



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



2023

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

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

About This Report

This is the 16th Corporate Social Responsibility (CSR) Report released by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (GYBYS). The Report discloses the CSR ideas, practices and achievements of the Company, our subsidiaries and joint ventures in the fields of the economy, society, environment and corporate governance in 2023. We hope to strengthen communication with stakeholders, build consensus and promote sustainable corporate development through the disclosure of our ESG performance.

Reporting period

The time span for this report is from January 1, 2023 to December 31, 2023, with part of the content herein moderately extending to the year before or after.

Reporting scope

"Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited", including its subsidiaries and joint ventures, is the reporting entity. The reporting scope is consistent with the Company's annual report unless otherwise stated. The Company reviews the reporting scope periodically to achieve the maximum influence inclusive of its entire business portfolio.

Management

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

Finance

The financial data is extracted from the 2023 Annual Report of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited.

Main data scope

All staff employed by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, including its subsidiaries, and some cases include the employees of joint ventures.
Employee

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and its subsidiaries.

Environment (emission and energy consumption)

Preparation basis

- GRI Sustainability Reporting Standards (GRI Standards) issued by Global Reporting Initiative
- Environmental, Social and Governance Reporting Guide issued by Stock Exchange of Hong Kong Limited
- Guidelines on the Preparation of Corporate Social Responsibility Reporting issued by Shanghai Stock Exchange and Guidelines for Environmental Information Disclosure of Listed Companies on the Shanghai Stock Exchange
- Guidelines to the State-owned Enterprises on Better Fulfilling Corporate Social Responsibilities and Reference of ESG Indicators System for ESG Reports of Listed Companies Controlled by Central State-Owned Enterprises released by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC)
- Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0)

Data sources

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

Reliability assurance

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

Appellations

For better expression and readability, in the Report, "stakeholders" are sometimes referred to as "you", and "Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited" is sometimes referred to as "GYBYS", "the Company" or "we (us/our)". The abbreviations used herein have the same meaning as those defined in 2023 Annual Report.

Access to the Report

The Report is available in printed and electronic form. You can download the electronic version from the Company's website (www.gybys.com.cn), SEHK ebsite (www.HKEX.com.hk) or SSE website (www.sse.com.cn).

This Report is prepared in both Chinese and English. For any discrepancy between the two versions, the Chinese version shall prevail.

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Letter from Our Chairman



Chairman of GYBYS

Li Chuyuan

Professorate Senior Engineer

*Deputy to the 14th National People's Congress
Foreign Academician of Russian Academy of
Engineering*

Senior Economist

Senior Brand Engineer

TState Council Special Allowance Expert

National Model Worker

*Member of the 12th CPC Guangzhou Municipal
Committee*

National Outstanding Entrepreneur

*China's Top Ten Economic Person of the Year
Top 10 Innovative Figures in Guangdong
Province*

2023 was the first year to fully implement the guiding principles of the 20th CPC National Congress. The report delivered on the Congress highlighted the strategic priority to ensuring the people's health, which delivers new missions and requirements for the biomedicine and health industry. In line with Guangdong Provincial Party Committee's "1310" strategy and the "1312" measure of Guangzhou Municipal Committee of the CPC, we strive to improve both of our operational efficiency and economic benefits, and make new strides in Party building, high-quality development, scientific research achievements, talent innovation and rural vitalization, therefore contributing to Chinese modernization with high-quality development of the biomedicine and health industry.

Driving development with technological innovation to contribute to access to healthcare

Following the strategy of driving high-quality corporate development with technological innovation, we make every effort to power the engine for greater self-reliance and strength in science and technology. We aim for breakthroughs in key industry technologies and for the integration of innovations in industry chain and establish high-performing R&D talent teams and R&D platforms that can boost industry-university-research cooperation and achievements application. We endeavor to establish an integrated mechanism for the industry, universities, research institutes and medical use, and build an innovation consortium to develop better biomedicines, innovative TCMs and mee-too drugs. In 2023, our independent innovations were highly recognized by national authorities. Many of our new drug projects obtained clinical trial licenses. Baiyunshan Han Fang was among the "technological reform enterprises" list released by the State-owned Assets Supervision and Administration Commission of the State Council, and the Company won the title of 2023 Best Industrial Enterprise for Pharmaceutical R&D Product Line in China.

Enhancing compliant operation and management to facilitate business transparency

With world-class enterprises as the benchmark, we strive to make up for our management shortcomings. We aim to further modernize our management system and management capacity, and improve the risk, internal control, compliance and legal management systems, thus leaving no stone unturned to guard against risks of all kinds. Therefore we realize more efficient compliance and achieve safe and stable development. We have formed a dual-enhancement audit task force to accelerate digital audit transformation, using digital tools to improve supervision efficiency of audit. We continuously improve our anti-corruption management system, tighten supervision and examination and enhance transparency in business operations. Furthermore, we active promotion of efficient integration and collaborative development of industry chains and promote more transparent, streamlined and lean supply chain management, fostering a clean and transparent business environment with all stakeholders.

Implementing eco-friendly philosophy to nurture better ecology

Highlighting environmental protection, we fully implement environmental protection policies to promote low-carbon development. We enhance environmental protection and energy conservation management, boost application of new technologies, promote green production of pharmaceutical companies and intensify efforts in energy conservation and consumption reduction. We prefer green manufacturing to advanced manufacturing, only to fulfill China's "30 · 60 Decarbonization Goal". In 2023, Zhong Yi was certified by China Quality Certification Center as "The First Green Development Demonstration Enterprise in TCM Manufacturing Sector". WLJ Great Health Nansha Base completes construction. Guided by the "Integrated Green Manufacturing System Project" of Ministry of Industry and Information Technology of the People's Republic of China, the base strives to build itself as paradigm for the green industry in Nanshan.

Creating a better life to consolidate the foundation for development

We give priority to employee rights and interests. Upholding a people-centered idea, we firmly believe in the philosophy of developing enterprise by talent management. We care for every employee's growth and protect their legitimate rights. We continuously improve our talent training system to deliver talent forces to the pharmaceutical industry. While developing our businesses, we shoulder our social responsibility. To support rural vitalization, we give full play to our brand influence and industry chain advantages to promote Guangdong Province's "High-quality Development Program for Rural Vitalization" and deepen west-east collaboration. Committed to the standard of "higher political stance and higher gross economic benefits", we have fostered a rural industrial support model that features targeted, timely and exclusive support as well as the mode of external support +self-sufficient development based on local needs and GYBYS's strengths. We have built rural product industry into a "fashion" industry integrating primary, secondary and tertiary industries, and have developed such brands as Ci Ning Ji and Li Xiao Ji. These efforts have not only driven the high-quality development of the rosa roxburghii-based industry in Guizhou and the lychee-based industry in Guangdong, but also applied this mode to the development of prune and sea-buckthorn products in Xinjiang. Our expired drug recycling has never stopped over the past two decades. Over the past 20 years, we have continued to promote the efficient operation of our expired drug recycling network, striving to create an ecology through cooperation, innovation, sustainability and high-quality development.

The clearer you know and understand, the more solid your actions and practices will be. 2024 marks the 75th anniversary of the founding of the People's Republic of China. It is also a crucial year for implementing the 14th Five-Year Plan, as well as the "Digital Economy Year" of GYBYS. As a forerunner and bellwether, we will leverage our tremendous fortitude, confidence, enterprise, sincerity and responsibility to exchange with all sectors of society, deepen cooperation and forge ahead together to demonstrate Chinese pharmaceutical enterprises' abilities and determination to stand firm at world economic center and blaze a new path for GYBYS's high-quality development.

