



China Traditional Chinese Medicine Holdings Co. Limited
(Incorporated in Hong Kong with Limited Liability)
(Stock code: 00570)



**Environmental, social and
Governance Report 2018**

About this Report



This is the third stand-alone Environmental, Social and Governance (“ESG”) Report of China Traditional Chinese Medicine Holdings Co. Limited (“China TCM” or the “Company”, together with its subsidiaries, the “Group”) (Stock code: 570), presenting our management approach and performance on environmental and social aspects. The Company’s board of directors (the “Board”) confirms that it has reviewed and approved the report. To the best of its knowledge, this report describes material topics and fairly presents the ESG management approach and performance of the Company.

REPORTING PERIOD AND SCOPE

This report discloses ESG management approach and performance of the Group for the financial year from 1 January 2018 to 31 December 2018. For corporate governance section, please refer to the Corporate Governance Report on Pages 52 to 70 of the Company’s Annual Report 2018.

The environmental data collection boundary of the Group is extended from 15 to 16 subsidiaries, covering TCM decoction pieces, concentrated TCM granules, finished drugs, TCM healthcare complex, etc. The Group will gradually incorporate more subsidiaries into the reporting scope in the interest of continuous improvement of report content.

REPORTING STANDARDS

This report was prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with reference to disclosure requirements of GRI Standards issued by the Global Reporting Initiative (“GRI”). This report is published in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

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FEEDBACK

Your comments and thoughts are appreciated and will help us improve contents of the report. Please direct your feedback and comments to:

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Message from Chairman



Dear Stakeholders,

The year 2018 represents an important milestone along our sustainability journey. The Group incorporated sustainability concepts into the Company's five-year strategic plan for "building a comprehensive, sustainable and cooperative TCM industrial chain, and becoming a leading TCM healthcare group in the industry", as the Company's future sustainability strategy. This year, we have aligned our sustainability performance with the United Nations Sustainability Development Goals ("SDGs"), aiming to consolidate our efforts on how we can contribute to these world goals in the long term.

Consolidating TCM Industrial Chain

China TCM's core strategy is "creating synergy between the TCM decoction pieces business and the concentrated TCM granules business." We consolidate our competitive advantages by extending them to upstream and downstream operations of the TCM industry chain, enhancing the Chinese medicinal herbs resources, quality standards and technological level. During the year, we have upgraded processing techniques for the TCM decoction pieces to enhance the first-time passing rate. In terms of scientific research, we have spared no efforts and have established two provincial professional technology platforms to conduct quality standard research on the concentrated TCM granules.

Improving the quality of products and service is second to none in importance. We are dedicated to providing patients the best medication experience and TCM products through deploying smart dispensing machine systems and building intelligent TCM distribution centers. Following the national policy on encouraging the private sector to engage in TCM clinics business, we are continuously operating and constructing the TCM Healthcare Complex.

To maintain fair trading of TCM products in the market, we set 2018 as the "compliance management year" for the Group. In addition to the reporting system, a Company compliance handbook was issued to enhance employees' awareness.

Fulfilling Environmental Responsibility

A good natural environment is crucial to the growth of Chinese medicinal herbs resources. During the year, we expanded coverage of ISO 14001 environmental management system and clean production audit. We monitored resources usage and emissions regularly to ensure compliance. We also encourage our subsidiaries to adopt advanced technologies to enhance energy and water resources usage efficiency, so as to slow down the increase in resources consumption due to expansion of production scale.

Striving for People-Oriented Culture

In line with implementation of the five-year strategic plan, we focus on strengthening leadership training for our management team and establishing a dual career development ladder to achieve synchronised advancement of the Company and its employees.

We always place emphasis on occupational health and safety management to prevent accidents and provide a safe and healthy working environment for all employees. During the year, we conducted occupational health hazard assessments in 21 subsidiaries and no illness cases were found.

Contributing to the Community

April showers bring May flowers. We appreciate the support from different sectors of society. We contribute to society by performing community services and channeling resources to areas of poverty eradication, youth education and public health.

Looking forward, the Group will continue to strive for sustainable corporate development. On behalf of the Board, I would like to express my sincere gratitude to all our staff, partners, and the wider community for the attention and support. We look forward to your continuous support and promote mutual development in the future.

Chairman
Wu Xian

Hong Kong, 15 March 2019



Our Sustainable Development

Following the core strategy of “TCM Healthcare Complex”, China TCM actively reacts to internal and external environmental changes and integrates sustainability concepts into every aspect of its business operations.

Responding to UN SDGs

All 17 Sustainable Development Goals (SDGs) and 169 targets adopted by the United Nations are interrelated. They cover elimination of poverty, combating climate change, providing quality education, etc. These goals are being implemented from 2016 until 2030. In this report, we align our sustainability works with the SDGs for the first time to contribute to the realisation of SDGs.



ABOUT CHINA TCM

As the core platform of China National Pharmaceutical Group Corporation’s (Sinopharm Group) TCM segment, China TCM operates a complete industrial chain which integrates scientific research, manufacturing and sales as a whole. We strive to develop four major business segments, the TCM decoction pieces, concentrated TCM granules, finished drugs and healthcare complex.

The Group’s headquarter is located in Foshan, Guangdong while the production bases are set up in several provinces in China. Among them, there are 14 GMP¹ TCM decoction pieces production bases, 9 GMP Chinese medicinal herb extraction bases and 5 GMP concentrated TCM granules production bases.



Concentrated TCM Granules



Finished Drugs

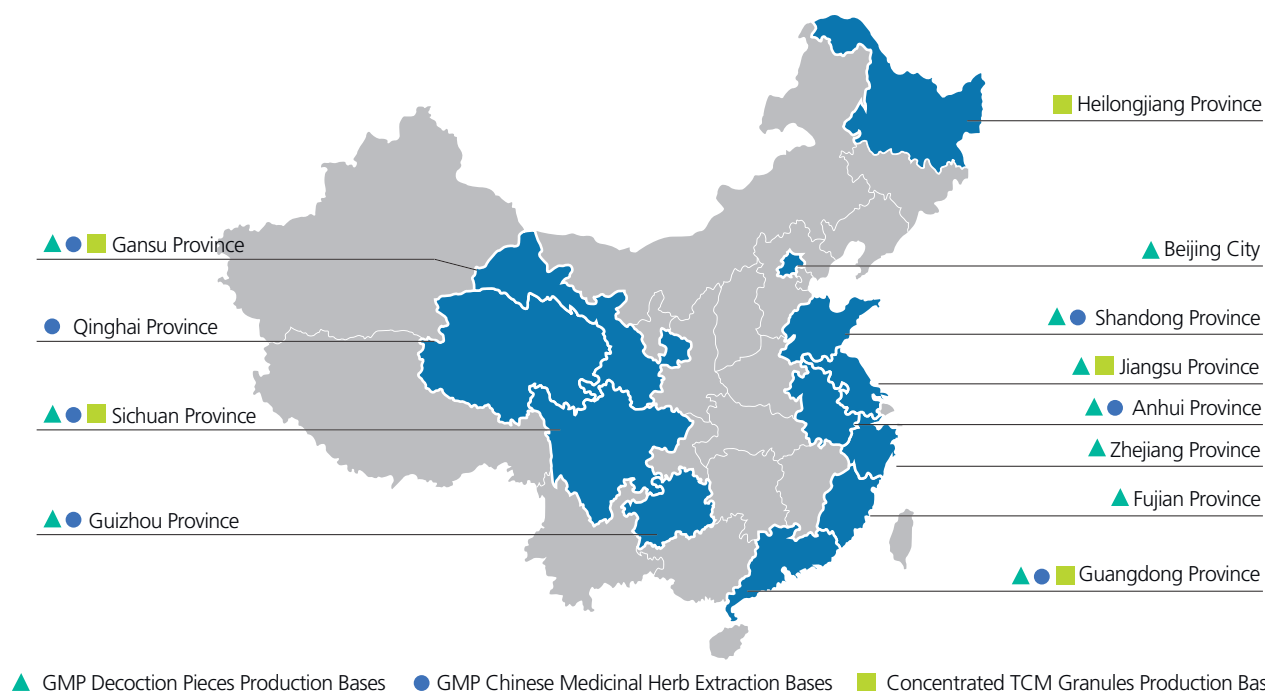


TCM Decoction Pieces



Healthcare Complex

¹ Good Manufacturing Practices (GMP) refers to regulations for the production and quality management of food, pharmaceuticals and medical products.



We own high-quality brands and production resources, possessing 3 time-honored brands and 5 well-known trademarks in China, besides 4 intangible cultural heritages and 10 exclusive essential drugs products.²

In addition to offering pharmaceutical products, the Group provides convenient service to customers by developing healthcare complexes. Up to present, we installed more than 5,000 smart dispensing machines in medical institutions at all levels, covering approximately 3,500 hospitals. We also operate 7 distribution centers, in Beijing, Shijiazhuang, Jiangyin, Guiyang, Foshan and Zhongshan, providing services such as TCM prescription dispensing, decoction and distribution.

Our Philosophy

China TCM always closely integrates corporate development with health promotion in its operations process. We uphold the philosophy of “caring for life and protecting health” and promote relevant ideas and TCM culture to our customers, employees, partners and surrounding community through our products and services.

Philosophy	Caring for life and protecting health
Mission	To inherit the culture of TCM, promote the essence of Chinese medicine and build up the health of human beings
Vision	To build a TCM platform worth RMB 10 billion, become a leader in the TCM industry; let employees live a prosperous, healthy and dignified life

² Essential drugs refer to medicines in the National Essential Drugs List.

Membership Qualification and Recognition

The Group actively follows its philosophy, pursues its mission and facilitates the development of TCM industry by participating in the work of industrial organizations. As of 31 December 2018, the Company or its subsidiaries participate and hold relevant positions in the following organisations:

Name of the Organisation	Participating Companies	Position
China Association of Traditional Chinese Medicine	The Company	Vice president










During the year, the Group was honored to receive several awards, which recognise our contributions in the TCM industry. We will continue to spare no effort in optimising our work to provide quality TCM products and service to the public.

