, handed over the waste oil, lubricating oil and other wastes to a vehicle maintenance enterprise for treatment, added ternary catalytic treatment to exhaust pipe for vehicle exhaust emission;
- Handed over the waste light tubes to local sanitation department for treatment;
- Handed over the waste printer cartridges and others to waste dealers for recycling and utilization of renewable resources.



- Handed over the food and beverage packaging, office life garbage and other harmless waste produced by office to local sanitation department for treatment.

## Noise abatement

In accordance with the requirements of Emission Standard for Industrial Enterprises Noise at Boundary and other relevant regulations, the Group selects noise insulation equipment, adopts binding & sound insulating material and others, carries out damping, sound attenuation and insulation, and reduces the impact of noise on employees and surroundings.

Ming Xing gradually moves intro-field production tasks out of dwelling district, reduces the impact of production noise on surrounding residents, and creates a good living environment for residents.

## Biodiversity protection

Biodiversity is indispensable for our human beings to live on, and is the foundation for maintaining the balance of ecological system. The Group lays stress on ecological environmental protection in the cultivation and collection process of Chinese herbal medicines. By the end of 2018, 53 GAP certified Chinese herbal medicine bases had been established in China; GYBYS conducted scientific standardization of various links of cultivation of Chinese herbal medicines, to ensure the quality safety of Chinese herbal medicines and protect ecological environment and biodiversity of the bases.

**Case** Biodiversity protection of HWBYS Chinese herbal medicines cultivation base

Radix isatidis, salvia miltiorrhiza, radix notoginseng, Andrographis paniculata and isodon serra are primary raw materials for drugs, and all are planting herbs. In the cultivation process of these raw materials, to prevent farmland soil and water loss and ecological environment destruction, HWBYS conducts operation of seeding, fertilization, weeding, pest control and other links of Chinese herbal medicines in strict accordance with the GAP certification requirements for Chinese herbal medicines, to minimize environmental impact. Radix isatidis, creat and salvia miltiorrhiza bases passed national GAP certification successively in 2003, 2010 and 2013.

## Use of packaging materials

The Group is committed to reducing product package use and reducing resource consumption and environmental impact through saving package materials at the product design link and recycling package materials at the production link.

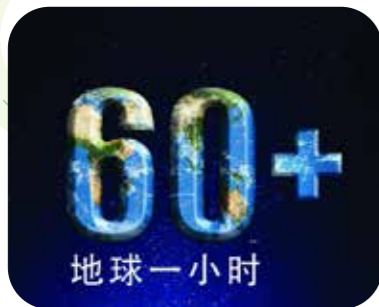
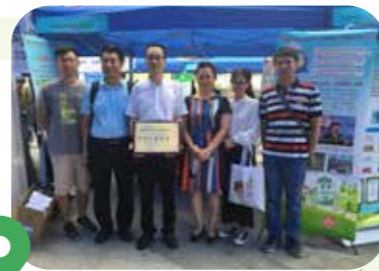
## Environmental protection education and propaganda

The Group strengthens staff environmental protection knowledge training, actively participates in green environmental protection public benefit activities, passes green ideas to the public, and helps to enhance the public's awareness of environmental protection.



We invited environmental experts to carry out "Environmental protection knowledge training class", organized external environmental education training for environmental protection management, and improved professional skills and environmental protection awareness of environmental protection workers.

We participated in "2018 Guangzhou Environment Day Commemoration Activities" held jointly by Guangzhou Municipal Ecological Environment Bureau and Zhujiang Environment Newspaper, and propagated environmental protection philosophy themed on "clean and energy-saving; green GPL", and won the title of "Environmental Protection Public Benefit Unit".



Wang Lao Ji positively participated in 2018 earth lighting out for one hour environmental protection public benefit activity, helping to awaken the public's awareness of environmental protection and develop energy-saving and environment-friendly living habits.

# SUSTAINABILITY FOUNDATIONS

### Challenges and opportunities

The development of the enterprise depends on the growth of talents, product safety & quality, and community co-building force. Talent scarcity and erosion, medical incidents in product quality and safety, and existence of social problems such as unfair resource distribution bring higher challenges for the sustainable development of enterprises. Pharmaceutical enterprises need to strengthen the cultivation of talents, strictly control product quality, better serve the society, and lay good foundations for the sustainable development.

National policy's emphasis on talent resources, support and supervision of medical health care industry, and requirement for state-owned enterprises to fulfill social responsibility also bring good opportunities to the sustainable development of pharmaceutical enterprises.

To better sustainable development, the Group gives full play to its own advantages, recognizes the regulatory situation. Through talent cultivation, product quality control, community investment and other measures, the Group positively feeds back to employees, consumers and communities, promotes employees and company to grow together, ensures patients' health and safety, and boosts Chinese construction of well-off society in an all-round way.

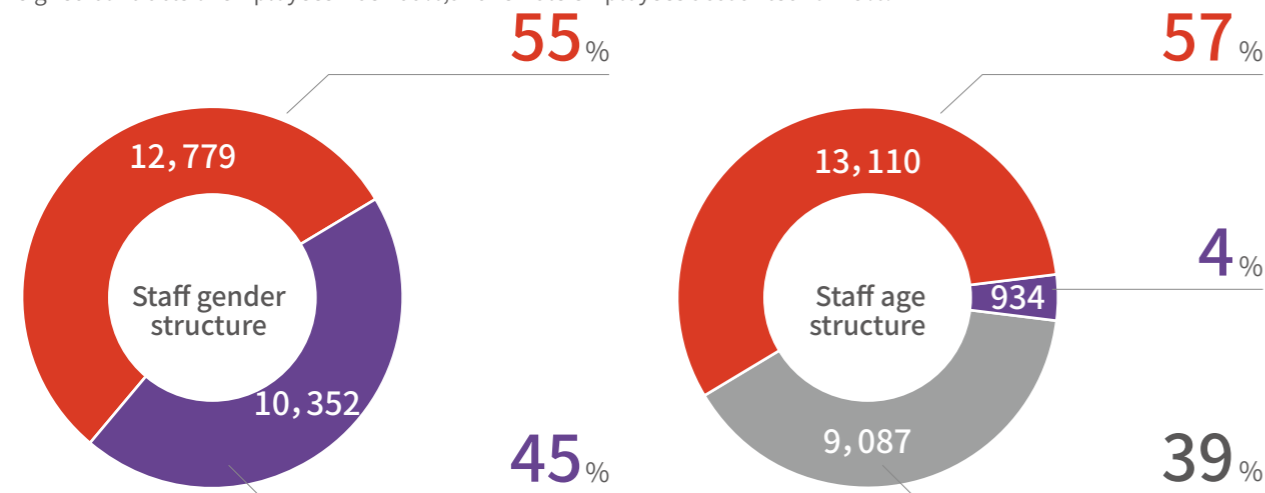
### Coping strategy

# Staff management

Talents are the driving force of the Company's development. The Group follows the people-oriented idea of talent development, respect the legitimate rights and interests of every employee, build a competitive salary incentive system, establish perfect training system and promotion channels, and help each employee to realize the value of life.