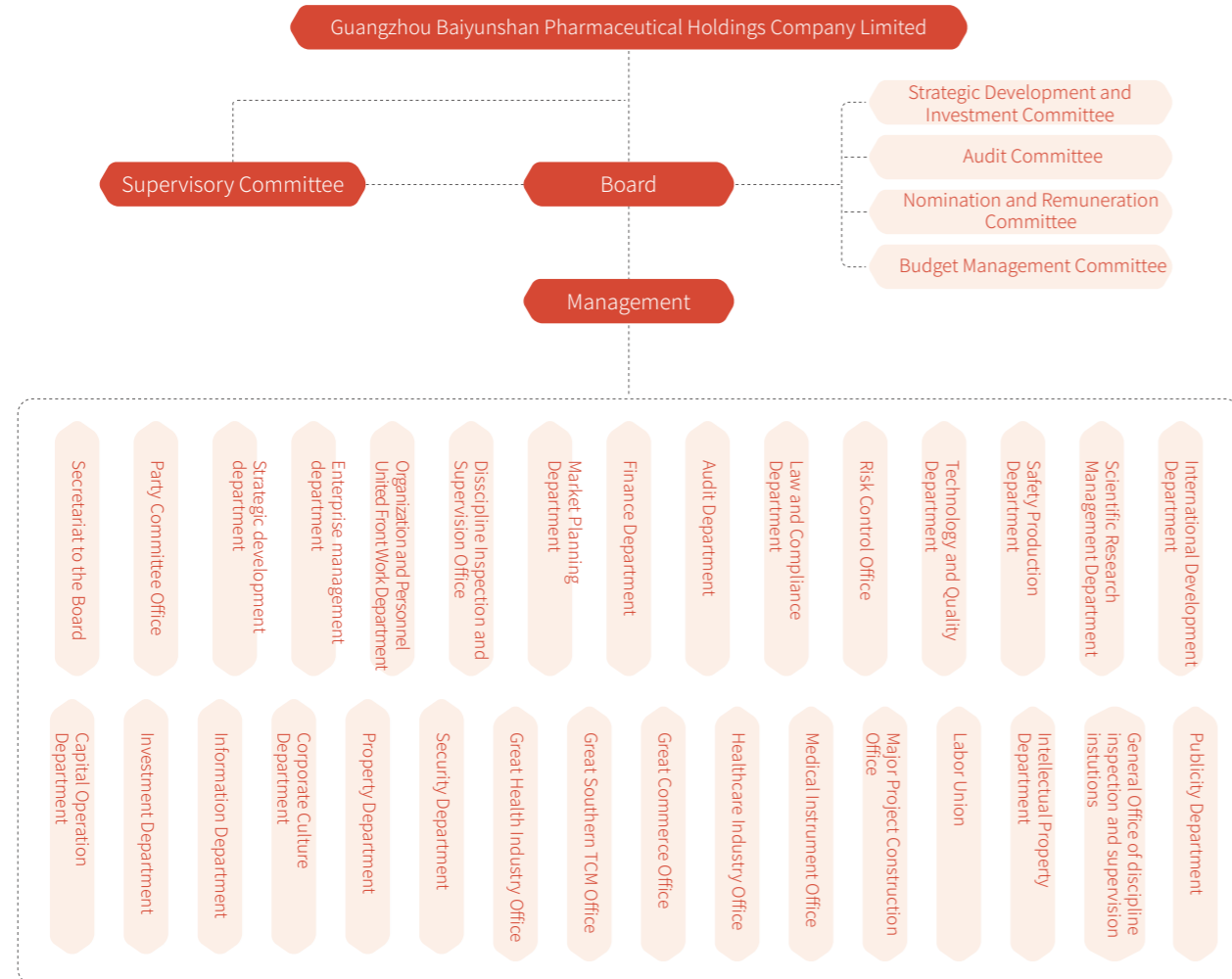
About Us

Company Profile

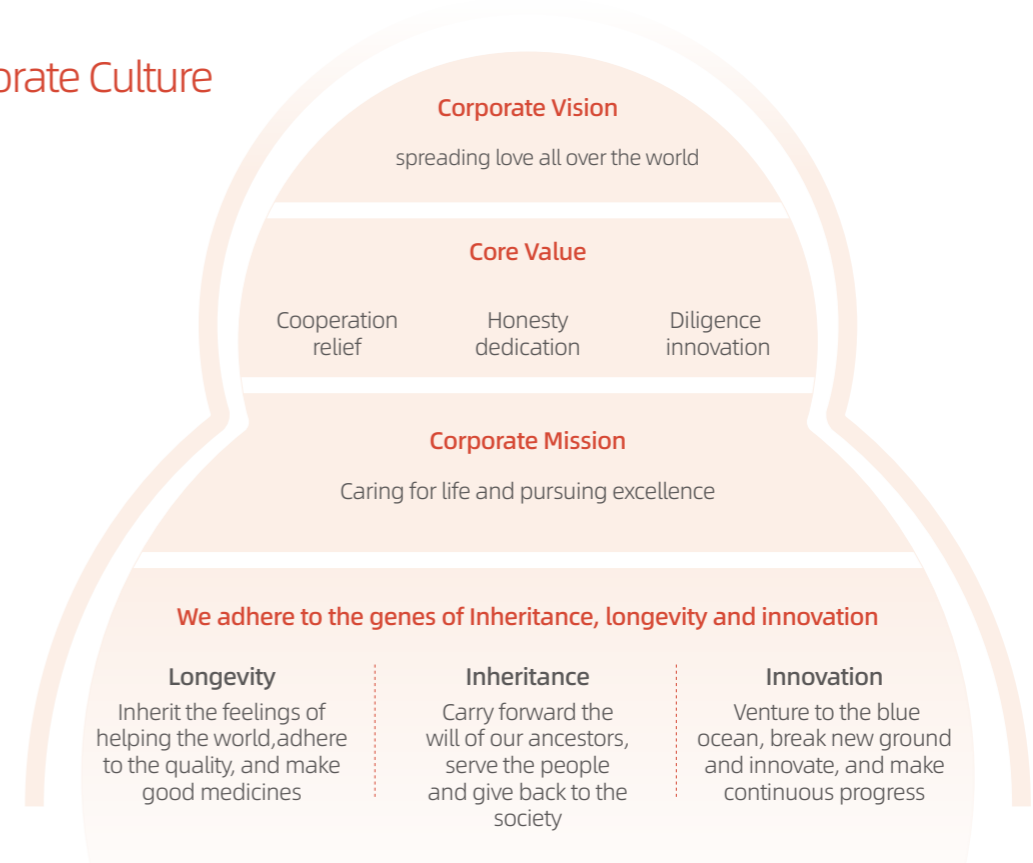
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited [A-Shares 600332, H-Shares 00874] is a company under Guangzhou Pharmaceutical Holdings Limited (GPHL). It is mainly engaged in: the research and development, manufacturing and sales of Chinese patent medicine, Western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; the wholesale, retail and import and export business of Western medicine, Chinese medicine and medical equipment; the research and development, production and sales of great health products; and the health industry investment in medical care, health management, regimen and elderly care, etc.

Organizational Structure

The Company's headquarter has established 31 functional departments which manage 42 branches and subsidiaries directly.



Corporate Culture



Our Brands

As one of the largest pharmaceutical conglomerates in China, GYBYS has achieved the overall industrial chain layout of biomedicine and health industry after years of high-quality development, with ever-increasing expansion of scale and benefits. The Company has gradually developed the four business segments of "Great Southern TCM", "Great Health Industry", "Great Commerce" and "Great Medical Care" and a series of famous brands popular among consumers.