Areas	Awarded Companies	Awards
Technological Innovation	Guangdong Yifang Pharmaceutical Co., Ltd.	Guangdong Enterprise Top 500 Innovation Ability 2018 Guangdong Excellent Brand Demonstration Enterprise
	Longxi Yifang Pharmaceutical Co., Ltd.	Excellent Technological Innovation Enterprise
	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	Top Ten Innovative Enterprises
Brand Value	Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.	No.17 of the "China Time-honored Brand" out of 718 brands
Product Quality	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	2017 Jiangyin Municipal Quality Award & 2017 Wuxi Municipal Quality Award
Social Image	Guangdong Yifang Pharmaceutical Co., Ltd.	The Most Developmental Potential Employer Award
	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	Advanced Unit of Ecological Civilization Construction

SUSTAINABILITY MANAGEMENT

China TCM combines its own sustainable development with TCM healthcare complex. We have a five-year strategic plan for "building a comprehensive, sustainable and cooperative TCM industrial chain and becoming a leading TCM healthcare complex group in the industry." Implementation of this strategic plan began in the year 2018. Our actions are not only reflected in business development, but are also integrated into every aspect of sustainability management.

This report describes how we align our sustainability works with the SDGs and the 8 SDGs we have identified, which are related to China TCM. The table below lists the actions we took in relevant aspects. We will continue to monitor the Group's performance on these 8 SDGs and explore possible solutions and formulate specific plans to achieve these goals.

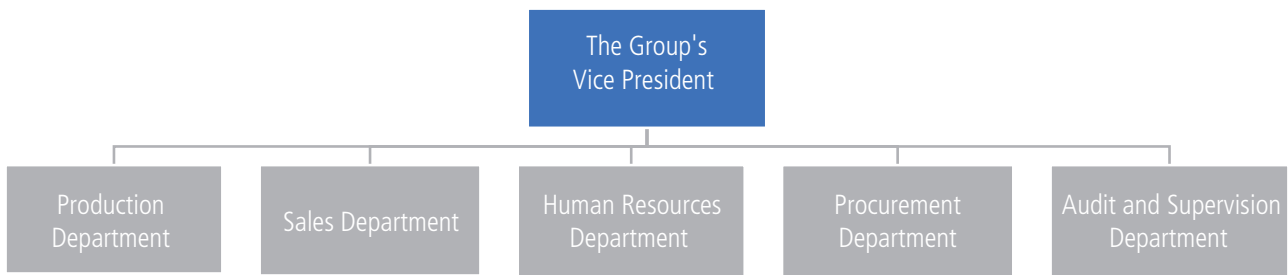
Report Section	SDGs	China TCM's Actions
 Consolidating TCM Industrial Chain		Target 3: Good Health and Well-being We hold approvals for production of more than 500 pharmaceutical products including 10 exclusive essential drugs. We support health protection for all and ensure everyone can have access to safe, effective, high-quality and affordable essential medicines
		Target 9: Industry, Innovation and Infrastructure We continue to strengthen new drug R&D on quality standards and enhance our technical capabilities. We have set up a provincial-level professional technology platform to conduct research on concentrated TCM granules and TCM decoction pieces
		Target 17: Partnerships for the Goals We actively build the TCM industrial chain and establish good partnerships with farmers, raw material suppliers and hospitals etc. to share knowledge, professional capabilities, technologies and financial resources
 Fulfilling Environmental Responsibility		Target 12: Responsible Production and Consumption We closely monitor pollutants and waste discharged from our production process, implement pollution control measures, and engage qualified contractors to dispose waste, in order to reduce environmental pollution risks
		Target 13: Climate Action We monitor our greenhouse gases emissions, adopt energy conservation measures as well as strengthen staff education and promote awareness about climate change
 Striving for People-oriented Culture		Target 8: Decent Work and Economic Growth We protect employees' legal rights and welfare in accordance with the national law and strictly prohibit any form of forced or child labour

Report Section	SDGs	China TCM's Actions
 <p>Contributing to the Community</p>		Target 1: No Poverty We organised poverty alleviation activities including visiting poor families and guiding them to grow medicinal herbs in 34 counties in 7 provinces during the year
		Target 4: Quality Education We promote education in China's rural areas by teaching traditional culture and health knowledge

Sustainability Management Structure

In order to ensure sustainable development management, we have pulled together resources from different functional departments to form a normalised data collection and reporting mechanism.

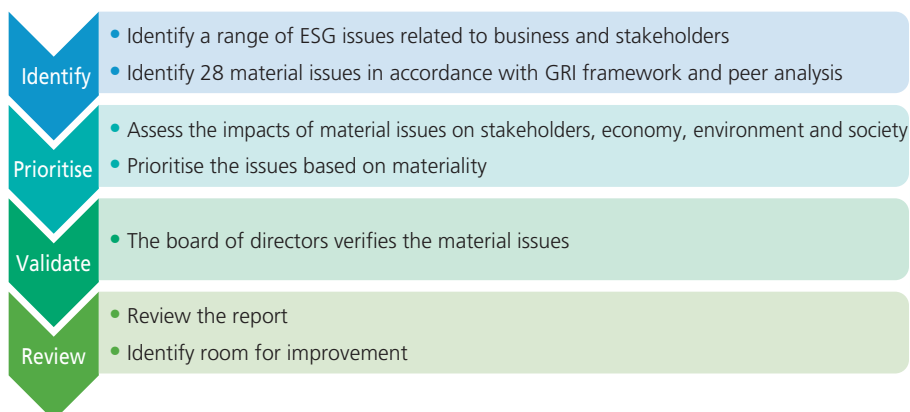
The Group's Vice President is responsible for monitoring sustainability performance of all subsidiaries. Other relevant departments including the Production Department, Sales Department, Human Resources Department, Procurement Department, Audit and Supervision Department provide full support to help formulate and improve the Company's environmental and social issues-related policies.



Sustainability Management Structure

Identifying Our Sustainability Topics

We commissioned an independent third-party consultant to conduct materiality assessment in 2017 in order to understand the extent of the Group's impacts in terms of various sustainability aspects. According to the four steps suggested by GRI Standards, i.e. identify, prioritise, validate and review, we identified China TCM's material topics. During the evaluation process, we engaged various parties including customers, employees, investors, suppliers, contractors and other stakeholders through questionnaires and interviews. For the results of the material assessment, please refer to the "Sustainable Development" section of the Company's ESG Report 2017.



During the year, we continue to understand the views and suggestions of various stakeholders on our work related to sustainable development through different communication channels..

Customers	Sales Partners	Employees	Government	Shareholders/ Investors	Suppliers	Community
Concerned Topics						
Product health and safety, product quality	Product compliance, business ethics	Health and safety, training and development, welfare	Product compliance, production safety, environmental protection	Business operation, corporate governance, risk management	Supply chain management, business ethics	Education, poverty alleviation
Engagement Channels						
Customer satisfaction survey, "Constitutions Identification" WeChat public account	Seminar	Employee satisfaction survey, internal communication, training, social media platform	On-site inspection, attend trainings organised by the government	Investors meeting, annual general meeting, Company's annual report, ESG report	Seminar, training, suppliers visit, annual audit	Visiting poor families, education, community caring activities

We have reviewed the results of the 2017 materiality assessment and have confirmed that the Group's seven material topics are still the same, i.e. product compliance, product health and safety, customer satisfaction, protection of intellectual property rights, supplier management, compliance and business ethics. The above topics influence the Group internally and externally including customers and suppliers.

In our daily operations, we pay attention to all subsidiaries' performance on relevant topics. We strive to enhance corporate transparency, minimise operational risks and bring in positive impacts by implementing systematic monitoring, management and reporting. We disclose the material topics in this report as a reference for formulating long term sustainable development strategies, in order to improve ESG performance.

Responding to Our Stakeholders

Material Topics	Stakeholders' Interests and Concerns	Our Actions and Contributions
Product Compliance	<ul style="list-style-type: none"> Comply with increasingly stringent regulatory requirements Secure customers' rights and benefits 	<ul style="list-style-type: none"> Complied with laws and regulations related to product responsibility Implemented stringent control on product labelling Took a proactive approach in monitoring sold products
Product Health and Safety	<ul style="list-style-type: none"> TCM products quality Ensure drug efficacy and ingredient safety 	<ul style="list-style-type: none"> Certified with ISO9001 and GMP Expanded the coverage of GMP certification and pilot production licenses Upgraded the processing techniques of the TCM decoction pieces Conducted clinical research projects
Customer Satisfaction	<ul style="list-style-type: none"> Optimise customers' experience Promote and popularise the knowledge of TCM Medication guide 	<ul style="list-style-type: none"> Established customer enquiry and complaint channels Analysed the complaints received Deployed smart dispensing machine systems Constructed intelligent TCM distribution centers Educated the public in rational drug use
Protection of Intellectual Property Rights	<ul style="list-style-type: none"> Encourage innovation Protect China TCM and third-party R&D results 	<ul style="list-style-type: none"> Obtained 9 new patents with 152 patents in total Drafted, issued and reviewed internal policies
Supplier Management	<ul style="list-style-type: none"> Enhance the quality of Chinese medicinal herbs Maintain stable procurement and supply 	<ul style="list-style-type: none"> Developed Chinese medicinal herbs plantation bases Created a source tracking system for herbs Established a Chinese medicinal herb dictionary

Material Topics	Stakeholders' Interests and Concerns	Our Actions and Contributions
Compliance	<ul style="list-style-type: none"> Protect the rights and benefits of the employees and the public 	<ul style="list-style-type: none"> Complied with applicable laws and regulations related to employment, occupational health and safety and environment
Business Ethics	<ul style="list-style-type: none"> Secure fair trading in the TCM market Maintain stable supply of drugs 	<ul style="list-style-type: none"> Complied with laws and regulations related to anti-corruption Established and reviewed internal policies, organised trainings and set up a whistle-blowing system A number of drugs are incorporated in "National Essential Drugs List", including two newly added exclusive drugs

Consolidating TCM Industrial Chain

Committed to provide quality and accessible medicines and services to all customers, we strive to strengthen our upstream and downstream operations by extending the entire TCM industrial chain with the principle of “consolidated horizontal and vertical development” under our five-year strategic plan.