## Protection of rights and interests

The Group strictly abide by the provisions of national laws and regulations such as *Labor 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*, and *Trade Union Law of the People's Republic of China*. We advocate equality and non-discrimination employment policy, protect employees' legitimate rights and interests, adhere to democratic management, and actively build harmonious and stable labor relations. In 2018, rate of signed contracts of employees was 100%, and female employees accounted for 45%.



- Male staff
- Female staff
- Number of employees aged below 30
- Number of employees aged 30-50
- Number of employees aged 50 or above

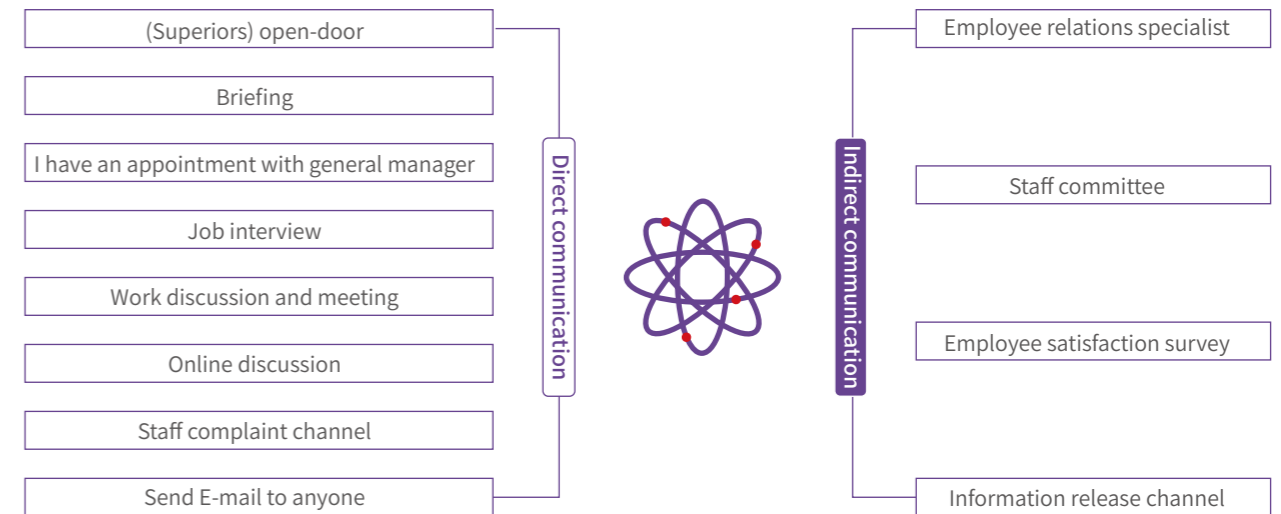
## Fair employment

- We put an end to recruitment discrimination due to race, color, gender or age, and provide fair and equitable employment opportunities for talents.
- We have established strict and perfect audit offer process, carry out hired employee background investigation, and avoid child labor and forced labor.
- We have formulated *System for the Protection for Female and Juvenile Worker*, which clearly stipulates that "minors under the age of sixteen shall not be recruited", to fully protect the legitimate rights and interests of female workers and juvenile workers.
- We made statistical evaluation on equal employment of the Company every year, and found no employment discrimination or child labor in 2018.

## Democratic communication

We provide employees with "12 communication channels", covering a variety of forms, including direct communication and indirect communication, and setting up a transparent, smooth and efficient communication bridge between employees and management.

We keep complainant information secret, and fully protect the employee's right to maintain, claim and appeal his/her legitimate rights and interests.



## Salary and welfare

The Company implements the "talents" philosophy, establishes a competitive compensation system, and makes regular adjustment according to position, ability, performance and market level. In accordance with national laws, regulations and standards, the Company provides welfare guarantee and additional benefits & aids for employees, making employees enjoy decent work and high quality life. In 2018, social insurance coverage was 100%.

- Five insurances and one fund specified by the State (old-aged insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance as well as public accumulation fund for housing construction).
- Legal holidays, marriage or funeral leave, maternity leave, breastfeeding leave, high temperature subsidies, one-child bonus, heatstroke prevention subsidy and so on.
- Additional paid annual leave, wedding and funeral ceremonies, etc..
- Purchase serious illness hospitalization insurance, accident insurance and other commercial insurances for all employees.
- Provide medical insurance channels for family members, making employees purchase insurance voluntarily according to the family's health condition.

**Case** GYBYS implemented employee stock ownership plan

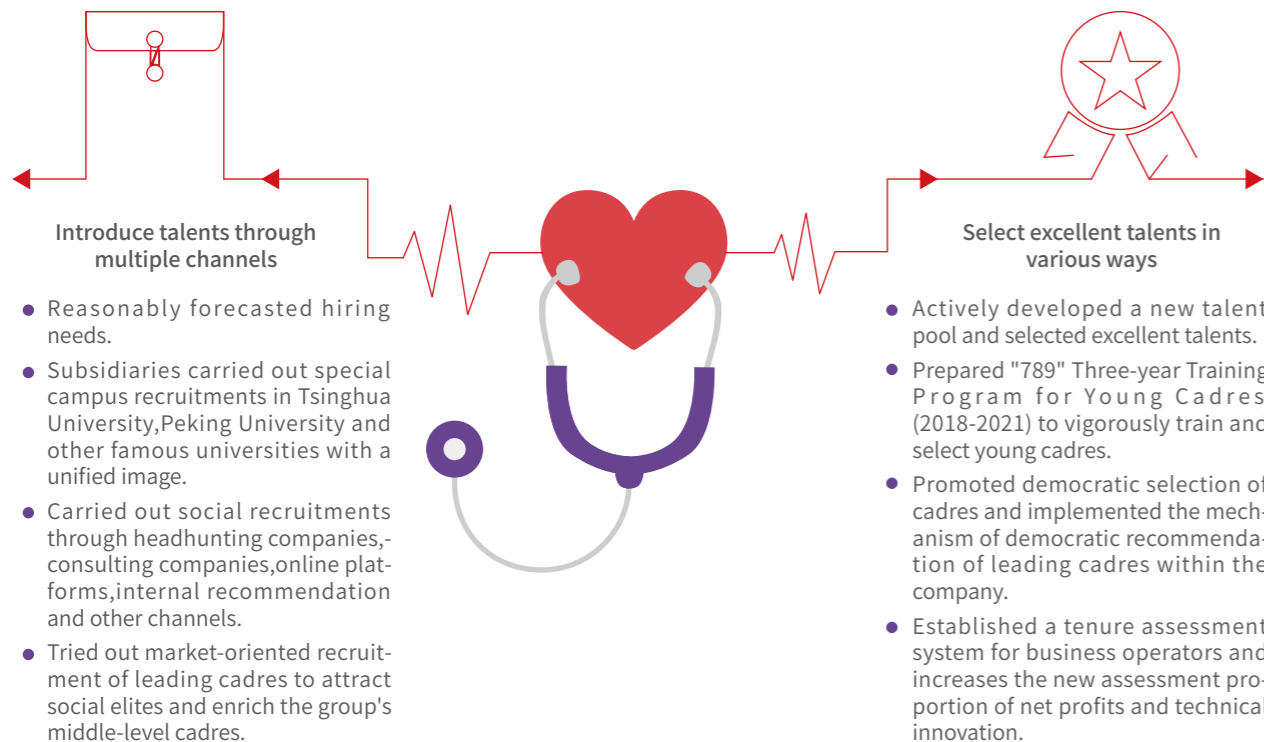
Since 2016, GYBYS implemented employee stock ownership plan, and issued BYS shares to employees indirectly through the trustee. The objects are employees of the Company, subordinate enterprises and affiliated enterprises, including directors, supervisors and senior executives. Total subscription amount was RMB 90.9534 million. Actual subscription amount of directors, supervisors and senior managers was RMB 7.1505 million, and actual subscription amount of other employees was RMB 83.8029 million. Through whole employee stock ownership, GYBYS establishes reasonable long-acting incentive and restraint mechanism, gives full play to the employees' enthusiasm and creativity, and realizes joint growth of employees and enterprise.