ESG Management

Board Statement

Board oversight of ESG

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

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

Board's ESG Management Principles and Strategies

Sustainable Development Goals and Strategies



Sustainable Development Goal

Access to Health Care	Ethics and Transparency	Environmental Protection	Cornerstone of Development
<ul style="list-style-type: none"> No major product quality issues. Innovating in product R&D to provide high-quality solutions for diseases. Improving customer satisfaction. Promoting inclusive healthcare development. 	<ul style="list-style-type: none"> Making continuous efforts to assess and respond to risks of business ethics. Building a sustainable supply chain to guard against supply chain risks. Engaging more suppliers to training sessions and audits. 	<ul style="list-style-type: none"> Achieving carbon peak by 2030 and carbon neutrality by 2060. Reducing waste to promote energy conservation and carbon reduction. Reducing wastewater discharge to enhance water resource utilization efficiency. Enhancing resilience to climate change. 	<ul style="list-style-type: none"> No major human rights violation incidents. Zero accident and zero causality. Hiring 150 doctoral and professor-level experts with total introduced talents of over 500 by 2025. Recycling expired drugs in more cities and regions. Investing more in community and rural vitalization to enhance community resilience.

Organizational Structure

The Board is the top decision-making body for ESG governance at GYBYS, undertaking the ultimate responsibility for ESG issues. It leads and oversees the implementation of ESG-related businesses and affairs, and identifies ESG risks, formulates plans, management policies and performance assessment in partnership with other committees of the Company. Secretariat to the Board collaborates with functional departments, serving as a driving force, to coordinate the Company's internal and external efforts for sustainability. We are actively planning for the addition of ESG management-related functions under the specialized committees of the Board .



Organizational Structure

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In order to enhance the Company's ESG awareness and management capabilities in ESG, we actively engage third-party organizations to offer ESG training for various functional departments and subsidiaries. The training focuses on ESG development trends, the Company's ESG ratings, optimization and updates of the ESG indicator system, and requirements on ESG report preparation, so as to ensure that each functional department and subsidiary is well-informed about the latest developments in ESG and identifies areas for improvement. Meanwhile, we encourage and guide subsidiaries to enhance their ESG management and practices and elevate their ESG information disclosure, ensuring that their ESG management policies and strategies are keeping pace with current trends.

Board's ESG Progress Management

The Board of GYBYS keeps an eye on global ESG development trends as well as the domestic and international macroeconomic changes. The Board regularly reviews, examines, and takes follow-up actions on material ESG topics to achieve goals. It receives reports on the progress of ESG initiatives, reviews and approves relevant ESG topics, and key ESG plans annually. It also oversees and reviews annual CSR plans, progress of CSR projects, annual CSR work summary and CSR plans for the upcoming year, aligning the sustainable development principles with the core values of the Company.

With the accountability mechanism of ESG goal management, the performance compensation of executive management is pegged to ESG achievements. The annual performance evaluation for the management consists of assessment indicators (Party building and integrity, main business revenue, net profit, etc.) and constraining indicators (integrity, confidentiality, quality, safety, environmental protection, legal compliance, information disclosure, etc.). In the event of corresponding violations, the appropriate performance percentage is deducted according to the prescribed requirements and the severity of the incident.



Board's ESG Management

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

ESG reporting principles

Materiality

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

Quantitative

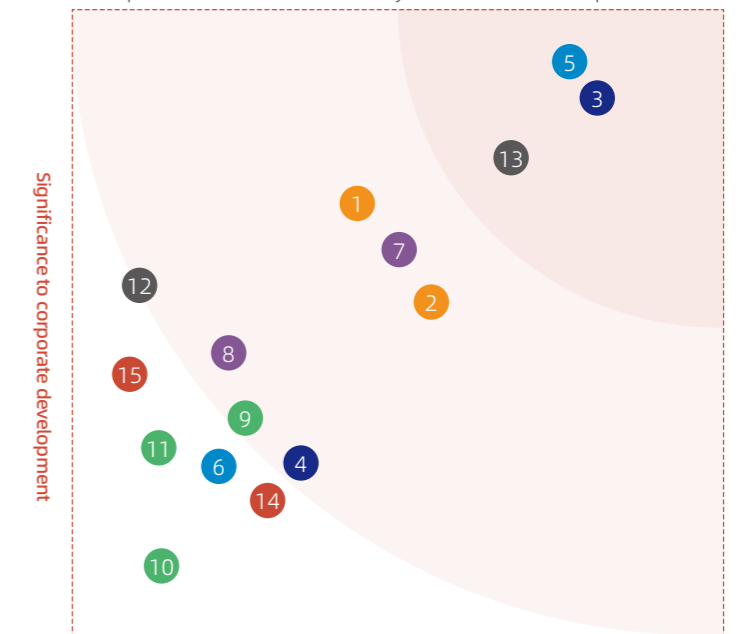
We have established and continuously optimized the collection tool of sustainability indicators covering the Company and its subsidiaries, regularly counted the key disclosure indicators in the ESG Reporting Guide, and made semi-annual and annual summary.

Consistency

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

Identification of material topics

We identify annual material topics in accordance with the path of "identification - prioritization- review -reporting". Based on the disclosure guidelines of regulatory authorities as well as the sustainability topics concerned by capital markets, rating agencies, international report standard bodies and peer companies, we finally identify 43 topics in 7 dimensions. Through an online questionnaire, internal and external stakeholders are invited to score the identified topics, and 15 highly important material topics are selected. From the two dimensions of "significance to corporate development" and "significance to stakeholders", 15 highly material topics are identified and prioritized. Then we make key disclosures in the report.



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



Highly material topics

- 3 Product safety and quality
- 5 Quality drugs and services
- 13 Employee compensation and benefits

Relatively material topics

- 1 Corporate governance
- 2 Sustainable development strategy and management
- 4 Product Innovation and R&D
- 7 Supply chain management
- 8 Responsible procurement
- 9 Environmental policies and management systems
- 12 Compliant employment

Generally material topics

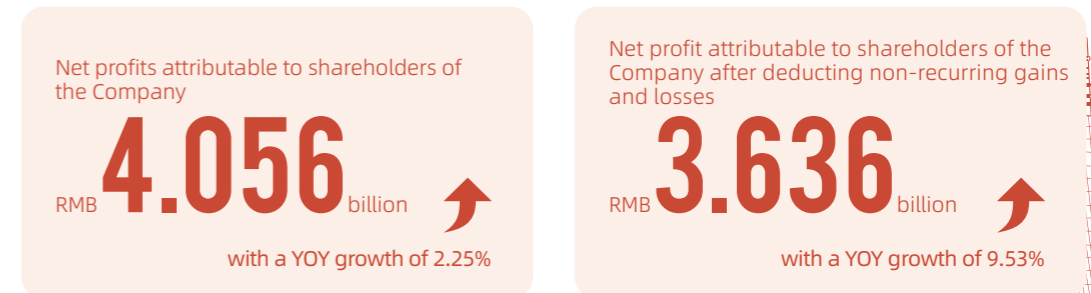
- 15 Community development
- 6 Customer service and satisfaction
- 10 Promoting "carbon peak and carbon neutrality"
- 11 Energy management
- 14 Rural vitalization

Stakeholder communication

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

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

Corporate Governance



We completed the following key indicators in 2023

- ★ Included in the 2023 Excellent ESG Practical Cases of Listed Companies by the China Association of Listed Companies
- ★ Included in Excellent Cases in Research Report on ESG of State-owned Enterprises in Guangzhou
- ★ Selected by "China ESG Listed Company Greater Bay Area Pioneer 50"
- ★ Listed among "Listed Companies of State-owned Enterprises, Vanguard 100 Index"
- ★ Ranked 16th in the ESG Development Index of Stated-owned Enterprises in the Great Bay Area
- ★ Listed among Top 100 ESG Listed Companies in China by the Securities Times
- ★ Awarded the 2023 ESG Model Enterprise of Listed Companies by the Time Weekly
- ★ Won the News 2023 "Gold Medal Award" ESG Disclosure Officer of the Year by the Jiemian

General Meeting of Shareholders, Board of Directors and Supervisory Committee

In strict accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Code of Corporate Governance for Listed Companies (revised in 2018), and relevant regulations of China Securities Regulatory Commission (CSRC) and listing rules of Shanghai Stock Exchange (SSE) and The Stock Exchange of Hong Kong Limited (HKEX), we have set up a corporate governance structure with complete functions, mutual checks and balances. In 2023, we revised the Management Rules of Independent Directors and Implementation Rules for the Nomination and Remuneration Committee of the Board of Directors of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, and issued the Work Rules for the Special Meeting of Independent Directors of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited.