KEY PERFORMANCES:



100%

production bases have obtained GMP certification

10

exclusive drugs are incorporated in “National Essential Medicines List”



6

drugs are under evidence-based clinical research 1 of which was completed in 2018

19

standard research for concentrated TCM granules



15

new Chinese medicinal herb plantation bases are constructed as a part of the Company's business

Collaborate with over

12,000 suppliers

TRADITIONAL CHINESE MEDICINE INDUSTRIAL CHAIN

China TCM started working on a five-year strategic plan of “building a comprehensive, sustainable and cooperative traditional Chinese medicine industrial chain” during the year. Based on our four major business segments, we have made great efforts to strengthen the entire TCM industrial chain, from upstream to downstream operations, establishing a solid foundation for enhanced drugs quality and customer services.



Chinese Medicinal Herbs

- Plantation base
- Warehousing and logistics



Production

- Decoction pieces
- Chinese medicinal herb extraction
- Concentrated TCM granule preparation
- Finished drugs



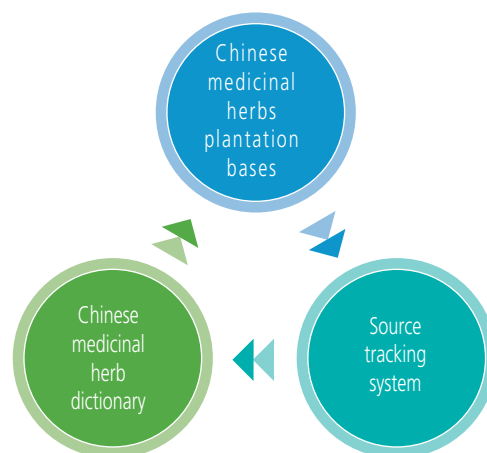
Customer Services

- TCM clinics
- Smart dispensing machines
- Sharing of TCM intelligent distribution centers

SUPPLY CHAIN MANAGEMENT

Chinese medicinal herbs are the foundation of TCM industry, and its quality determines the value of products such as TCM decoction pieces, concentrated TCM granules and finished drugs. Starting from the supply chain management, the Group manages every production process carefully, ensuring customers have access to standardised and quality products.

In addition to developing Chinese medicinal herbs plantation bases, creating a source tracking system for the quality of local Chinese medicinal herbs and a Chinese medicinal herb dictionary, we have extended the TCM industrial chain to seed breeding, plantation, initial processing, logistics and warehousing. By undertaking these strategic moves, the quality of Chinese medicinal herbs is under strict control, significantly minimising the environmental and social risks along the supply chain.



A Closed-loop Management of the Industrial Chain

Develop Chinese Medicinal Herbs Plantation Bases

The Group actively develops Chinese medicinal herbs plantation bases and implements the planning of quality control “from the field to the final product”. In cooperation with local agricultural Company at traditional places of origin or large enterprises with GAP³ certification, we promote standardisation of TCM plantation and production using traditional plantation techniques and local processing technologies.

During the year, the Group completed another 15 jointly-built plantation base projects, bringing the total to 65 bases covering 46 products, in areas like Shandong, Zhejiang, Yunnan, Anhui, Sichuan and other provinces. We also conducted training on management and tracking systems for the plantation and production processes of Chinese medicinal herbs. Extending the quality control work upstream provides raw material supply with consistent quality for the TCM decoction pieces, concentrated TCM granules and finished drugs.

Source Tracking System

In response to more stringent national requirements implemented in 2018 on the quality of TCM decoction pieces, the Group has devised a system of tracking places of origin during the procurement process, in case of highly successful TCM products. We carry out investigations into the origin of medicinal herbs, tracing from the suppliers to the place of origin and names of farmers, and request records of the plantation methods and environmental assessment.

The system allows us to trace back the root of the problem easily when substandard products are discovered with detailed records. By having a source tracking system, the quality of the TCM decoction pieces as well as concentrated TCM granules and finished drugs is ensured. This strengthens the monitoring, identification and authentication of TCM products to promote “planting, producing and making good drugs” in the TCM industry.

Establish a Chinese Medicinal Herb Dictionary

The Chinese Medicinal Herb Dictionary is the database for TCM herbs. During the year, the Group completed the basic information dictionary on the decoction pieces produced by 5 subsidiaries such as Beijing Huamiao and Tongjitang. It offers reliable sources for TCM plantation and research and improves functioning of the TCM decoction piece sales system.

³ Good Agricultural Practices (“GAP”) are a collection of principles to apply for on-farm production and post-production processes

Supplier Management

China TCM has established a group-level procurement department to ensure the quality of raw materials, centralising the procurement of medicinal herbs in accordance with “the Measures for the Administration of Procurement Center of China Traditional Chinese Medicine Holdings Co. Limited”.

Qualified suppliers are required to strictly abide by the GMP in relation to social and environmental management. We strengthen on-site assessment of suppliers, requiring them to make timely corrections in abnormal cases. During the year, we amended “the Procurement Work Regulation” (《集採業務操作規程》), “the Raw Materials On-Site Checking Regulation” (《集採原料現場驗收管理規程》), “Supplier Management Policy” (《供應商管理制度》) and other internal policies related to Chinese medicinal herbs procurement to better monitor the procurement. As of 31 December 2018, the Group has a total of 1,229 suppliers, almost all of them located in China.

The procurement process is an integral part of quality assurance of Chinese medicinal herbs. For more controversial sampling and acceptance sessions, a joint acceptance mechanism is established. The Procurement Department communicates with suppliers before cooperation, stating clearly that suppliers are prohibited from offering bribes to our employees in Procurement, Quality Inspection and other relevant departments. Any suppliers who violate the regulations are blacklisted to ensure fair and ethical business operations.

PRODUCT RESPONSIBILITY

The Group attaches great importance to quality of TCM products to safeguard the health and safety of consumers, strictly complying with the relevant laws and regulations including Drug Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》).

To ensure compliance, we formulate proper measures for production quality management in accordance with requirements of ISO9001 Quality Management System and GMP with reference to actual production conditions. During the year, nine of our factories have obtained GMP certification and all production lines passed the GMP certification as required by the regulations. In addition to two existing national-level licenses for pilot production of concentrated TCM granules, namely Jiangyin Tianjiang and Guangdong Yifang, we have obtained pilot production licenses in 7 provinces.

The Production Department is responsible for supervising and guiding quality management in plants of the Group. The raw materials and intermediate products are subject to supervision and inspection in accordance with internal control standards before being cleared for processing in the next stage. To optimise the production quality control procedures and provide high-quality products, we conduct annual review of quality of used materials, production processes as well as other relevant data.

Consolidating TCM Industrial Chain



During the year, the Group has not been subjected to any significant penalties or non-economic sanctions due to any health and safety issue related to its products.

Standardisation and R&D

Promoting the essence of TCM and driving healthy development of the industry, the Group focuses on continuous innovation to address future health needs. Adhering to the core concepts of “TCM standardisation” and “quality first”, the Group conducts research on standardisation for concentrated TCM granules to promote improvement of general TCM industry quality standards. Since 2014, the Group has been implementing blockbuster cultivation programs and conducting clinical and pharmaco-economics research on major TCM finished drugs as an element of academic promotion of the market strategy. When conducting research, the Group strictly follows the GCP⁴ to protect the integrity of trial subjects.

In 2018, the China Food and Drug Administration (“CFDA”) and Pharmacopoeia Committee further refined national standards for concentrated TCM granules. Embracing the opportunity, the Group has established two provincial technology platforms during the year, namely, the Guangdong Concentrated TCM Granules Project Laboratory and the Guangdong Concentrated TCM Granules Enterprises’ Key Laboratory. We conducted research on standard decoctions for 19 concentrated TCM granules and 11 of them were recognised.

Stringent Labelling Procedure

The Group takes a proactive approach to monitor launched products. One of the launched products added warning contents concerning adverse drug reactions during the year, we request the dealers to send back the stocks to renew the labels in a timely manner. The safety consumption of TCM products for our customers is thus secured.

Based on the requirements of the Technical Requirements for Quality Control and Standards for Concentrated TCM Granules (Draft for Comment) (《中藥配方顆粒質量控制與標準制定技術要求(徵求意見稿)》) issued by the Pharmacopoeia Committee, the Group completed research on standard decoctions for 243 TCM varieties and submitted national quality standards for 155 varieties to the Pharmacopoeia Committee.

During the year, the Group continued to carry out evidence-based research on six core varieties, including Xianling Gubao Capsules, Yu Ping Feng Granules, Moisturising and Anti-Itching Capsules, Zaoren Anshen Capsules and Fengshi Gutong Capsules. And we have completed and published output of fundamental research on Jingshu Granules.

⁴ Good Clinical Practices (“GCP”) is an international ethical and scientific quality standard for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials.

Intellectual Property Rights Protection

The Group values intellectual property rights and exercises stern controls for protecting intellectual properties of its own as well as those of other parties. During the year, the Research and Development Department drafted and issued the “Intellectual Property Rights Management Handbook” (《知識產權管理手冊》) with reference to the relevant national laws and regulations. We strictly require the inventor to disclose relevant technologies before applying for a patent and the Group is responsible for managing scientific research achievements. To encourage our employees to participate in technological innovation with enthusiasm and creativity, we have strengthened the management of research projects with help of internal policies such as “the Confidentiality Scheme of Research and Development Center” (《研發中心保密制度》), “the Administrative Measures for Patents” (《專利管理辦法》) and “the Administrative Measures for the Production Technology Transfer for New Product Registration Process” (《新產品註冊過程生產技術轉移管理辦法》). The intellectual property rights are safeguarded by implementation of these policies. During the year, the Group has obtained 9 new patents, bringing the total number of patents to 152.