## Development and retention

We attach importance to the value of human capital, and take absorbing and developing industrial talents as an important strategic task of the Company. We regularly carry out human capital assessment, and develop a talent development strategy. Based on the employees' personal needs, we provide comprehensive care for employees, make continuous investment in staff training and promotion, create more attractive career development space for employees, and maximize the value of human resources.

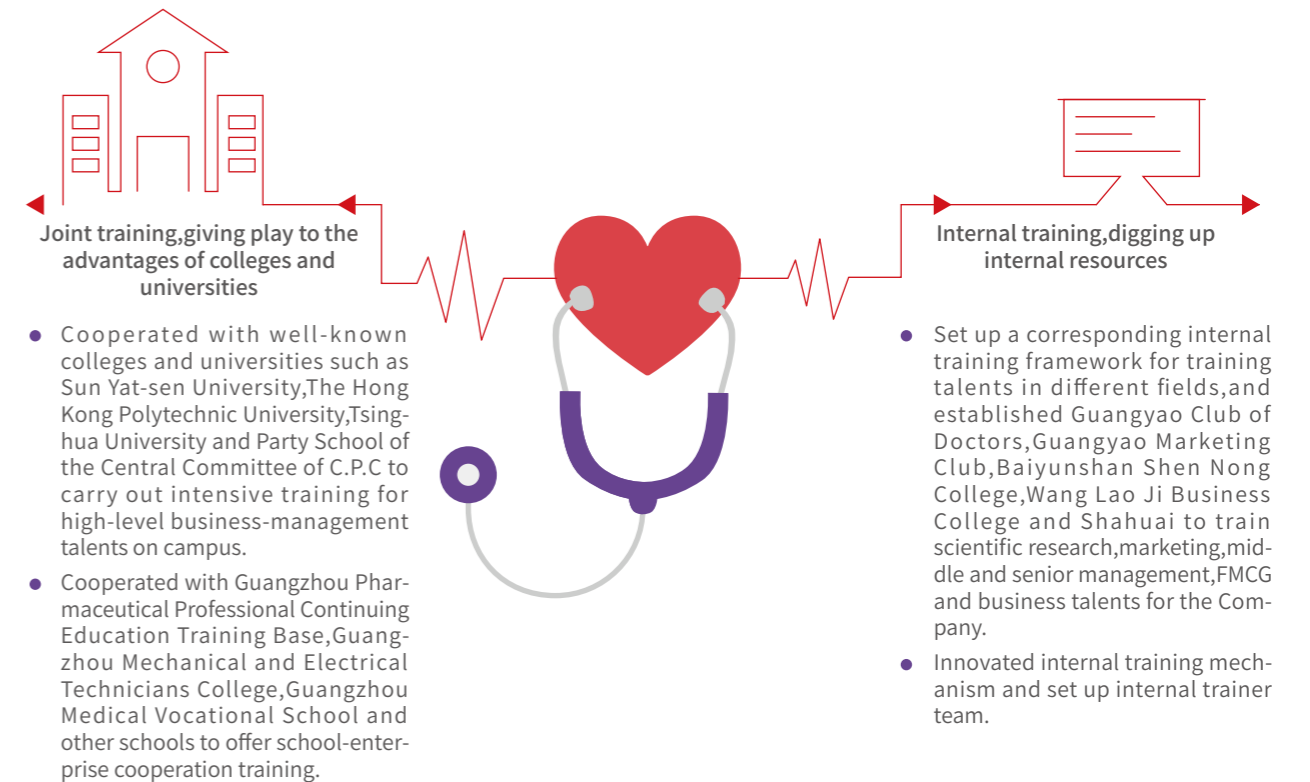
### Rational planning of talents

We have formulated *The 13th Five-Year Plan for Talent Implementation Planning* to build a hierarchical, professional and youth oriented human resources system by introducing and selecting outstanding talents.



## Comprehensive cultivation of talents

We attach importance to the employees' demand for career development, and formulate *Staff Training Management System and Internal Trainer Training Management Measures*, to improve training organization structure. According to the characteristics of all kinds of talents, we combine internal training and external training, and set up a comprehensive training system. The personnel level coverage is from front-line production employees to executives and employees at all levels. The content includes professional skills, safety education, quality control, leadership development and other kinds of courses. We promote all levels of employees to grow together with the Company.



### Case Implement "Hundred Talents Program", and strengthen high-level talent team building

GYBYS has implemented "Hundred Talents Program" since January 2017, and recruits 100 graduates from Top 10 domestic colleges and universities or Top 100 international colleges and universities every year. According to 2018 recruitment requirements, 28 subsidiaries participated in 35 on-campus recruitments held in Tsinghua University, Peking University, Renmin University of China, Huazhong University of Science and Technology, Wuhan University and China Pharmaceutical University. By July 2018, GYBYS had received 483 current year's graduates, providing talents reserve, building a competitive high-level talent team, and solving the problem of social talent employment.