1

General Meetings of Shareholders convened in 2023

General Meeting of Shareholders

We strictly follow the Articles of Association and Rules of Procedure of General Meeting of Shareholders to convene the meeting, standardize the procedures of the meeting, safeguard the decision-making, voting, and supervisory rights of shareholders, so that shareholders can exercise their rights equally in accordance with the law, and ensure scientific and fair corporate governance decisions.

9

Meetings of Supervisory Committee held in 2023

Supervisory Committee

We strictly elect supervisors in accordance with relevant regulations, such as the Company Law of the People's Republic of China, the Articles of Association, and the Rules of Procedure of Supervisory Committee. The Company's supervisors fulfill their duties, and supervise the Company's financial situation and the legality and compliance of the Board and senior management in fulfilling their duties with integrity, diligence, and responsibility. They effectively safeguard the legitimate rights and interests of the Company and shareholders.

11

Board meetings held

Board of Directors

The Company exercises its management rights in accordance with the Articles of Association, Rules of Procedure of Board of Directors and Rules of Independent Directors, etc. to promote the standardized and efficient operation of the Board. All directors of the Company strictly fulfill their duties in accordance with regulations, and attend the Board meeting and the General Meeting of shareholders.

11

Meetings of Audit Committee held

1

Meeting of Budget Management Committee

7

Meetings of Strategic Development and Investment Committee held

3

Meetings of Nomination and Remuneration Committee held

The four specialized Board committees, namely Strategic Development and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Budget Management Committee, have clear division of labor. They are all operating well based on collaboration and effective supervision.

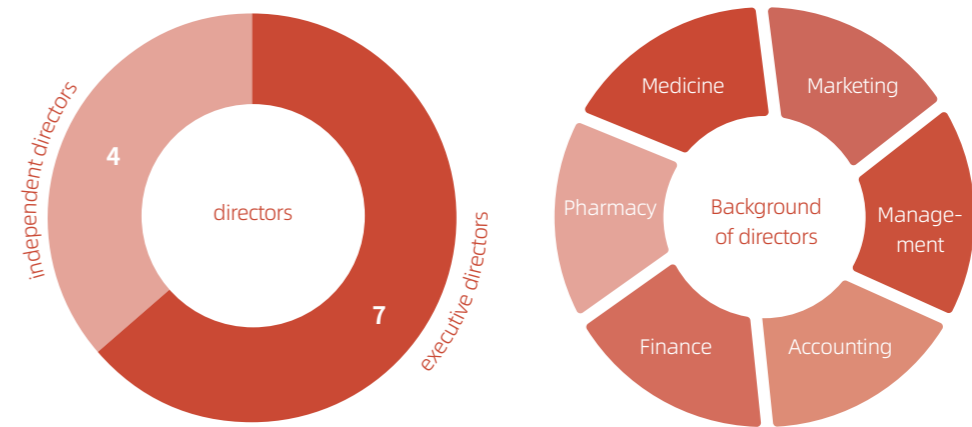
100%

Attendance rate of directors at shareholder meetings



Board Diversity

We advance the diversity of Board members, and ensure scientific and effective decision of the Board. The Board consists of 11 directors at present, including 4 independent directors and 3 female directors. Two Board members are expertise in finance and accounting, and six have professional background in medicine. Among them, there independent directors are also members of the Nomination and Remuneration Committee, accounting for more than half. The Audit Committee consists of four independent non-executive directors, one of whom has professional qualification in accounting and three members are expertise in finance.



Strengthened Guidance of Party Building

We achieve high-quality development guided by high-quality Party building, including continuously improving the construction of Party conduct and government integrity, actively promoting effective themed education, and enriching the Party building brand matrix.

Regularly centralized learning

Leading cadres at all levels actively have led, promoted, and supervised the learning of the guiding principles of the 20th CPC National Congress to promote it to go deep into the grassroots and frontline. In 2023, we organized a total of 11 learning sessions for the theory learning group of the Company's Party Committee and 49 learning sessions on the "First Topic", and Party branches at all levels conducted over 521 special Party lectures by branch secretaries.

Solidly themed education

We have collaborated with multiple units such as the Party School of Guangdong Provincial Committee, the Fujian Gutian Cadre College, and the Party School of Longyan City Committee of CPC. We have also conducted educational activities on themes like patriotism, the Lei Feng spirit, and the Commemorative Day of Martyrs to strengthen our beliefs and elevate our realm of ideals.

Rich Party building brand matrix

We have deepened the Party building innovation and practice of the "123 Party Construction of GYBYS" brand. The Zhong Yi Qi Xing Party Committee, the General Factory Party Committee, and the Jing Xiu Tang Party Committee have launched Party building brands such as "Unchanged Original Intention Creating GYBYS Legend", "Heartful GYBYS with Red Culture", and "Respect and Sincerity", providing new force to the Party building brand matrix.

Capital Operation Optimization

Centered around the development theme of "Dual Enhancement Year", we explore industrial investment through equity investment, fund investment, and venture capital, etc., striving to promote the implementation of major investment initiatives. By optimizing and integrating the market resources allocation, we aim to enhance the efficiency of capital operations and business operations, increase our market competitiveness and achieve robust and sustainable business development.

Fund Investment

GP Fund, a subsidiary of GYBYS, in partnership with Walgreens Boots Alliance has initiated the establishment of the WBA GP Fund to accelerate investment deployment in areas such as medical equipment and healthcare services, further facilitating the high-quality development of China's medicine and healthcare industry. Guangzhou Guangyao Capital has also participated in the establishment of the Guangyao Venture Capital Fund to accelerate the transformation and upgrading of GYBYS in the biomedicine and health industry.

Equity Investment

Guangyao Baiyunshan Hong Kong Company accepted the tender offer to sell part of its shares in Chuangmei Medicines Co., Ltd. and further reduced its holdings. After two rounds of reductions, the company recovered a significant portion of its investment costs in Chuangmei Medicines, realizing investment returns and bringing cash back to the company, thereby enhancing overall returns.

Project Construction

We have opened a new subsector of fashion toothpaste with Chinese traditional medicine and successfully set up Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd. Aspiring to build it as the national first fashion toothpaste with Chinese traditional medicine, we strive to promote the innovation of traditional Chinese medicine and empower the extension of traditional Chinese medicine industry chain.

Enterprise Risk Management

Risk prevention and control are fundamental to the survival and development of GYBYS. We continuously improve the risk management system and establish a comprehensive risk management system. By setting up the risk warning and prevention platform with digital technology, we can identify potential risks, and realize proactive risk prevention, thus enhancing risk prevention capabilities.

In accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), we have established the enterprise risk management (ERM) system to ensure effective risk assessment. The risk management system consists of organizational structure, information collection, risk identification, risk assessment, matrix analysis, risk management strategies, risk supervision and evaluation, and risk culture cultivation. We also formulate corresponding management regulations, including the *Company's Daily Risk Management Specification and Practices Manual of Enterprise Risk Management*.

Risk Management System

The organizational structure of the risk management system is divided into two levels. The first level is the enterprise risk management organization at the headquarters, which includes the Boards, the Audit Committee, and the Risk Control Office. The Audit Committee is responsible for the enterprise risk management of the Company and is accountable to the Board, and the Risk Control Office is responsible for daily risk control activities.