ETHICAL PRACTICE

The Group cares about customers’ needs and provides them with optimised solutions for sales and services. We have a tight sales management and invest resources in people-oriented services in order to provide quality and accessible TCM products and services to customers.

The Sales Department strictly complies with relevant laws and regulations for the sales of TCM products, including but not limited to GSP⁵. In addition, each of the subsidiaries has formulated individual management regulations in compliance with requirements of “the Provisions on the Administration of Pharmaceutical Directions and Labels (Order No.24 of the State Food and Drug Administration)” (《藥品說明書和標籤管理規定 (國家食品藥品監督管理局序第24號)》). Product directions and labels are designed based on the contents approved by provincial CFDA and can only be printed, produced and used after being verified as accurate. Unqualified and scrapped product directions and labels are destroyed under the supervision of the Quality Department.

Enhance Customer Experience

To develop a full-fledged market for concentrated TCM granules, the Group deploys smart dispensing machine systems in hospitals at all levels which help improve patients’ medication experience. The Group continues to promote the construction of intelligent TCM distribution center projects. We provide patients and hospitals with one-stop decoction and distribution services featuring instant processing from prescription receipt-to-decoction.

The Group is committed to promoting rational drug use, which has a significant influence on the efficacy of treatment. We educate the public about the TCM theories and taking the right medication through the Company website and the “Constitution Identification” WeChat official account. With the national policy encouraging and promoting the registration of private Chinese medicine practitioners, we will continue to explore National Medical Center and other healthcare businesses. We provide solutions with TCM characteristics to the sub-health population.

⁵ Good Supply Practice for Pharmaceutical Products (“GSP”) is a set of basic rules for drug distribution management and quality control in drug purchase, storage, sale and transportation.

To better communicate with customers and address their individual concerns, customer enquiry and grievance channels, including hotlines and email, are established by each subsidiary of the Group. During the year, 50 complaints on product quality were received, and immediate corrective measures were taken after confirmation. The cases are under thorough review to prevent the recurrence of similar incidents. A total of 5 enquiries concerning adverse drug reactions were received. We provided suggestions for treatment and filed the reports for further data analysis.

Accessible Medicines

Essential medicines are those that satisfy the basic health care needs, in the appropriate dosage forms, at affordable price and in stable supply. The Group has numerous TCM products listed in the "National Medicines Essential List" with 10 exclusive products. During the production and operation process, we take actions to ensure stable production and supply of relevant drugs and control their prices within a reasonable range.

ACTION AGAINST CORRUPTION

In strict adherence to its core value of "live with integrity, work with heart", the Group strives to cultivate an ethical business culture in all of its subsidiaries by complying with relevant anti-corruption laws and regulations, including but not limited to the Criminal Law of the PRC and the Anti-Unfair Competition Law of the PRC.

China TCM maintains corruption-free operations by taking actions against corruption in accordance with the requirements of Sinopharm Group, its holding Company. We have established internal policies for regulating ethical operations within the Group, such as the "Proposal for Division of Duties of the Commission for Discipline Inspection" (《紀委職責分工方案》), "Regulations concerning the Implementation of Integrity Talk System by Leaders" (《關於領導人員實行廉潔談話制度的規定》), "Anti-corruption Practices for Leading Cadres as Party Members" (《黨員領導幹部廉政從業辦法》) and the newly issued "China TCM Holdings Co. Limited Compliance Handbook" (《中國中藥控股有限公司合規手冊》).

All subsidiaries are required to implement regulations and systems formulated by the Group and supplement their respective regulations and procedures according to their own actual conditions which are reviewed on a regular basis.

During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Group was not involved in any corruption cases.

Monitoring and Reporting

The Group has set up a petitioning system at its headquarters to receive reports on its employees suspected of illegal behaviors from all parties. Each subsidiary submits monthly report of the status of petitioning to its parent company and relevant disciplinary inspection information from time to time. The Audit Department, the Human Resources Department and other relevant departments cooperate to investigate all the reporting cases, especially those with solid evidence. If the involved parties are found violating the relevant laws and regulations, they are then transferred to the legal bodies.

Anti-corruption Training

2018 is the "compliance management year" for the Group. We have thus strengthened anti-corruption promotion through regular meetings and trainings. This is expected to enhance the awareness of our employees about the need to minimise unethical behavioral risks within the Group. Leading cadres of each unit of the Group are required to sign the "Letter of Compliance Operation Responsibilities" (《合規經營責任書》). We study the national and internal laws and regulations on a regular basis, and each subsidiary is required to provide written feedback on the learning progress.

Fulfilling Environmental Responsibility

A flourishing natural environment is the cornerstone for Chinese medicinal materials to grow. The Group is committed to shouldering its responsibility and seek opportunities to promote environmental stewardship and mitigate impacts by adhering to the concept of environmental protection across its operations.

KEY PERFORMANCES:



100%

compliance on emissions

38%

non-hazardous waste recycled

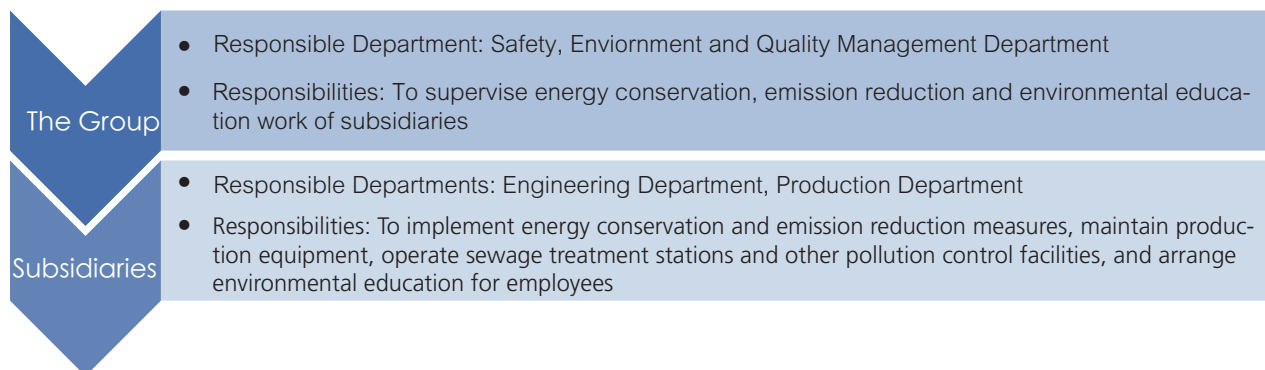


0.019 tCO₂e

per thousand RMB revenue

ENVIRONMENTAL MANAGEMENT

Growth of medicinal herbs is inseparable from the natural environment. China CTM understands that the sustainable development of the industry depends on a good ecological environment. If the habitat of the medicinal herbs is damaged, the entire Chinese medicine industry will be seriously affected. We, therefore, continue to improve our environmental management system, striving to reduce the environmental impacts of our operations. To regulate environment-related issues systematically, we delegate different responsibilities at the Group level and subsidiary level, monitoring various areas of daily operations to ensure environmental compliance.



Fulfilling Environmental Responsibility

We are committed to standardising the environmental management system. In addition to Feng Liao Xing Pharmaceutical, Jiangyin Tanjiang also obtained the ISO14001 Environmental Management System certification during the year. This year, we extended the coverage of our clean production audit to 6 subsidiaries, including Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd., Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd., Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd., Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd., Beijing Huayi Pharmaceutical Co., Ltd. and Beijing Haumiao Pharmaceutical Co., Ltd., to effectively reduce the consumption of energy and resources during production.

The Group strictly complies with laws and regulations related to sewage, air pollutants and waste, including but not limited to the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Water Pollution and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

EMISSION MANAGEMENT

Our production processes inevitably emit air pollutants, greenhouse gases, wastewater and waste. By adopting a sound environmental management system, we have implemented a variety of pollution control measures, including strengthening internal resources and cooperation with third parties to monitor and minimise the resulting environmental impacts.

Air Emissions

The Group's major sources of exhaust gas are sulfur oxides, nitrogen oxides and particulate matter generated from boiler combustion and vehicles. We conduct internal and external supervision on a regular basis through our online monitoring system. We have also appointed a qualified third-party testing agency to assess the concentrations of exhaust gas, assuring that the emissions are at a stable level and meet the emission standards such as the Boiler Air Pollutant Emission Standard.

To achieve better environmental performance, we carried out a series of works to reduce air pollutants emission, including installation of high-efficiency dust collectors, replacing existing chain-gate boilers with circulating fluidised bed boilers, and replacing coal-fired boilers with gas boilers. In response to the excessive level of particulate matter (PM) from boiler flue gas in one of our subsidiaries, Dezhong Gaoming, in 2017, we have installed advanced processing facilities, including demisters and dust removal towers to control the PM emissions from the boiler flue gas and ensure emission compliance. With the effective implementation of the treatment measures, the Group's emissions of pollutant decreased compared with 2017.

Guangdong Yifang: Reduce Dust Emission

In 2018, Guangdong Yifang has allocated approximately RMB 0.4 million in the second phase of the dust treatment project. Upon completion of the project, the emission of dust is greatly reduced to 100g per day, minimising pollution of the surrounding environment.