### Case Corporate executives training class helped leading cadres to enhance their ability

From October 18, 2018 to October 21, 2018, GYBYS organized chief officials of the Company to participate in "2018 Leading Cadres' Ability Enhancement Training Class" in The Central Institute of Socialism. The learning content covered political theories and business operation practices. The intensive teaching provided by famous scholars from The Central Institute of Socialism and Party School of the CPC Central Committee strengthened the confidence and determination of leading cadres to build socialism with Chinese characteristics for a new era under the leadership of the Party, helped to enhance the ability of corporate leading cadres, and guided the Company to achieve high-quality development under new situations.

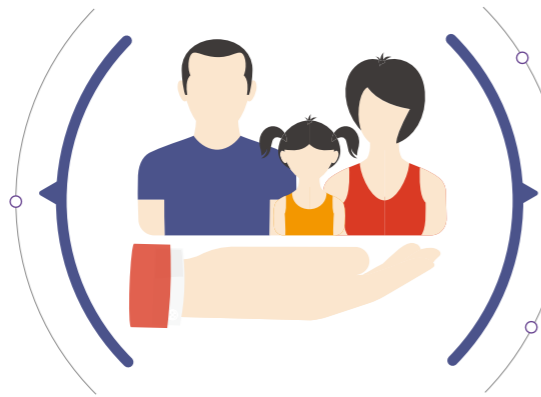


## Staff care

We not only pay attention to employees' work, but also pay attention to employees' life demands, and strive to solve practical difficulties for employees, enrich spare time of employees and improve life happiness of employees.

### Help difficult employees

Continuously improved the assistance mechanism and provided necessary financial assistance and moral support to employees who encounter difficulties in life.



### Enrich spare time

Provided badminton court, basketball court, table tennis room and other leisure places for employees.

Carried out diversified staff recreational and sports activities, including table tennis competition, badminton competition, staff garden activity, etc..

Built a reading room and a harmonious home for employees, and help them improve their comprehensive quality.



# Occupational health and safety

We attach importance to employees' occupational safety. Under the guidance of OHSAS 18000 requirements, we strictly monitor and manage all workplace health hazard factors, pay attention to employees' mental health, regularly carry out safety training and emergency drills, and spare no effort to guarantee employees' health and safety. In 2018, employees' physical examination coverage was 100%; occupational health monitoring filing rate was 100%; number of major safety accident was 0.

## Safe working environment

We adhere to the safety production idea of "producing each medicine not at the cost of the safety of employees, and gaining each profit not at the cost of reducing the safety input", and are committed to provide equal health and labor protection conditions for all kinds of hired employees.

In 2018, all levels of safety committees of the Company and its subsidiaries organized

**2,856** times of safety inspection, and discovered

**1,833** potential safety hazards; the rectification rate was up to

**100%**.

- Set up Safety Production Committee with chairman as the first responsible person to lead, supervise and manage the safety production work of the Group.



- Established an internal evaluation mechanism for indicators, and evaluated various safety systems and measures in daily management.

- Further revised Safety Production Management System to implement safety principal responsibility.

- Signed the "Management Responsibility For Safety Production Objectives" with all departments and companies of the Group to ensure the implementation of safety production responsibility system.

- Established daily safety inspection system, and carried out the identification and remediation of potential safety hazards, - to prevent all kinds of potential health and safety risks in the workplace.

## Mental health

With respect to mental health, we implement Employee Assistance Program (EAP), carry out psychological counseling and mental health knowledge publicity training, and protect employees' physical and mental health.

## Health and safety training

We actively implement the health and safety management policy, carry out safety production training and drills with respect to health and safety risks such as daily accidents, illnesses, traffic accidents and production accidents, build inner-enterprise safety culture, and continuously improve employees' safety and health awareness. In 2018, we carried out 1,223 times of health and safety training, covering 43,898 employees, and training time was 141,058 hours; carried out 72 safety drills.

**Case** Carried out safety production month activities, promoting safety culture to be deeply rooted in the hearts of people

In June 2018, around the theme of "life first and safe development", the Company carried out publicity & education, training & learning, knowledge contest, emergency drill and other activities, including presentations themed on safe development, safety production month publicity activities, safety production learning and exchange activities, safety production staff training activities, safety culture week activities, emergency plan drill week activities, safety production knowledge contests, and safe production "five first ones" activities, effectively improving employees' emergency self-help ability, and enhancing employees' safety awareness. For the event, 21 drills were organized, and more than 1,800 people participated in these drills.



## Product safety and quality

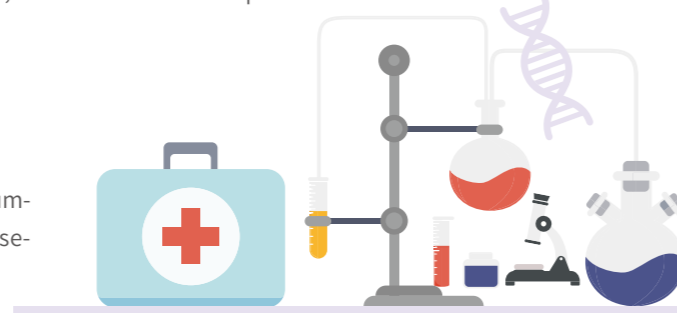
The safety and quality of pharmaceutical products are the core appeal of consumers. In strict accordance with relevant laws and regulations, we protect the basic rights and interests of consumers, strictly control the quality of products, protect the health and safety of consumers, and provide consumers with the best services.

### Consumer health and safety

We protect consumers' legitimate rights and interests, and are committed to provide consumers with safe and assured products.

#### Protection of consumers' rights and interests

Being responsible to consumers and protecting consumers' legitimate rights and interests are criteria persevered in by the Group.