The second level is the enterprise risk management organization of subsidiaries, which includes the Board of Directors, Risk Control Committee or Risk Management Group, Risk Control Office or Risk Management Department. Risk management organizational structures are established at both the headquarters and subsidiary levels. Risk control commissioners are designated each year to carry out enterprise risk management, ensuring the development and effective operation of the ERM system.

Risk Identification and Solutions

We launch the risk control and supervision platform to improve the overall risk control of the Company. By breaking down information barrier, we can identify risk situations, investigate potential risks, and eliminate blind risk spots, significantly enhancing the efficiency and accuracy of risk management. We set up a task force for dual enhancement in risk control. Based on the characteristics of different business areas and focusing on vulnerable section to risk, tailored risk warning criteria have been formulated to monitor risks in advance.

Risk Auditing Mechanism

Risk control personnel from subsidiaries conduct cross-checks on the risk management practices. Every six months, various departments and our subsidiaries undertake risk assessments, while each business department evaluates the risks associated with their respective business contracts. Semi-annually, subsidiaries undergo self-examination for economic contract risks, ensuring continuous follow-up on significant contracts with execution risks and implementing preventive measures to guard against legal risks.

308

Risk warnings identified through the risk control supervision platform

8

Red warnings

23

Audit reports issued

82

Yellow warnings

23

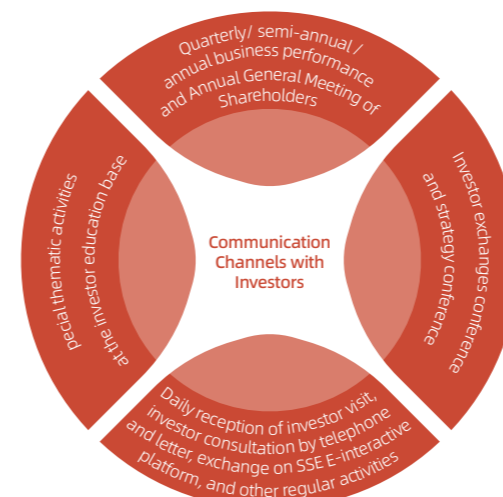
Special inspections conducted in 2023

90%

Completion rate of rectification plan

Investor Communication

Following the true, accurate, complete, fair and open principle, we disclose operational information to shareholders and investors on a timely and accurately manner. We also further improve our communication mechanisms with investors. For example, activities like releasing regular reports and conducting investor exchanges help us keep investors informed of the Company's development, ensure information transparency, and foster harmonious relations with them.



3

Business Performance presentations held

50+

Investor exchange activities participated

300

Investors receptions Business Performance presentations held





Striving for High-quality Development and Dedicating to Dual Enhancement in New Era

In 2023, committed to the high-quality development task, GYBYS forged ahead with confidence and determination to seek progress while maintaining stability. The Company vigorously implemented the work schedule for dual enhancement, and took multiple measures to improve its benefits and efficiency, thus at large contributing to Chinese modernization and building GYBYS into a world-class enterprise.

Consolidating Foundation and Raising Management Efficiency

We were dedicated to building a science-based, orderly and efficient management system, establishing digital information platforms, and optimizing our work flow to improve operational efficiency.

Building digital platforms

We innovatively established digital platforms to monitor production and operation, project management, file management, etc., contributing to more convenient, efficient business management and operation.

Launching a statistical platform for production and operation

To reduce the tremendous workload for dealing with performance indicator forms, we constructed a statistical platform for production and operation, improving our digital level and the statistical efficiency. At the same time, we engaged in data value mining to provide data support for strategic decision-making and improve benefits and efficiency.

Promoting and applying SAP ERP system

The SAP system is our key technology to support supply chain management. We implemented the SAP system project to utilize its advanced management philosophy and function modules to optimize and standardize our business processes. The system has been put online in Guangzhou Baiyunshan Pharmaceutical Health Supply Chain (Guangzhou) Co., Ltd., helping improve the company's management and operational efficiency.

Standardizing electronic financial archive management

We unveiled Piao Shui Bao Invoice Management System that allows smart phones to collect all sorts of paper and electronic invoices so that the reimbursement process can be streamlined with the all-in-one system synthesizing invoice verification, duplicate checking, classification, reimbursement and filing.

Improving business performance and compensation accounting

Refining assessment plan

The Company managers and professional managers' business performance and compensation accounting are included in the assessment indicator. The assessment plans for different responsible persons have been unified.

Unifying production and operation responsibility letters

We formulated the annual production operation responsibility letters of the board of directors for our subsidiaries and the template of the annual and term business target responsibility letters of company managers. Details such as the text format, assessment rules and exit conditions have been unified.

Carrying out research on assessment indicators and compensation

We conducted research on setting professional managers' assessment indicators and on their target compensation and accounting methods. We refined their performance and annual salary assessment indicators, which align with company managers' tenure system and contractual management, as well as professional managers' assessment method.

Optimizing Business Layout to Raise Operating Efficiency

We made every effort to improve our core competitiveness, enhance core functions, and readjust industrial structure. We gave priority to efficiency, boosted upgrading of biomedicine and health manufacturing industry, and made strides in improving operational benefits.

Enhancing core competitiveness

To improve our core competitiveness, we kept up with world-class enterprises in terms of their advanced operation and management experiences. We segmented the main tasks of our value creation implementation plan based on the benchmarking against those world-class enterprises, and nailed down our benchmark selection, objectives and tasks, specific measures, responsible departments and responsible persons.

Advancing construction of major projects

We promoted the construction of such production projects as WLJ Health Nansha Base, Ming Xing exchange of farmland for new buildings, Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. The projects are gradually put into trial production, helping accelerate the upgrading of biomedicine and health manufacturing industry and foster new momentum in the Company's future development.

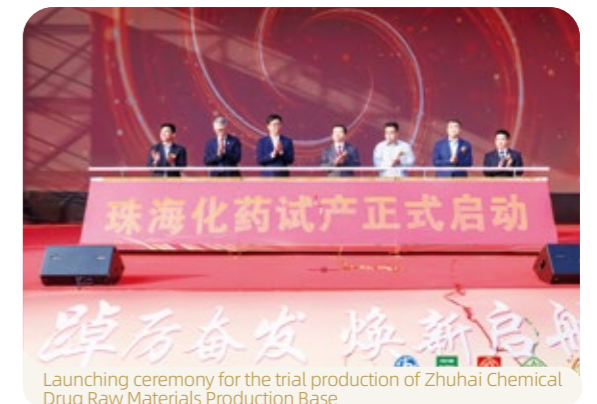
Implement cost reduction and efficiency improvement plans

GYBYS adopts the model of "enterprise participating on the platform built by the Company" to avoid overlapping investment and construction, promote various subsidiaries to increase revenue and reduce costs, and carry out precise marketing for target customers, to effectively reduce marketing costs. In 2023, GP Corp. completed withdrawals in Shishan Warehouse, Fuli J16, and Dongguan Warehouse, and integrated warehouse resources, to assist in low-cost and efficient operations. Cai Zhi Lin carried out cost accounting and calculation and mastered more accurate production and sales costs of goods to set more reasonable value chains and maximize profits.

Zhuhai Chemical Drug Raw Materials Production Base on trial

Case

On November 28, Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. held a ceremony to initiate the trial production of Zhuhai Chemical Drug Raw Materials Production Base in Fushan Industrial Park, Doumen District, Zhuhai, Guangdong. With an investment of RMB 730 million, the project features about 10 hectares of construction area and 60,000 square meters of total building area. It was designed and constructed in accordance with EU market regulations and standards, and is equipped with many production lines such as for sterile cephalosporin raw materials, oral cephalosporin raw materials and oral non-cephalosporin raw materials. The trial production of Zhuhai Chemical Drug Raw Materials Production Base will further drive the development of the Company's chemical raw material business, reinforce and upgrade the weak links of the supply chain for the medical and pharmaceutical industry in Guangdong and eventually enhance our chemical raw materials' competitiveness in Pearl River Delta and even in Guangdong-Hong Kong-Macao Greater Bay Area.