Air Emissions (tonnes)	2017	2018	% Change
Sulfur Oxides (SO _x)	31	18	-42%
Nitrogen Oxides (NO _x)	51	46	-10%
Particulate Matter (PM)	23	11	-52%

Wastewater

We generate wastewater containing medicinal herb organic substances in process of producing pharmaceutical products. This year, the Group commissioned an independent third-party institution to conduct quarterly wastewater monitoring to ensure that the emission and concentration are in line with local emission standards. Two of our subsidiaries, Dezhong Pharmaceutical and Jingfang Pharmaceutical, installed an online sewage monitoring system to monitor emissions in real time to ensure emission compliance. During the year, the chemical oxygen demand and the ammonium discharged by the Group were approximately 40 tonnes (2017: 39 tonnes) and 0.71 tonnes respectively.

Waste

The Group handles harmful and non-hazardous waste in the course of its operations in accordance with the law. We have established a hazardous substance management system to record and control the hazardous waste generated during the production process. We work with qualified hazardous waste disposal contractors to ensure appropriate storage, transportation and disposal of hazardous waste, with records properly submitted to the local environmental protection departments.

Herbal residue is one of the main non-hazardous wastes. We handle our non-hazardous waste through recycling. By commissioning an external waste disposal contractor with relevant qualifications, we aim to mitigate the risk of handling herbal residue by subsidiaries.

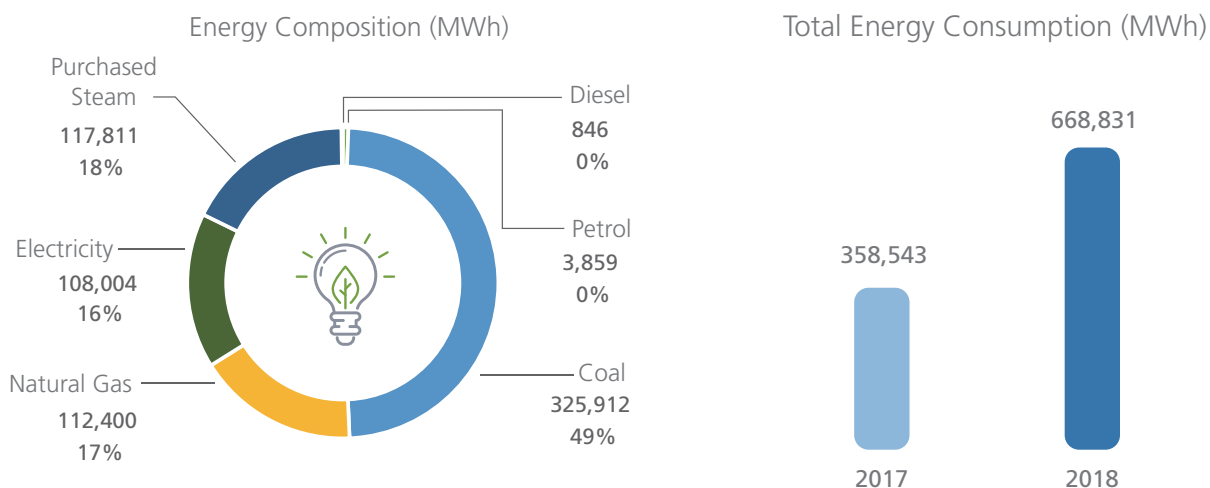
During the year, the Group generated 31.5 tonnes of hazardous waste during its operations, with laboratory waste being the majority. Of the 23,499.3 tonnes of non-hazardous waste generated, there were 8,933.4 tonnes (38%) of recyclables, and 14,565.9 tonnes (62%) were transferred to landfills for disposal. The total waste intensities were approximately 0.003 kg of hazardous waste and 2.09 kg of non-hazardous waste per thousand RMB revenue.

RESOURCES CONSUMPTION

In pursuit of the Group's management philosophy of "optimising processes and improving the efficiency", we have adopted various measures to reduce resource consumption, lower the operation cost and reduce impacts to the environment.

Energy Composition

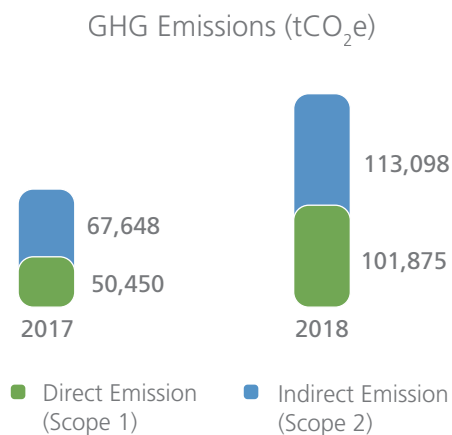
The Group's energy consumption mainly comprises electricity, natural gas, petrol, diesel, coal and purchased steam. During the year, the Group's total energy consumption and energy density were 668,831 MWh and 59 kWh per thousand RMB revenue, respectively.



The increase of consumption in electricity, coal and purchased steam was due to expansion of the reporting boundary. During the year, we implemented a transport subsidy scheme to replace the provision of corporate vehicles for management staff, thus reducing the use of vehicles and lowering the amount of petrol and diesel consumed.

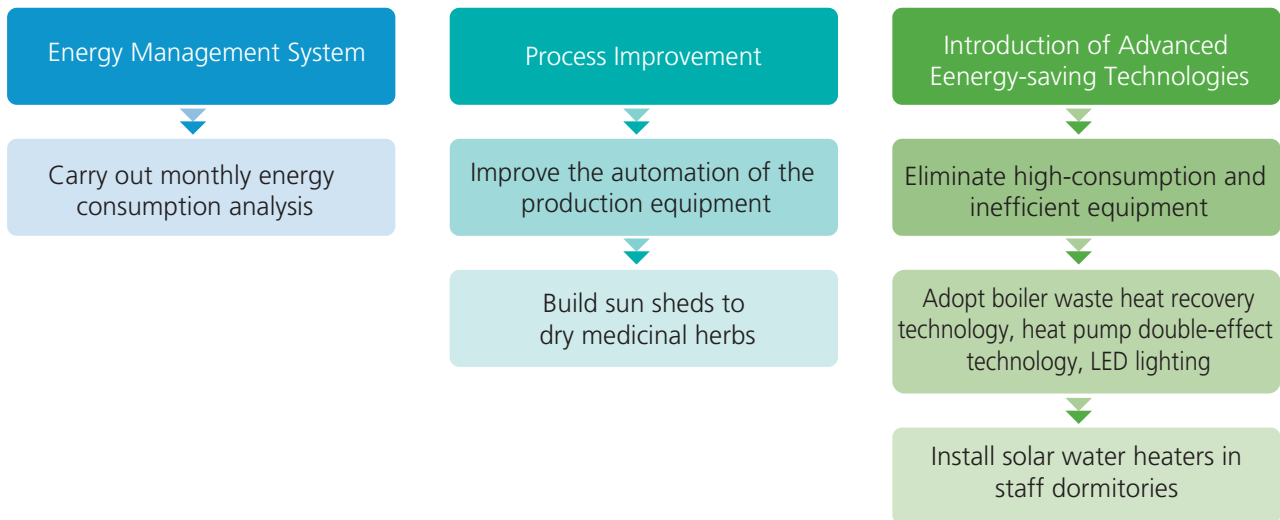
Greenhouse Gas Emissions

The main source of greenhouse gas emissions comprises direct (Scope 1) emissions from boiler combustion and vehicle fuels, and indirect (Scope 2) emissions from purchased heat and electricity. During the year, the total amount of GHG emissions amounted to 214,973 tonnes of carbon dioxide equivalent (tCO₂e), of which Scope 1 and Scope 2 emissions were approximately 101,875 tCO₂e and 113,098 tCO₂e, respectively. The total GHG emissions intensity was 0.019 tCO₂e per thousand RMB revenue.



Energy-saving Initiatives

Our energy demand is increasing as our production scale continues to expand. As a continued effort to promote energy saving, the Group improves its energy efficiency through establishing an energy management system, aiming to optimise the processes and introduce new energy-saving technologies.



Following the Group's requirements, our subsidiaries implemented various conservation measures to reduce energy consumption. The following are some of the measures that some of our subsidiaries have adopted during the year and the expected outcome.



**Dezhong Pharmaceutical:
Magnetic Suspension Central Air-conditioner**

- Invested RMB 800,000
- Reduce energy consumption caused by gear rotation
- Estimated annual savings of 176,000 kWh and RMB 220,000



**Medi-World Pharmaceutical:
Smart Meter**

- Invested RMB12,000
- Establish more efficient power plans by monitoring the dynamic electricity consumption
- Estimated annual savings of RMB 670,000

Guangdong Yifang: Adopting Solar Power

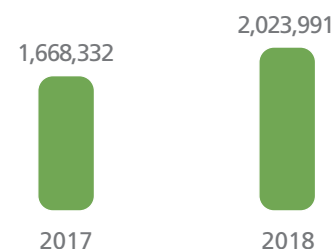
- Cooperate with qualified solar power company to set up solar panels
- Estimated annual savings of 1,186,000 kWh

Water Resources

In China TCM, we consume water for both daily life chores and production, mainly during the process of steam preparation, Chinese medicine decoction and equipment cleaning. As with energy management, our production subsidiaries are required to measure and monitor water consumption conduct period leakage inspections. We also recycle water for greening, equipment cooling and toilet flushing, minimising the demand for municipal water.

During the year, the Group consumed approximately 2,203,991 tonnes of municipal water. The water consumption intensity stood at approximately 0.18 tonnes per thousand RMB revenue. There were no issues in sourcing water that is fit for the purpose during the year.