#### Product publicity standardization

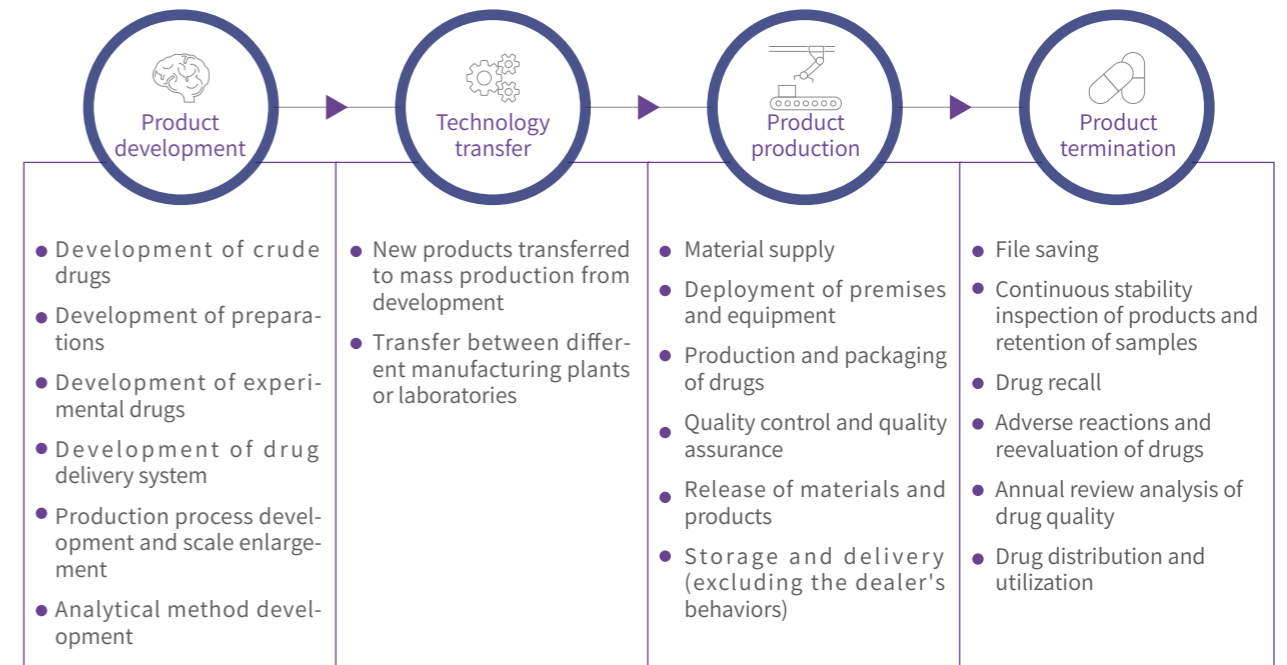
In accordance with the requirements of Drug Administration Law, Regulations for Implementation of Drug Administration Law, Regulations for Administration of Packages, Labels and Instructions of Drugs (Decree 24) and other relevant national laws and regulations and standards, we standardized the product label content and publicity information, to ensure the authenticity, impartiality and understandability of the label content, and avoid misleading advertising terms.

#### Consumer information protection

We formulated Confidentiality Rules and Regulations to define the confidentiality scope and measures of consumer information.

### Product quality control

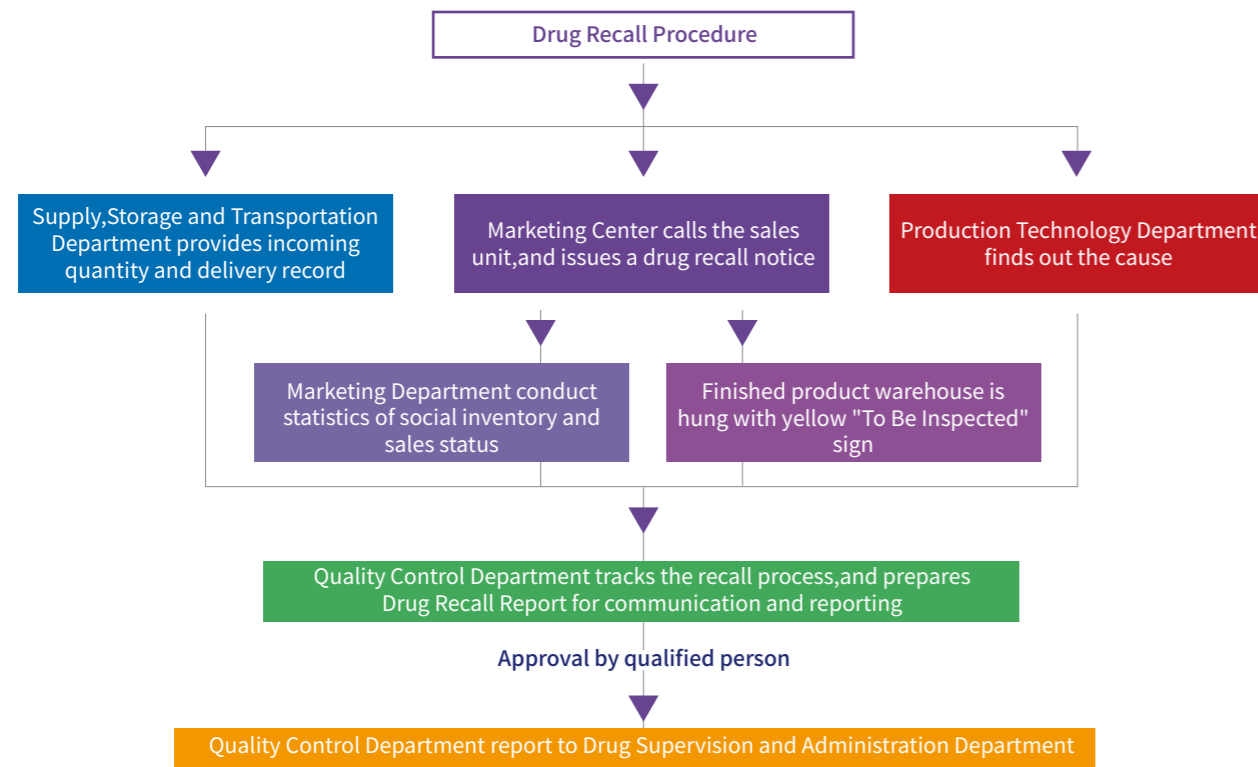
We pay attention to product quality, and have established a perfect drug quality control system and quality risk management system in line with the requirements of Good Manufacturing Practice for Drugs (GMP) (2010 edition), throughout each phase of product life cycle, covering all elements affecting the quality of drugs, and ensuring the safe medication of consumers. There were no major quality accidents or major quality complaints in 2018.



**Case** Carried out internal quality inspection, and enhanced safe defense line

In September 2018, the Group mainly inspected the execution of drugs laws and regulations as well as relevant provisions and the implementation of GMP and GSP, established a drug quality inspection team, carried out internal quality inspection in form of cross-inspection among Chinese traditional medicine group, chemical medicine group and pharmaceutical trading group, covering 22 subsidiaries' drug production and business operation. By the end of 2018, we carried out quality inspection of 18 enterprises - Pharmaceutical Import & Export, Guang Hua, Guangzhou Han Fang, Tian Xin, Pan Gao Shou, Jing Xiu Tang and Guangxi Ying Kang, driving them to rectify 290 defects, with rectification rate of 100%. Internal quality inspection helped subsidiaries improve internal quality control level and awareness and strictly prevent all kinds of quality problems.

We have established a well-designed drug recall procedure, and carry out recall procedure simulation drilling every one year or two years, to ensure safe medication of consumers.