Launching ceremony for the trial production of Zhuhai Chemical Drug Raw Materials Production Base



Supporting Guangdong Province's "High-quality Development Program for Rural Vitalization"

2023 was the first year to implement Guangdong Province's "High-quality Development Program for Rural Vitalization" .. In response to the requirements of the program, GYBYS took on the mission as state-owned enterprise to fully leverage its resources and technological advantages, in a bid to boost rural income through rural industrial vitalization and consumption support, improve infrastructure and vitalize high-quality regional development.

Integration of Three Industries to Boost Development of Whole Industry Chain

Committed to the development mode of "integration of three industries", GYBYS aimed to boost lychee- and Chinese Mesona-based industries by constructing production bases, developing paired assistance channels and improving industry clusters. The Company was dedicated to advancing the integrated development of three industries including rural production, rural product processing and rural product market services.

Building production bases



The opening ceremony of WJ Guangdong Lychee (Shantou) Industrial Park

In response to the spirit of Guangdong Province's "High-quality Development Program for Rural Vitalization", the first such project, WJ Guangdong Lychee (Shantou) Industrial Park, became fully operational in Shantou. The park was constructed in two phases and equipped with a canned lychee beverage production line. Its production capacity after Phase I construction reached 7 million TEUs, making it the largest lychee beverage production base in eastern Guangdong, providing more than 200 jobs for local residents. The completion of the project will facilitate the upgrading of lychee deep processing industry in Shantou, and will form mutual support with WJ Guangdong Lychee (Maoming) Industrial Park in the west of Guangdong.

Creating paired assistance channels

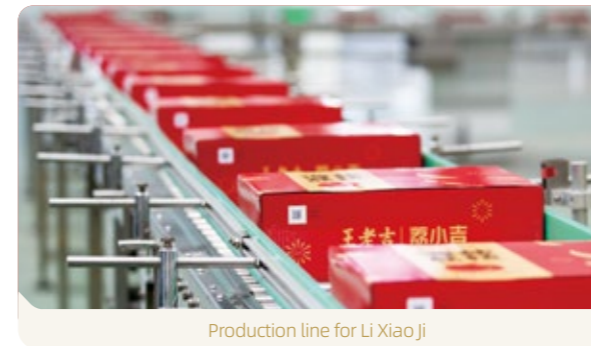
Cai Zhi Lin rolled out rural vitalization support for the four counties in Meizhou City. It intensified efforts to scale up cultivation of Chinese Mesona and build rural assistance stations in Shaoguan, Qingyuan and Zhanjiang, where technical guidance for seedlings and planting is provided.

The Company held a Chinese Mesona donation ceremony in Yaotian Town, Xinfeng County, donating 600,000 plants in two batches worth RMB 108,000.

The Company donated Archidendron clypearia worth RMB 498,000 to Guitou Town and provided planting guidance.

The Company helped Heyun Town of Qingyuan City, Yaotian Town of Shaoguan City and Yetang Town, Shejiang Town and Dapu Town of Meizhou City to develop Chinese Mesona planting industries there by drawing up Chinese Mesona purchasing agreements, providing high-quality seedlings and teaching advanced planting techniques.

Developing industry clusters



Production line for Li Xiao Ji

To build an "industry leadership plus cluster development" model for lychee-based industry, we took the initiative to build a cross-county lychee cluster industrial park in Guangdong with a total investment of RMB 700 million. We plan to build two lychee deep processing demonstration bases in Maoming (western Guangdong) and Shantou (eastern Guangdong) with Guangzhou Lychee Industry Operation Headquarters at the core. Therefore we can accelerate integrated industrial development, promote cooperation with foreign businesses, build new momentum for lychee-based industry chain and eventually boost the high-quality development of lychee industry in Guangdong and help it go global.

Brand Empowerment Drives Increase in Rural Income

With brand as the driving force, GYBYS is committed to tapping market potential, broadening product sales channels and increasing farmers income by means of promoting brand building and carrying out consumption-driven support. The Company is dedicated to boosting industrial development and facilitating rural vitalization.

Enhancing brand building

We have developed "Li Xiao Ji" brand and kept growing its brand influence and market recognition by releasing Li Xiao Ji digital collections, conducting collaboration with game companies, rolling out digital promotion in cooperation with Alipay and Tongcheng Travel and working with local youth for joint sales. These activities have continuously changed the stereotype consumers hold in lychee products and boosted the development of lychee-based industry.

Offering consumption-driven support

We intensified effort to promote Ci Ning Ji and Li Xiao Ji series products on various consumption support platforms at special sales counters, areas and stations across the city. Under a consumption support alliance model, we scale up the promotion and sales of these products to help increase rural income.

Livelihood Services for Livable Towns and Villages

GYBYS has never lost sight of people's expectations and needs. While revitalizing the industry, the Company continues to improve rural infrastructure, address rural residents pressing concerns through livelihood services, education support and Party building, aiming to build happy towns.

Providing livelihood services

After investigating people's needs in places provided with paired assistance such as Nanxing Town of Leizhou City of Zhanjiang, we carried out regular donations and livelihood services there, renovated primary school buildings, and set up GYBYS poverty alleviation stations to help purchase agricultural products.

Strengthening medical support

We carried out drug-sending activity at Zhongluotan Health Center in Guangzhou and upgraded investigation at the local traditional Chinese medicine science popularization base. We donated common drugs to 34 health stations in Zhongluotan Town of Baiyun District, and discussed the science popularization base renovation project.

RMB **180** million
Material values and investment in rural vitalization

RMB **2.5923** million
Worth of purchased agricultural products

Access to Health Care

Challenges and Opportunities

The pharmaceutical industry faces a number of issues impeding its development such as high spending on research, difficulties in investment and long return cycle . However, the growing support of national policies, rapid development of AI and digital technology, and the booming of the emerging market economy have brought opportunities of innovation and expanding market demand for the pharmaceutical industry and become key drivers for its development.

Our Actions

Following the innovation-driven development strategy, we continuously heighten the priority of technological innovation and advance research on medicine for rare diseases. In the meantime, we keep a close eye on product quality and safety. In addition, we intensify collaborative efforts with other enterprises to promote inclusive healthcare services, in a bid to deliver more accessible medical resources, communicate the health philosophy to the public, and eventually contribute to the development of this sector and to the Healthy China Initiative.

Spending on scientific R&D

RMB **8.52** billion

Scientific R&D platforms

90

Ongoing project over

150



MEDICAL CARE
AMBULANCE
FIRST AID
NURSE
DOCTOR
HEALTH



HEART
DOCTO
HEALTH
PULSE



Higher Quality Medical Services

Powered by technological innovation, we make every effort to optimize our innovation resource allocation and shore up R&D capabilities on rare disease medicine. Our intellectual property management system is constantly refined to prevent relevant risks. We further enhance cooperation with partners in a way of resource sharing and mutual learning to at large make strides in developing the pharmaceutical industry and the Healthy China Initiative.

Pursuing Innovation-driven development

Innovation in our view is the key to the vitality of our product. To this end, we vigorously construct scientific innovation platforms, leverage technological and talent resources as the source of innovation, step up exchange and cooperation, and improve our independent research capacity for new drugs, thereby creating a promising environment for innovation.

Integrating innovation resources

We have launched a scientific research centralized and unified management platform to handle technological resources. We have also gathered internal and external expert teams to make breakthroughs in key and common technology obstacles facing the industry and drive successful application, which is fulfilled through our clear-process management including project approval and evaluation, project implementation, performance assessment, achievement application and innovation incentives.

Constructing scientific research platforms

We continuously advance the construction of scientific research platforms to integrate innovation resources, gather high-performing talents, support scientific research, and underpin industry-university-institute cooperation.