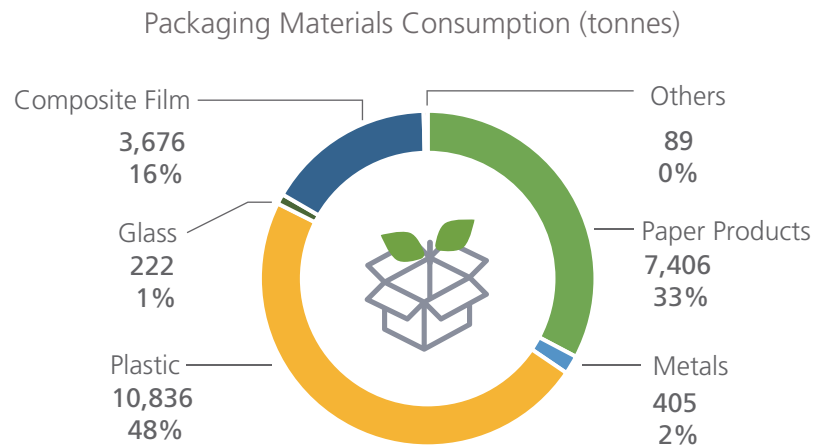
Water Resources Consumption (tonnes)



Packaging Materials

The Group strives to minimise the use of packaging materials and adopts suitable measures for achieving this goal. While aiming to meet the packaging quality and customer requirements, we prioritise packaging with less material used or with recyclable materials. The consumption of packaging materials in production processes is monitored by dedicated personnel to avoid wastage.

Packaging materials used include plastic, paper products, composite film, metals, glass and other materials. During the year, we consumed approximately 22,634 tonnes of packaging materials, a drop of 58% (54,064 tonnes) from last year.



CULTIVATING A GREEN CULTURE

Responding to the Company's goal of "energy-saving and emission reduction", our Human Resources Department organised an "one-hour energy saving" activity in the headquarter office. Participating employees must turn off or switch the office equipment to sleep mode at lunch time. We encourage employees to participate by regularly announcing energy-saving results. The activity achieved a degree of success in raising employees' awareness and changing habits. We saved approximately 722 kWh of electricity and 720 kg of CO₂ emissions in 19 days. Meanwhile, we are drafting the "Green Office Proposal" to spread the message of reducing the use of energy, water, paper and other resources.

Emergency Procedure

In order to make production adjustments under the condition of poor air quality, 12 of our subsidiaries released the “Emergency Plan for Heavy Pollution Weather” (《重污染天氣應急預案》) during the year. The plan includes different levels of warning systems. In the case of serious pollution, we cease production activities, preventing aggravation of environmental pollution.

Warning System	Definition	Corresponding Measures
Level IV: Blue (the least serious)	Estimation of Air Quality Index (AQI) >200 in the future and will last no more than 1 day	Adopt protective measures for outdoor workers
Level III: Yellow	Estimation of $200 < \text{AQI} < 300$ and will last for 3 days or more	Reduce production duties at production sites and stop all outdoor production work
Level II: Orange	Estimation of $300 < \text{AQI} < 500$ and will last for 3 days or more	Stop all production works and work with the government
Level I: Red (the most serious)	Estimation of $\text{AQI} \geq 500$ and will last for 1 day or more	

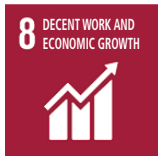
Emergency Plan for Heavy Pollution Weather

In addition, three of our subsidiaries have also formulated an “Emergency Response Plan for Environmental Emergencies” (《突發環境事件應急預案》) which is filed with the local government environment department. In case an environmental incident occurs, we are able to take appropriate measures promptly to prevent deterioration of environmental pollution. Relevant information is reported to the safety production department and the superior company.

Striving for a People-Oriented Culture

Employees' support and contribution are the key to the development of China TCM. The Group is striving to provide its dedicated people a safe and healthy workplace, with protected rights and welfare, as well as career development opportunities.

KEY PERFORMANCES:



18 hours
per capita on training

24%
of managerial ratio

TALENT MANAGEMENT

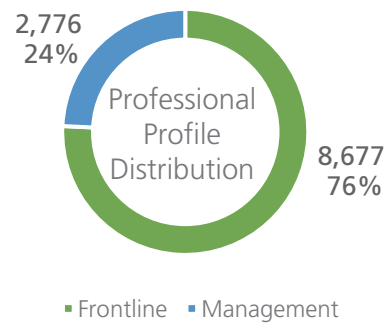
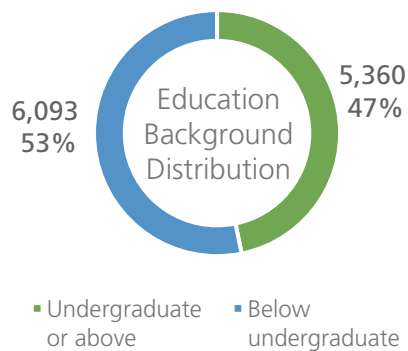
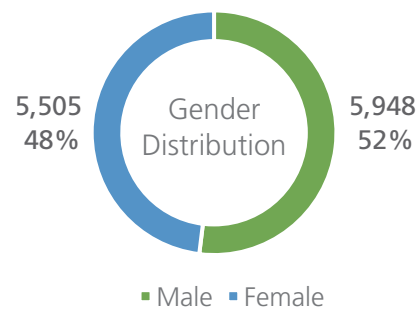
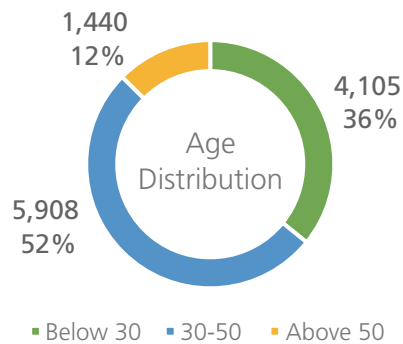
The Group respects each individual at every stage of employment. We provide talents with fair and equal opportunities regardless of race, religion, gender and nationality throughout the processes of recruitment, welfare and benefits provision and promotion. We do not tolerate any acts or disparaging language or any other form of discrimination. All forms of child and forced labour are strictly prohibited.

We safeguard employees' rights and entitled welfare by strictly complying with the national laws, including the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Minors, the Prohibition of the Use of Child Labour and the Special Provisions on Labour Protection for Female Employees and the Employment Ordinance of Hong Kong Special Administrative Region. In 2018, the Group launched the "Guidelines for Employee Benefit Management of China Traditional Chinese Medicine Holdings Co., Ltd." (《中國中藥控股有限公司員工福利管理指導意見》) for standardising its welfare management. Employment policies in respect of salary, working hours and overtime are all implemented in accordance with relevant laws and regulations.

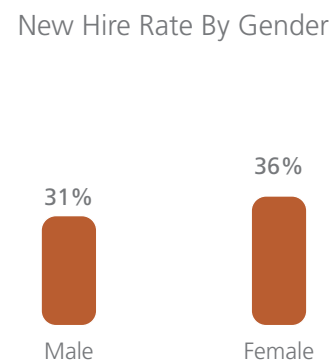
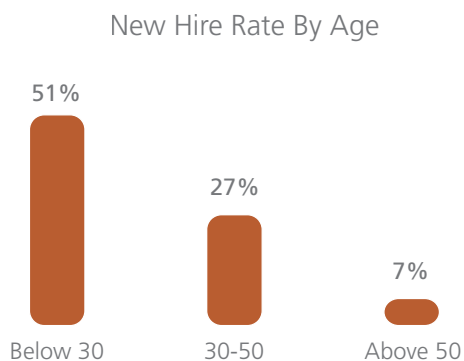
During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The Group was not found with employment of any child or forced labour.

Employee Profile

As of 31 December 2018, the Group had a total workforce of 11,453 employees within the reporting boundary. Our workforce has a balanced gender distribution and stable age group, with over 50% of them aged between 30 to 50 and 2,776 of the employees are managerial staff, which accounts for approximately 24%. Concerning the racial profile of employees, there are 429 from minority communities, which accounts for approximately 4% of the total workforce. Almost half of them are undergraduate or above.



The overall new hire rate⁶ is approximately 33% and its distribution by age and gender are presented as below:



⁶ Overall new hire rate = total number of new recruits / total number of employees at the end of the year

Employee Benefits

The Group has established a comprehensive welfare system covering all statutory benefits and offers additional care and incentive benefits to its employees. In addition to social insurance, housing reserve funds and statutory holidays, employees are entitled to other benefits, including transportation subsidies, free medical check-ups and staff quarters. The Group has set up a care fund to provide assistance to employees facing emergency financial difficulties. All employee benefits are listed in the Staff Handbook (《員工手冊》) provided to staff members when they start employment to ensure they are protected under the legal requirements.

Communication with Employees

The Group advocates the spirit of “Harmony, Endeavour and Happiness”. All employees are welcome to raise their opinions through different platforms, such as periodic meetings, forums, conciliation rooms, hotlines, email, WeChat and other electronic channels. We strive to address each of the employees’ needs through maintaining effective two-way communication. Leaders at all levels strive to solve problems in a respectful and sincere manner, strengthen mutual trust and enhance team cohesion through face-to-face conversations with employees. In 2018, a subsidiary, Feng Liao Xing Pharmaceutical, established the first Union Committee which is responsible for organising employee activities and solve the labor issues.

The Group places great emphasis on physical and mental health of its employees and encourages employees to participate in corporate activities in their spare time to ease work pressure, strengthen team spirit and build an energetic team. Staff activities held during the year included sports day, table tennis competition, family and youth activities i.e. co-reading with parents(親子共讀活動) and MasterClerk junior(小當家上班記).