**Case Tian Xin recalled unqualified products, strictly protecting the safety of consumers**

From August 14, 2018 to August 17, 2018, the National Medical Products Administration carried out on-spot inspection of cefmenoxime hydrochloride for injection manufactured by Tian Xin and pointed out that, in terms of two lots of cefmenoxime hydrochloride for injection (Lot No.: 180756 and 180757), "the containers in direct contact with drugs have not been approved and verified" (actually, Lot 180756 and 180757 products were sold before glass bottle supplier change filing application). On August 15, Tian Xin rapidly started the recall procedure and initiatively recalled the products of Lot 180756 and Lot 180757, with a total value of RMB 892,202.50. All were recalled after 5 days. Tian Xin reported the event in accordance with the procedure of Measures for the *Management of Drug Recall*, and no adverse reaction report for the products of the relevant lots was located. After verification and evaluation, there are no potential quality and safety hazards in the two lots of products. Since August 16, Tian Xin has stopped the production and sales of cefmenoxime hydrochloride for injection, implemented the rectification work of inspection problems found in strict accordance with relevant requirements, and completed the rectification. The company disclosed the announcement on related matters on December 20, 2018.

We actively organized quality activities, carried out 2018 quality education month activities themed on "promote the high quality development, and build a strong quality enterprise", and built the atmosphere of "everybody is responsible for the quality" through knowledge & skills competition, internal inspection, regulations training and so on. We organized QC team activities, improved team quality control level, and won national, provincial, municipal QC achievement prizes for consecutive years.

Zhong Yi "Xiaoke QC team" won the gold award for international publication on the 43 ICQCC.

31 QC achievements of 13 subsidiaries were recommended to participate in Chinese medicine quality control achievement publication conference. 21 QC teams won the first prize. 3 teams won the title of trustworthy team. Number of publication participants, number of achievements, number of enterprises winning the first prize and number of achievements were higher than ever.

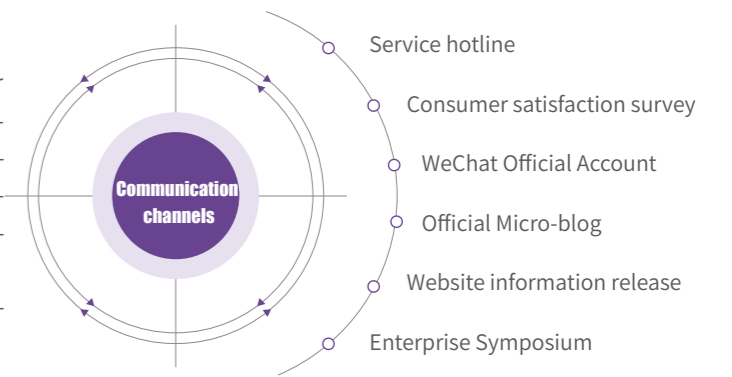
### Response to He Ji Gong controversy

For US FDA's warning letter within respect to He Ji Gong's lacking qualified raw material certification system, GYBYS considered the legal and cultural difference between China and US, invited US FDA experts meeting the requirements of 21CFR211.34 to make comprehensive investigation on the production line, and these experts considered that HE Ji Gong had no major problems in manufacturing practices and existing problems could be solved through rectification. From March 14, 2018 to March 15, 2018, Guangdong Food and Drug Administration carried out flight inspection of rubber paste production line of He Ji Gong, and verified the content of "US FDA's warning letter" and its rectification. For US FDA's warning letter, He Ji Gong has rectified and improved the matters specified in US FDA's warning letter within the specified term. By the release of the report, FDA has not issued any recall instruction for the products.

### Communication with consumers

We are committed to provide consumers with better services, have opened multiple communication channels, and make communication by a more professional, more transparent and more effective way, to help customers solve problems and improve customer satisfaction.

We have opened six communication channels, convenient for consumers to obtain feedback information.



### Consumer complaints management

We have formulated Measures for the Management of Customer Complaints, to ensure that customer problems can get a quick, accurate and efficient response.

#### More systematical

- Clear consumer complaint handling procedure: customer complaint acceptance -- judgment -- complaint handling -- information feedback/verification -- statistical analysis -- effect evaluation -- continuous improvement.



#### More efficient

- Double guarantee: 100% handling and 100% feedback of consumer complaint.
- HWBYS set up 800 service centers for efficient response to consumer complaint.
- Specified the time limit of each link of customer complaint handling to ensure the processing efficiency.



# Community investment

The Group actively gives back to the society, carries out targeted poverty alleviation and charity activities, and share development value with the society.

## Targeted poverty alleviation

At the same time of pursuit for commercial value, we actively respond to the country's call for targeted poverty alleviation, and constantly improve self-development ability of poor areas and poor people through "hematopoietic" aid.

## Planning

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

## Annual summary



### Poverty alleviation aid to the designated sister regions

The above three enterprises subordinated to the Company provide alleviation aid to three designated poor villages, optimize the infrastructure construction, and continuously improve poor people's self-development ability and dwelling level.



### Poverty alleviation through industrial development

The Group made full use of local natural endowment, conducts organic combination of targeted aid and overall regional development, provides necessary means production for poor households with the ability to work, and actively explores the "hematopoietic" poverty alleviation model.



### Poverty alleviation with intelligence

The Group actively carried out employment training, and helps surplus labor of poor families realize transfer employment. By December 2018, number of poor employment training participants had been accumulated to 117 people, helping 96 people obtain employment.

## Results

In 2018, we increased the aid, and helped poor households increase their output and income. By December 31, 2018, we had invested about RMB 6.65 million over nearly three years, helping 343 people get rid of poverty, with poverty relieve rate of 92%. Total annual collective economy income of three villages increased from RMB 10,300 in 2015 before the aid to RMB 180,000 in 2018, with 16.5 times of increase. Xing Qun, Guang Hua and Cai Zhi Lin were respectively awarded with Bronze Medal for Poverty Alleviation of Meizhou City.