Guang Hua won the honors of "Guangdong Doctoral Workstation" and "Guangdong Technological Expert Workstation".



Chen Li Ji and Wang Lao Ji were certified by Guangzhou Municipal Human Resources and Social Security Bureau as "Postdoctoral Innovation Practice Bases".

Building talent team

A high-level talent team is built, including 3 Nobel Prize winners, 1 Guangdong innovation team, 21 double-employed academicians and TCM masters, 7 foreign expert consultants, 1 foreign academician from the Russian Academy of Engineering, 5 experts enjoying special government allowance, 54 senior and above experts, and over 100 doctors and postdoctors.

Deepening technological cooperation

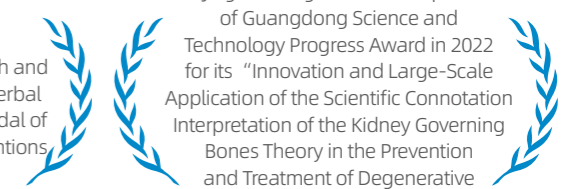
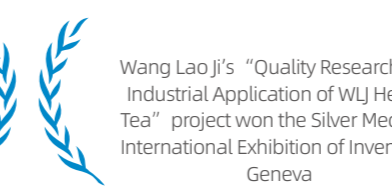
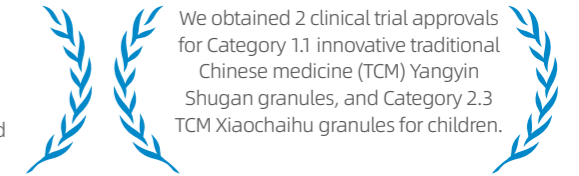
While refining scientific innovation management, we continuously enhance industry-university-institute cooperation and deepen scientific research cooperation in the Guangdong, Hong Kong, and Macao Greater Bay Area to explore new paths and new methods in personnel training and pharmaceutical research and development, and thus accelerating the internationalization of traditional Chinese medicine and contributing to the development the healthcare of all humanity.

HWBYS unveils staged achievements on a nasopharynx cancer summit

Case

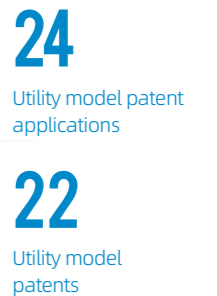
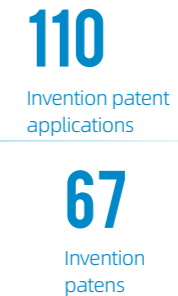
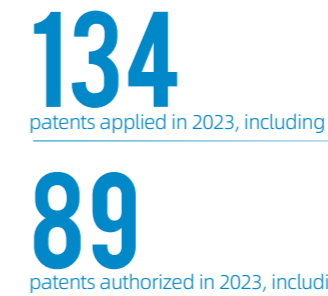
On February 23, 2023, the first Guangdong-Hong Kong-Macao Greater Bay Area Nasopharynx Cancer Integrative Medicine Treatment Summit and the Establishment Ceremony of Baiyunshan Biyanqingdu Granule Research Fund was convened in Guangzhou, attracting over 30 known experts and professionals across the country in the academic discussion on treating nasopharynx cancer using both traditional Chinese and western medicine.

On the summit, HWBYS released the clinical research achievements of its TCM Baiyunshan Biyanqingdu Granule for treating nasopharynx cancer, and established Baiyunshan Biyanqingdu Granule Research Fund to further support the development of nasopharynx cancer TCM. In addition, HWBYS signed the *Strategic Cooperation Agreement on the Secondary Development and Research of Famous and Premium Chinese Patent Drugs* with Macao Centre for Innovative Chinese Medicine and Industrialization Technology, in a bid to scale up the scientific cooperation in Guangdong-Hong Kong-Macao Greater Bay Area and make TCM go international.



Tightening disease prevention and control

We continuously focus on new technologies and progress in global pharmaceutical industry, and endeavor for broader medicine research channels and stricter disease prevention and control, making premium drugs accessible to patients of all kinds and offering more treatment plans.

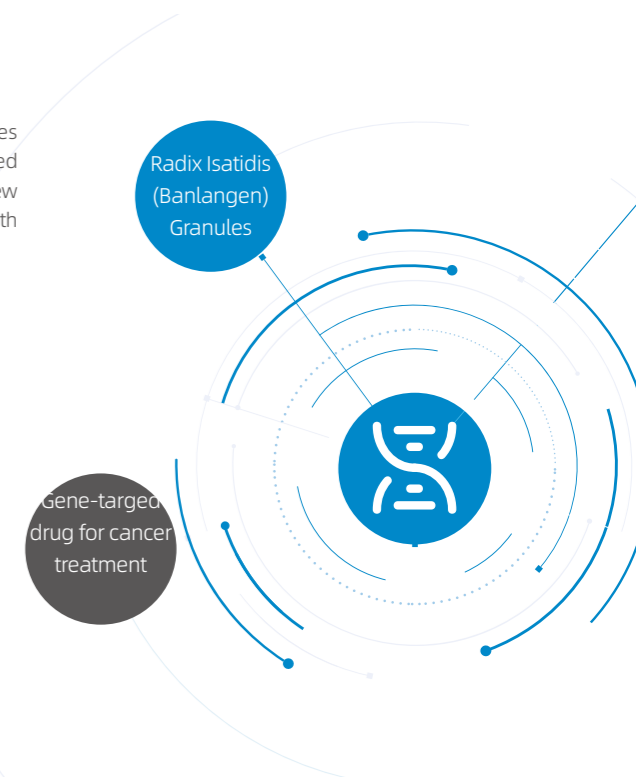


Major research project

We conducted a mechanistic study on the antiviral effect of Banlangen Granules against influenza virus and a preliminary pharmaceutical study on the improved version. We initiated the trial preparation and key quality control methods for the new version, which features richer active ingredients and new functions in connection with the treatment of influenza.

BYS10 is a new Class 1 chemical drug independently developed by Baiyunshan General Factory for the treatment of advanced solid tumors with RET fusion or mutations. Its clinic trial application has been approved to conduct by US Food and Drug Administration (US FDA). Its Phase I clinical trial has been initiated.

The Trk inhibitor is the world's first tumor-agnostic broad-spectrum "basket" drug, a novel second-generation Trk/ROS1 dual-target inhibitor with independent intellectual property right. Its Phase Ia clinical trial was completed.



Protecting IPRs

To improve intellectual property right (IPR) management, we have established an information management system. We embed intellectual property work into our operation and carry out regular training and awareness-communicating activities to raise the protection awareness across the board and defuse such risks.

Refining management system

In cooperation with our subsidiaries, we purchased a patent retrieval and analysis system and have based on it established a patent management system. Furthermore, an intellectual property liaison team has been set up comprising intellectual property executives of GYBYS and its subsidiaries to share relevant information and together discuss the solutions to IPR management and operational problems.

Improving risk control

Before our products go public or international, we make full preparations to learn about the IPR situation of that kind of product and local IPR protection policies, thereby minimizing relevant risks as much as possible.

Conducting awareness training

We organize training on medicine patent retrieval and analysis, and invite IPR experts to share their expertise with GYBYS subsidiaries and exchange on specific problems.

Enhancing exchanges and cooperation

We established the first pharmaceutical industry patent alliance in Guangdong Province with Guangzhou Pharmaceutical Profession Association, the Guangzhou Pharmaceutical Intellectual Property Right Protection Alliance, with GYBYS and more than 10 of its subsidiaries joining it. We have also set up People's Mediation Committee for Intellectual Property Dispute with Guangzhou Pharmaceutical Profession Association, in a bid to improve the mediation of IPR disputes.