In addition, the first “Endeavour Cup” (奮進盃) knowledge contest was organised during the year to boost interest and practical skills of employees

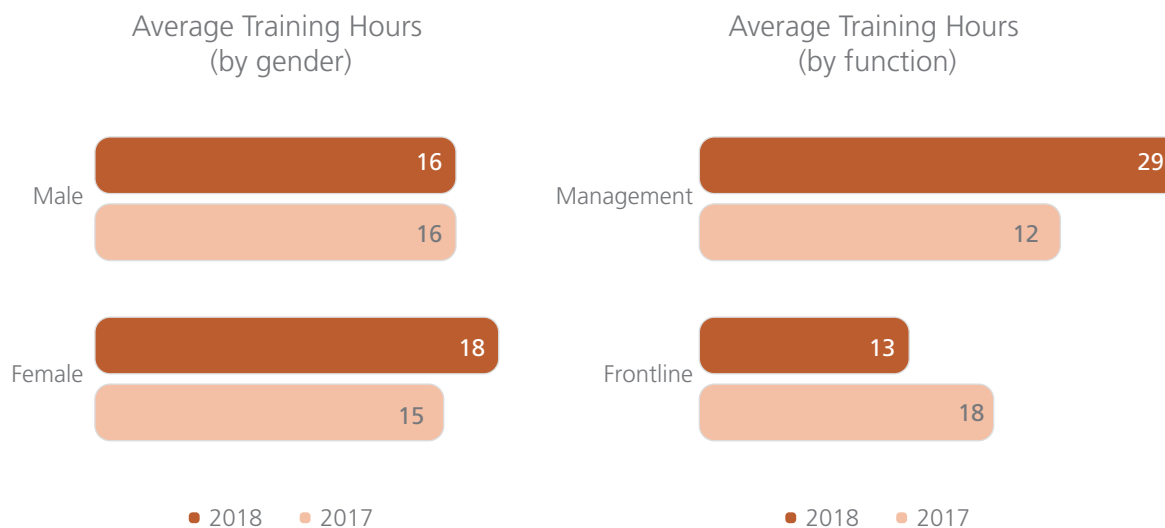
about Chinese medicines. Nearly 10,000 employees were engaged in the event. The formats of the competition include debate, Chinese medicines classification competition and quiz competition. After the contest, the employees developed a comprehensive understanding of the development of the Company and professional knowledge of TCM.



“Endeavour Cup” Knowledge Contest

TRAINING AND DEVELOPMENT

China TCM puts great emphasis on fostering the work and career development of its employees. We embrace upcoming industrial changes by enabling our colleagues to reach their full potential and sharpen their competitiveness. During the year, we organised a series of training and development programs for managers, general staff and newcomers. The average training hours are approximately 18 hours per person and that by gender and function are shown below.



The Group arranges induction training to introduce the Company, its corporate culture and management regulations for new employees. For employees working in different positions, a tiered training approach that covers different aspects such as marketing, production, human resources and financial management is applied to provide full support for employees to handle their daily work.

As our operations continue to grow, the demand for quality managers is rising. The Group allocates more resources to improve the management level of personnel and keep up with the development of the Group and the industry. During the year, we conducted the following two key training activities for our managers.

League of Legends (英雄联盟)

In order to improve the leadership abilities of employees to support the development of the Group, we conducted a two-day training. Under the guidance of a senior consultant, participants discussed and studied cases of becoming a good leader. During the two-day training, the participants learnt how to improve the core competencies required for being excellent leaders, understand the quantifiable management tools that master each competency, and practice exercises for actions.

Middle-level and Senior Management Learning Salon (中高管學習沙龍)

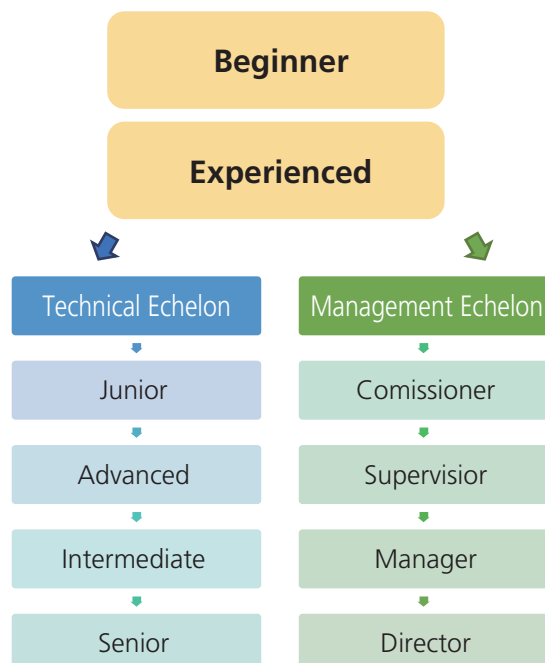
The participants learnt management skills from studying successful companies such as Country Garden and China Ping An Group. Aligned with the Company's current developmental plan, the participants have a preliminary understanding of corporate governance and played a certain role in promoting the standardised management of the enterprise.

To tie in with implementation of the Group's five-year strategic plan, we will further extend the training coverage to managerial and professional talents in 2019. Online learning will be arranged to have more flexible learning experience for our employees.



Career Development Ladder

The Group has established a step-by-step development path, conserving talents for all levels and providing a development platform for employees. According to the nature of the work, the development path is divided into management echelon and technical echelon. The employees can enter two echelons at the same time and enjoy corresponding rights to satisfy the Company's developmental needs.



Striving for a People-Oriented Culture



We have developed different assessment methods for general employees, middle-level cadres and senior management. Superiors are responsible for general employees' quarterly and annual assessments, while the middle-level cadres and senior managers are assessed through performance task indicators and democratic assessments. The outcome of the assessment is applied to issuance of incentive benefits to encourage employees to grow together with the Group.

During the year, the Group established the "Implementation of Talent Development Ladder" (《人才梯隊建設實施細則》), in order to provide specific resources for professional technical and management talents to further develop their potential. We re-evaluate and re-certify the selected talents annually. They may be promoted, unchanged, downgraded or withdrawn based on the appraisal results. We have also issued the new policy of the "Management Measures for Expatriates of China Traditional Chinese Medicine Holdings Co., Ltd. (Trial)" (《中國中藥控股有限公司外派人員管理辦法》) for promoting internal talents exchange.

OCCUPATIONAL HEALTH AND SAFETY

The Group is committed to shouldering its responsibility for providing a safe and healthy workplace to its employees. We strictly adhere to the Law of the PRC on the Prevention and Treatment of Occupational Disease and the internal requirements, including but not limited to "the Interim Provisions for the Inspection and Management of Potential Production Safety Incidents" (《生產安全事故隱患排查治理暫行規定》), "the Interim Measures for Safety Inspection" (《安全檢查暫行辦法》) and "the Implementation Measures for Supervision and Management of Hazard Sources" (《危險源監督管理實施辦法》).

To ensure compliance, all subsidiaries are required to conduct occupational hazard assessments to minimise the occurrence of related risks under these internal requirements. Among the 21 subsidiaries which have carried out occupational hazard monitoring work during the year, a total of 200 employees identified for suffering deteriorating health and 1,911 employees were found exposed to occupational risks. By the end of 2018, occupational health inspections were completed for all directly affected employees, and no occupational illness cases were found.

For all workplaces involving occupational hazards, notification cards have been affixed. Employees associated with occupational hazards are informed of the hazard factors and they complete the related training when they report to work on the first day. They are equipped with qualified personal protection equipment and are required to sign the occupational hazard notices.

In response to expansion of production scale, we have allocated more resources to safety training during the year by devising more extensive categories of programs, for example, GMP/GSP safety training, safety production, electricity safety, fire escape skills, fire-fighting facilities and equipment. Our subsidiary, Feng Liao Xing Pharmaceutical, organised fire safety training for new employees during the year. It not only enriched employees' fire safety knowledge, but also exercised their skills in emergency escape and fire-fighting equipment.



During the year, there were 49 work-related incidents and the number of lost days due to work injuries was 1,066. The Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protection of employees from occupational hazards. There was no reported case regarding work-related fatalities or occupational illness during the year.

Contributing to the Community

As the leading company in the Chinese medicines industry, China TCM explores various ways to provide assistance to the grassroots and underprivileged communities in terms of health care, poverty alleviation and youth education. We shoulder our corporate social responsibility and enhance social cohesion.

KEY PERFORMANCES:



34 counties

organised poverty alleviation activities

Over RMB 200 thousand

was donated for poverty alleviation



RMB 1,330 thousand

was donated to support youth education

TCM for Poverty Alleviation

The Group supports China's "precise poverty alleviation" work. We strive to combine relevant work with our business to achieve mutual benefit and self-reliance. During the year, we organised poverty alleviation activities in 34 counties in 7 provinces, which included visiting and guiding poor households to grow medicinal plants, and directly purchasing medicinal materials from the farmers.

To enhance the self-reliance ability of the impoverished, we worked with Jingyu County of Jilin Province (吉林省靖宇縣) and Luquan County of Kunming City, Yunnan Province (雲南省昆明市鹿泉縣). The Group appointed cadres to be the deputy magistrate to carry out the poverty alleviation works. We guided the poor households in preparing a proper base to plant local Chinese herbal medicines so that they can sustain their own living.

In addition, the Group implemented strategies to ensure the assistance reaches poverty-stricken villages by purchasing quality Chinese medicines directly from remote villages. The farmers therefore can have a stable income.



Visit Heshi Town(河石村)



Industrial Poverty Alleviation



Social Poverty Alleviation



Educational Poverty Alleviation

Youth Education and Health Promotion in Society

To assist regions in achieving sustainable poverty alleviation, the Group attaches great importance to youth education in poverty-stricken areas. The volunteer service team of China TCM teaches traditional culture in village primary schools and delivers the knowledge on disease prevention.

We also organise voluntary activities in communities, including arranging voluntary teaching in primary schools and providing free Chinese medical consultation. This promotes medical knowledge and raises public awareness of medicine usage.

Contributing to the Community

Charity Visits

China TCM established a voluntary service team (多彩中藥•志願服務隊). in 2018 to promote integrity and institutionalisation of volunteer service. It also strengthens the sense of social responsibility, rule awareness, and dedication of employees. With the aim of caring for people in need in communities, the voluntary team arranged visits to different nursing homes, and sent out blessings and warmth to the elderly. During the high-temperature period, we comforted the sanitation workers by sending refreshing cold drinks, to support their work and expressed our thankfulness. We also brought herbal tea for the new military training students as a gesture of support.