# Accurate Poverty Alleviation Input in 2018

Indicator		Unit: RMB 10 <sup>4</sup>	
I. General information	1. Fund	119.88	
	2. Materials trade	2.24	
	3. Number of poor people helped to be removed from administrative record for poverty registering (person)	181	
	1. Poverty alleviation through industrial development	1.1 Type of industrial poverty alleviation projects	√Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through e-commerce <input checked="" type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
		1.2 Number industrial poverty alleviation projects (piece)	12
		1.3 Amount invested in industrial poverty alleviation projects	0.00
		1.4 Number of poor people helped to be removed from administrative record for poverty registering (person)	35
	2. Poverty alleviation through transfer employment	2.1 Amount invested in vocational training	0.00
		2.2 Number of people receiving vocational training (person/time)	117
		2.3 Number of poor people helped to obtain employment in administrative record for poverty registering (person)	96
3. Poverty alleviation through relocation	3.1 Number of relocated people helped to obtain employment (person)	0	
4. Poverty alleviation through education	4.1 Amount invested in subsidizing poor students	3.53	
	4.2 Number of students receiving allowance (person)	37	
	4.3 Amount invested in improvement of education resources in poor areas	0.00	
5. Poverty alleviation through health enhancement	5.1 Amount invested in health care resources in poor areas	6.51	
II. Itemized input	6. Poverty alleviation through ecological protection	6.1 Project name (please tick)	√Launching ecological protection and construction <input type="checkbox"/> Establishing compensation for ecological protection <input type="checkbox"/> Creating ecological and public welfare positions <input type="checkbox"/> Others
		6.2 Amount invested	8.89
	7. Protection for the most impoverished people	7.1 Amount invested in helping the three left-behind groups	0.90
		7.2 Number of helped people in the three left-behind groups (person)	5
		7.3 Amount invested in helping poor people with disabilities	0.00
		7.4 Number of helped poor people with disabilities (person)	0
	8. Poverty alleviation in the society	8.1 Amount invested in poverty alleviation in the east and west parts of country	0.00
		8.2 Amount invested in fixed-point poverty alleviation	0.00
		8.3 Poverty alleviation fund	0.00
	9. Others	9.1 Number of projects (piece)	14
9.2 Amount invested		102.29	
9.3 Number of poor people helped to be removed from administrative record for poverty registering (person)		0	
9.4 Description of other projects		Infrastructure construction, water conservancy project, care and condolences, new rural construction, etc.	
III. Awards (content and level)		Xing Qun, Guang Hua and Cai Zhi Lin were respectively awarded with 2017 Bronze Medal for Poverty Alleviation of Meizhou City	

## Follow-up plan

We will increase the investment in poverty alleviation, and comprehensively promote poverty alleviation through intelligence, industry, education, infrastructure, and so on. We will adhere to the combination of poverty alleviation and ambition prompting, and stimulate the poor households' endogenous power. We will expand the scope of industries to be supported and help poor households increase output and income through multiple channels and in various ways. We will continue to carry out education programs to help students and reduce the educational burden on poor families. We will carry out the people-benefit project such as poor household housing renovation and garbage collection to improve the living environment of poor villages.

### Case "Little Wish" Targeted Poverty Alleviation

In November 2018, the Company, Xing Qun, Guang Hua and Cai Zhi Lin, as support units, joined hands with Guangzhou Municipal Party Committee Office to carry out "little wish" activities with party building guide as model. 156 pieces of "little wish" had been collected from three poverty alleviation villages (e.g. small home appliances, cotton comforters, study materials). 325 pieces of "little wish" had been collected from people in the Company. After matching, "little wishes" of all poor households had been successfully realized.



## Give play to natural resources endowment, and foster the pharmaceutical industry

We make full use of local natural endowment, conduct organic combination of targeted aid and overall regional development, provide employment positions, promote human capital value of poor households, and actively explore the "hematopoietic" poverty alleviation model.



It is expected to invest about RMB 530 million in Guangmei Industry Transposition Park to build "Raw Liquid Extraction Base of WLJ Great Health Corporate Development Company" and "Cai Zhi Lin Industrial Service Base". The bases will be completed in 2019, being able to provide employment positions for poor households meeting entry requirements.

WLJ Great Health Corporate Development Company, Cai Zhi Lin and Shandong Poly Pharmacy co-build and share honeysuckle ecological base. By the end of December 2018, we had built 1,000 high standard ecological experiment demonstration bases, driving more than 300 people to obtain employment; had carried out new peasants Chinese herbal medicines cultivation and processing technology training, providing popular science training for more than 1,000 people, and helping more than 200 poor households.

In the form of "company + peasant household + base", set up 150 mu ganoderma lucidum and salvia miltiorrhiza cultivation bases in Tibet, and established GYBYS Tibetan Health Castle, driving the local economic development in Tibet.

## Charity

We actively practice the corporate vision of "spreading love all over the world", and rely on our own resources superiority to continuously develop series charity activities.

### Home expired drugs recovery

In 2018, we joined hands with LBX Pharmacy, Yixintang, Guo-Da Drugstore, Dashenlin, NPD, Chengda Fangyuan, ZHANG ZHONG JING, YAOKING MEDICINE and Ali Health to establish expired drugs recovery terminal coalition, continuously expanding recovery coverage and channels. By the end of 2018, expired drugs recovery activities had benefited more than 600 million people, and more than 1,500 tons expired drugs had been recovered.



### Chinese culture inheritance

We have established Wang Lao Ji herbal tea museums in Guangzhou, Beijing and Yaan, inheriting the herbal tea culture, and have also established the first overseas Chinese herbal tea museum in New York, US - Wang Lao Ji Herbal Tea Overseas Museum, promoting herbal tea culture to go overseas.

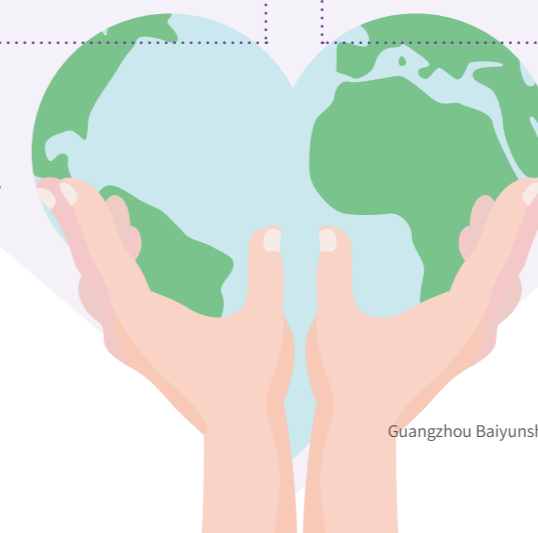


### Charity aid

We establish a compassion foundation, and systematically carry out various social charitable aid activities.

We established "RMB 182.8 Million Wang Lao Ji Compassion Foundation" in 2012 to donate money & materials and give love to disaster areas and endemic areas. We made donations in natural disasters such as Yaan, Ludian, Wenchuan and Yushu, and also made donations for disease prevention and control such as H7N9 and avian influenza. The public benefit investment exceeded RMB 1 billion.

In 2015, we established Wang Lao Ji Campus Foundation, which invested RMB 25 million in China, to support colleges and universities' outstanding talent cultivation and campus cultural and sports construction. By the end of 2018, we had cooperation with 11 colleges and universities such as Tsinghua University, Peking University and Zhejiang University to deepen the cultivation of talents.