Visit the Nursing Home



Sending Herbal Tea for the New Military Training Students

During the year, the Group donated a total of RMB 6,080,000 for public welfare activities in forms of monetary donation, items donation, sponsorships and scholarships. In addition, we contributed over 500 hours of volunteering work. Going forward, we will consistently leverage the Group's resources, technology, and network to create more value for our community.

Performance Data Summary

		Unit	2018	2017
Environment	Resources Consumption			
	Electricity*	kWh	108,004,347	72,508,246
	Petrol	Liter	322,553	452,509
	Diesel	Liter	71,414	76,959
	Natural gas	m ³	10,393,728	8,693,518
	Coal*	Tonnes	44,953	17,171
	Purchased steam*	Tonnes	159,057	82,108
	Total energy consumption	kWh	668,831	358,543
	Total energy intensity	kWh/thousand RMB revenue	59	43
	Tap water*	Tonnes	2,023,991	1,668,332
	Water consumption intensity	Tonnes/thousand RMB revenue	0.18	0.2
	Greenhouse Gas (GHG)			
	Total GHG emission	tCO ₂ e	214,973	118,098
	Direct emission (Scope 1)	tCO ₂ e	101,875	50,450
	Indirect emission (Scope 2)	tCO ₂ e	113,098	67,648
	Emission intensity	tCO ₂ e/thousand RMB revenue	0.019	–
	Air Pollutants			
	Nitrogen oxides	Tonnes	46	51
	Sulfur dioxide	Tonnes	18	31
	Particulate matters	Tonnes	11	23
	Wastewater Pollutants			
	Chemical oxygen demand	Tonnes	40	39
	Ammonium	Tonnes	0.71	–
	Waste			
	Hazardous waste	Tonnes	31.5	28^
	Hazardous waste intensity	Kg/thousand RMB revenue	0.003	–
	Non-hazardous waste	Tonnes	23,499.3	27,140
	Non-hazardous waste intensity	Kg/thousand RMB revenue	2.09	–

Performance Data Summary

		Unit	2018	2017
Environment	Packaging Materials			
	Paper	Tonnes	7,406	46,023
	Plastics	Tonnes	10,836	3,003
	Composite film	Tonnes	3,676	953
	Glass	Tonnes	222	4,085
	Metal	Tonnes	405	
	Others	Tonnes	89	
	Total	Tonnes	22,634	54,064
Employees	Total Number of Employees		11,453	10,588
	Gender Distribution			
	Male		5,948	5,440
	Female		5,505	5,148
	Functional Distribution			
	Manager		2,776	2,250
	Frontline		8,677	8,338
	Age Distribution			
	<30		4,105	4,038
	30-50		5,908	5,757
	> 50		1,440	793
	Regional Distribution			
	Mainland China		11,452	10,588
	Hong Kong		1	–
	New Hire – By Age			
	Number of new employees			
	<30		2,102	–
	30-50		1,593	–
	> 50		95	–
	New hire rate			
	<30		51%	–
	30-50		27%	–
	>50		7%	–

		Unit	2018	2017
	New Hire – By Gender			
	Number of new employees			
	Male		1,817	–
	Female		1,973	–
	New hire rate			
	Male		31%	–
	Female		36%	–
	Training Performance – By Gender			
	Total training coverage			
	Male		93%	–
	Female		95%	–
	Average training hours			
	Male		16	16
	Female		18	15
	Training Performance – By Function			
	Total training coverage			
	Management		84%	–
	Frontline		97%	–
	Average training hours			
	Management		29	12
	Frontline		13	18
	Occupational Safety and Health Training			
	Total training person-time		16,540	8,326
	Total training hours		26,696	10,641
	Occupational Safety and Health Performance			
	Number of work-related injuries		49	–
	Lost days due to work injury		1,066	656
	Number of work-related fatalities		0	0
Community	Participation and Public Welfare Investment			
	Public welfare donation	100,000 RMB	608	453
	Volunteering	Hour	503	3,119

* 2018 data covers more subsidiaries than that in 2017

^ 2017 data is restated

Content Index

The content index of this report includes the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards), and the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules (ESG Guide).

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
General Disclosure				
Organisational Profile	102-1		Name of the organisation	About the Report
	102-2		Activities, brands, products and services	About China TCM
	102-3		Location of headquarters	Foshan, Guangdong
	102-4		Location of operations	About China TCM
	102-5		Ownership and legal form	About China TCM
	102-6		Markets served	About China TCM
	102-7		Scale of the organisation	About China TCM
	102-8	B1.1	Information on employees and other workers	Employee Profile
	102-9	B5	Supply chain	Supply Chain Management
	102-10		Significant changes to the organization and its supply chain	No significant changes
	102-11		Precautionary Principle or approach	Environmental Compliance
	102-12		External initiatives	About China TCM
	102-13		Membership of associations	About China TCM
Strategy	102-14		Statement from senior decision-maker	Message from Chairman
Ethics and Integrity	102-16		Values, principles, standards and norms of behavior	About China TCM
Governance	102-18		Governance structure	Sustainability Management

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Stakeholder Engagement	102-41		Collective bargaining agreements	Not applicable in locations where we operate, but comply with relevant laws and regulations
	102-42		Identifying and selecting stakeholders	Sustainability Management
	102-43		Approach to stakeholder engagement	Sustainability Management
	102-44		Key topics and concerns raised	Sustainability Management
Reporting Practice	102-45		Entities included in the consolidated financial statements	Annual Report
	102-46		Defining report content and topic Boundaries	About the Report
	102-47		List of material topics	Sustainability Management
	102-48		Restatements of information	Performance Data Summary
	102-49		Changes in reporting	No significant changes
	102-50		Reporting period	About the Report
	102-51		Date of most recent report	About the Report
	102-52		Reporting cycle	About the Report
	102-53		Contact point for questions regarding the report	About the Report
	102-54		Claims of reporting in accordance with the GRI Standards	About the Report
	102-55		GRI content index	Content Index
	102-56		External assurance	There is no external assurance for the ESG report temporarily

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Material Topics				
Economic				
Anti-corruption	103	B7	Report how the organisation manages the material topic and its impacts	Action Against Corruption
	103	B7.2	Report how the organisation manages the material topic and its impacts	Action Against Corruption
	205-3	B7.1	Confirmed incidents of corruption and actions taken	
Social				
Supply chain Management	103	B5	Policies on managing environmental and social risks of the supply chain	Supply Chain Management
	308-1	B5.2	Percentage of new suppliers that were screened using environmental criteria	Supply Chain Management
	414-1	B5.2	Percentage of new suppliers that were screened using social criteria	
Customer satisfaction	103	B6	Report how the organisation manages the material topic and its impacts	Ethical Practice
Product health and safety	103	B6	Report how the organisation manages the material topic and its impacts	Ethical Practice
	416-2	B6.1	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	No non-compliance event during the year
Product compliance	103	B6	Report how the organisation manages the material topic and its impacts	No non-compliance event during the year
	419-1		Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	
Protection of Intellectual Property Right	103	B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
Compliance	103	A1, B1	Report how the organisation manages the material topic and its impacts	No non-compliance event during the year
	419-1	B2, B4	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Other Topics				
Environmental				
Environmental compliance	103	A1	Report how the organisation manages the material topic and its impacts	Environmental Management
	307-1	A1	Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations	
Energy	103	A2	Report how the organisation manages the material topic and its impacts	Resources Consumption
	302-1, 302-3	A2.1	Total fuel consumption and intensity	
	302-4	A2.3	Amount of reductions in energy	
Water resources	103	A2	Report how the organisation manages the material topic and its impacts	Resources Consumption
	303-1	A2.2	Total volume of water withdrawn	
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	
Emissions	103	A1	Report how the organisation manages the material topic and its impacts	Emissions Management
	305-1	A1.1, A1.2	Direct (Scope 1) GHG emissions	
	305-2	A1.1, A1.2	Energy indirect (Scope 2) GHG emissions	
	305-4	A1.2	GHG emissions intensity	
	305-5	A1.5	GHG emissions reduction	
	305-7	A1.1	Significant air emissions for NOx, SOx, and other emissions	
Sewage and waste	103	A1, A3	Report how the organisation manages the material topic and its impacts	Emissions Management
	306-1	A1.1	Total volume of planned and unplanned water discharge	
	306-2	A1.3, A1.4, A1.6	Total weight of waste and its disposal method	

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Packaging material	103	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Resources Consumption
The environment and natural resources		A3	Policies on minimising the issuer’s significant impact on the environment and natural resources	Cultivating a Green Culture
		A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	
Social				
Talent management	103	B1	Report how the organisation manages the material topic and its impacts	Talent Management
	401-1	B1.2	New employee hires	Employee Profile
	401-2	B1	Benefits which are standard for full-time employees of the organisation but are not provided to temporary or part-time employees	Employee Welfare
Health and safety	103	B2	Report how the organisation manages the material topic and its impacts	Occupational Health and Safety
	103	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational Health and Safety
	403-2	B2.1, B2.2	Types of injury, injury rate, occupational disease rate, lost day rate, absentee rate, and work-related fatalities	
Training and development	103	B3	Report how the organisation manages the material topic and its impacts	Training and Development
	404-1	B3.2	Average training hours per employee	Training and Development
	404-2	B3	Type and scope of programs implemented and assistance provided to upgrade employee skills	Training and Development
Child labour	103	B4	Report how the organisation manages the material topic and its impacts	Talent Management
	408-1	B4.1	Operations and suppliers considered to have significant risk for incidents of child labour	Talent Management

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Local community	103	B8	Report how the organisation manages the material topic and its impacts	Contributing to the Community
	413-1	B8.1	Operations with implemented local community engagement, impact assessments, and/or development programs	Contributing to the Community
		B8.2	Resources contributed to the focus area	

Comply or explain provisions set out in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Recommended disclosures in Appendix 27 of Main Board Listing Rules by Hong Kong Stock Exchange