# OUTLOOK

Looking ahead to 2019, we will continue to adhere to the responsibility idea of "spreading love all over the world", drive the high quality development by innovation, integrate the excellent resources, create comprehensive value for the public, business partners, ecological environment and communities, and promote the sustainable and healthy development of the medical health industry in China.

In 2019, we will continue to contribute our wisdom and strength to human health, and will spare no effort to promote the healthy China construction.

## Health accessibility

We will rely on the R&D platform, insist on the innovative R&D, and actively promote the transformation of scientific and technological achievements. We will expand the coverage of diseases prevention and treatment as well as medical public benefit activities, extend logistics services, expand the scope of medical services, bring equal and accessible health resources to more people, and protect the right of everyone to enjoy health.

## Transparent business

We will adhere to fair business philosophy, continuously carry out corruption supervision, and realize zero corruption. We will abide by the code of ethics, further identify the compliance management risks, drive suppliers to fulfill social responsibility, and build a medical health responsibility-based supply chain. We will respect biological ethical standards, implement responsible clinical practices, and build a fair and transparent business environment.

## Environmental protection

The clear water and green hills are gold and silver mountains. We will continue to adhere to the "Green GYBYS" manufacturing system, improve the resource use efficiency and clean energy using ratio at production, packaging, transportation, storage and other links, reduce the waste emission, actively respond to climate change, protect biodiversity, promote the green development of the Chinese medical health industry.

## Shared development

We will continue to improve the staff training system, and implement the construction of dual-channel staff promotion system. We will recognize the regulatory situation, and constantly improve product quality control level. We will constantly pay attention to the socially disadvantaged groups, further promote the targeted poverty alleviation and charity activities, and strive for wider sharing of development achievements.

# ESG 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.	Tackle climate change
A1.1	Types of emissions and related emissions data.	Tackle climate change/ESG Key Performance Indicators Table
A1.2	Total greenhouse gas emissions and density.	Tackle climate change/ESG Key Performance Indicators Table
A1.3	The total amount and density of hazardous waste generated.	Waste management/ESG Key Performance Indicators Table
A1.4	The total amount and density of non-hazardous waste generated.	Waste management/ESG Key Performance Indicators Table
A1.5	Describe the measures to reduce emissions and the results obtained.	Tackle climate change
A1.6	Describe the ways to treat hazardous and non-hazardous waste, measures to reduce production, and results.	Waste management
A2 General Disclosure	Policies for the effective use of resources including energy, water and other raw materials.	Water resource management
A2.1	Total energy consumption and density.	Energy management/ESG Key Performance Indicators Table
A2.2	Total water consumption and density.	Water resource management/ESG Key Performance Indicators Table
A2.3	Describe energy use efficiency programs and results.	Energy management
A2.4	Describe any problems with finding a suitable water source, as well as improving water efficiency programs and results.	Water resource management
A2.5	The total amount of packaging materials used in finished products and the amount per unit of production.	Use of packaging materials
A3 General Disclosure	Reducing the issuer's policies that have a significant impact on the environment and natural resources.	Tackle climate change, water resource management, waste management, noise management, biodiversity conservation
A3.1	Describe the significant impact of business activities on the environment and natural resources and the actions that have been taken to manage the impact.	Water resource management, waste management, biodiversity protection
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.	Staff management
B1.1	The total number of employees by sex, type of employment, age group and region.	Protection of rights and interests/ESG Key Performance Indicators Table
B1.2	Employment loss ratio by sex, age group and region.	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.	Protection of rights and interests
B2.1	The number of and rate of deaths due to work.	ESG Key Performance Indicators Table

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

Level	Main performance indicators	Chapter
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).	Targeted poverty alleviation
B8.2	Use resources in the focus area, such as money or time.	Charity/ESG Key Performance Indicators Table

## ESG KEY PERFORMANCE INDICATORS

2018 ESG KPIs		
Indicators	Performance Indicator/ Unit	Data in 2018
<b>A1 Emission</b>		
	Industrial waste water/ton	1,637,646.80
	Intensity of industrial waste water/ ton/industrial production (ten-thousand yuan)	0.97
	CODCr for chemical oxygen demand/ton	68.19
	Ammonia nitrogen/ton	10.86
	NOX/ton	20.14
	SO2/ton	4.85
	Total greenhouse gas emissions/ton	116,537.36
	Intensity of greenhouse gas emissions/ ton/industrial production (ten-thousand yuan)	0.07
	Pharmaceutical waste (HW02) and Waste drugs (HW03)/ton	224.07
	Other hazardous waste/ton	549.63
	Total amount of hazardous waste discharged/ton	773.70
	Industrial waste/ton	2,844.77
	Intensity of Industrial waste/ kg /industrial production (ten-thousand yuan)	1.69

A2 Resources and energy use		
	Gasoline/ liter	289,223.30
	diesel/ liter	429,664.22
	coal/ton	0.00
	Natural gas/ten-thousand m <sup>3</sup>	1,940.89
	Purchased steam/ton	5,019.43
	Purchased electricity/kwh	118,528,016.00
	Intensity of electricity consumes/kwh /industrial production (ten-thousand yuan)	70.46
	Water consumed/ton	3,493,349.95
	Intensity of water consumed/ ton/industrial production (ten-thousand yuan)	2.08
	Comprehensive energy consumption/ ton	25,452.17
B1 Employment and labour		
	Total number of employees/person	23,131
	Male/person	12,779
	Female/person	10,352
	Under the age of 30/person	9,087
	30 to 50 years old/person	13,110
	50 years of age or older/person	934
	Employee turnover rate/%	6.51
	Male/%	6.84
	Female/%	6.11
	Under the age of 30/%	10.13
	30 to 50 years old/%	3.19
	50 years of age or older/%	15.21
B2 Health and security and B3 Development and training		
	Number of deaths due to work/person	0
	Total Days of Work Injury/day	1,003
	Total number of trainees/Person-time	142,036

	Total staff training duration/hour	456,139.95
	Staff training hours per person/hour	19.72
	Number of Safety-related training/time	1,223
	Safety-related training person-time/Person-time	43,898
	Safety-related training duration/hour	141,058.77
	Number of safety drills/time	72

B5 Supply chain management		
Ratio of suppliers by the region		
	South China/%	52.69
	East China/%	24.15
	North China/%	7.26
	Central China/%	5.02
	Northeast China/%	2.30
	Northwest China/%	2.30
	Southwest China/%	6.28

B6 Product responsibility		
	Percentage of the total number of products sold or shipped that need to be recovered for safety and health reasons /%	0
	Complaints (involving "product quality"; "service quality")/time	1,962

B8 Community investment		
	Donations/ten-thousand yuan	360.42
	Value of items donated/ten-thousand yuan	1,198.30
	Number of volunteers/person	1,424
	Volunteer hours/hour	9,143.24