Baiyunshan General Factory's "Cefprozil Combination", and Xing Qun's "A Method for Preparing Alfacalcidol Soft Capsules" won the 24th China Patent Excellence Awards

Cai Zhi Lin Han Chao's Chinese Mesona Tissue Fast-growing Technology got the Certificate of Invention Patent

Guang Hua's Xiao Chai Hu Granule was filed as the National Patent-intensive Product

Empowering industrial development

While focusing on product research and innovation-driven development, we are committed to exploring new industrial development model, and to making great strides in developing TCM industry by conducting in-depth exchanges and leveraging partners' resources in a mutual-learning approach.

Success hosting of the first Guangdong-Hong Kong-Macao Pharmaceutical Innovation and Development Conference in 2023

Case

On June 2-3, 2023, 2023 The Greater Bay Innovation Pharmacy was successfully held on Guangzhou International Bio Island. The conference was jointly guided by the Health Commission of Guangdong Province, Guangdong Drug Administration, Guangzhou Municipal Science and Technology Bureau, initiated by Guangdong Pharmaceutical University and Guangdong Pharmaceutical Association, and was co-hosted by GP Corp. and Guangzhou Guoying Pharmaceutical Co., Ltd. With the theme of "Looking Forward to the Future, Driving High-quality Development of Pharmacy", the conference saw more than 200 well-known figures including academicians, experts, government leaders, and scholars from universities, research institutes, medical institutions and pharmaceutical enterprises gathering together to discuss new ways of innovation and opportunities in pharmaceutical industry in the Greater Bay Area.



Speech by Zheng Jianxiong, Deputy General Manager of GYBYS, Secretary of the GP Corp.'s Party Committee, Chairman of the Board

GP Corp. co-hosts 2023 China Drug Circulation Industry Annual Conference and the 2nd Medical Device Circulation Forum

Case

On December 5, the 2023 China Drug Circulation Industry Annual Conference and the 2nd Medical Device Circulation Forum was held in Guangzhou. It was hosted by China Association of Pharmaceutical Commerce and its Medical Device Circulation Branch, and co-hosted by GP Corp. Guangyao Qihua Medical Device Co., Ltd. and Chongqing Pharmaceutical (Group) Co., Ltd. The theme of the forum was "New Era, New Challenges and New Opportunities". Over 170 guests from government departments, hospitals, industrial organizations and enterprises gathered together to share the latest policy interpretation and industry practices and experience, as well as discussing the future trends and opportunities of the medical device circulation industry.



Speech by Cheng Zhen, Vice President of GP Corp

Safer Products

Product quality is the lifeline of an enterprise. We strictly abide by laws and regulations on product quality and safety, and continuously improve life-cycle quality management and our medicine warning system. Therefore we can guard against quality and safety risks, meet consumer requirements, and protect their legitimate rights and interests.

Improving product quality management

In compliance with such laws as the *Medicinal Product Administration Law of the People's Republic of China*, and the *Regulations for Implementation of the Drug Administration Law of the People's Republic of China*, we continuously improve our quality management system, implement quality management accountability, and optimize the quality risk control mechanism, so as to control product quality and safety. We carry out quality publicity activities on a regular basis to create a positive atmosphere and improve our quality management level.

Optimizing management system

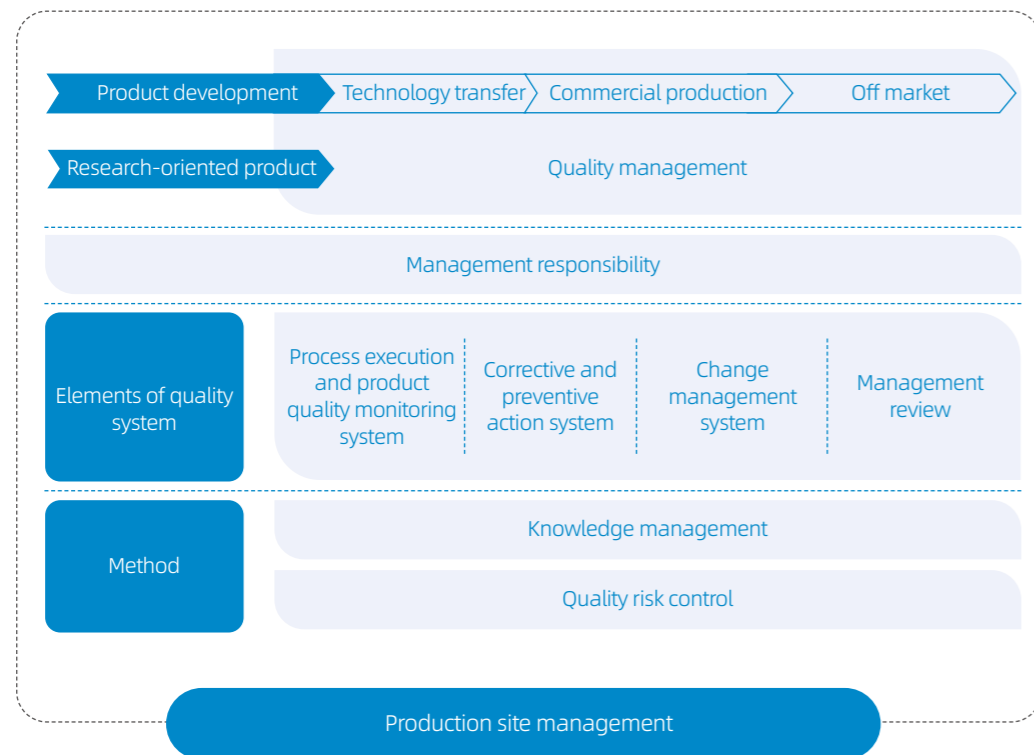
We have established a standardized drug inspection management system. In accordance with the *Measures for the Administration of Drug Inspection (for Trial Implementation)* and based on previous quality inspection and analysis experience, we have formulated drug inspection management measures to further standardize the inspection process, ensuring the stability of product quality.

Implementing principal responsibility

We added the requirements and responsibilities for conducting quality improvement and all-staff quality management activities in the revision of 2023 Quality Safety Management Responsibility Letter, aiming to raise the quality awareness and encourage enterprises to carry out more all-staff quality activities such as QC groups.

Improving production site management

We have established a sound production site management system, under which we implement product release system, strictly monitor drug production environment, production process and key quality indicators, conduct verification and confirmation, continued product process confirmation, regular quality review, etc., to ensure rational, effective and standardized production, and stable product quality in the end.



Drug recall management

We continuously update and improve drug recall procedures following the Measures for the Administration of Medicinal Product Recalls, and have issued the Drug Recall Direction that is required by the Operating Roles for the Administration of Medicinal Product Recall, fully protecting the interests and health appeals of consumers. When necessary, we can quickly and effectively recall drugs with quality and safety hazards at any time. For drugs actively recalled by suppliers, our subsidiaries will recall them as soon as they receive suppliers' drug recall notices. In response to subsidiaries' discovery of drug quality issues and adverse drug reaction information, as well as drug recall by drug supervision authorities, we will immediately control the entry and exit of drugs, conduct evaluation and investigation, and recall drugs under the provisions of the Drug Recall Management System based on the evaluation results.

Preventing quality risks

We continuously improve our quality risk control mechanism. To this end, we have built a quality defense line and refined our quality risk identification, analysis and treatment processes. We organize the contingency plan for addressing drug quality and safety incidents and standardize the procedures related to drug quality and safety incidents, thus to deal with drug quality incidents and risks in a timely and effective manner.

Conducting quality inspections

We rolled out quality management investigations in eight enterprises including Ming Xing and Chen Li Ji on key links such as supplier management, quality incident response mechanism, and recall and sampling feedback mechanism. We identified 40 existing problems and gave 40 suggestions after sorting out difficulties impacting quality work, and formulated solutions to improve quality management level.



Baiyunshan General Factory holds 2023 Drug Quality Knowledge Contest

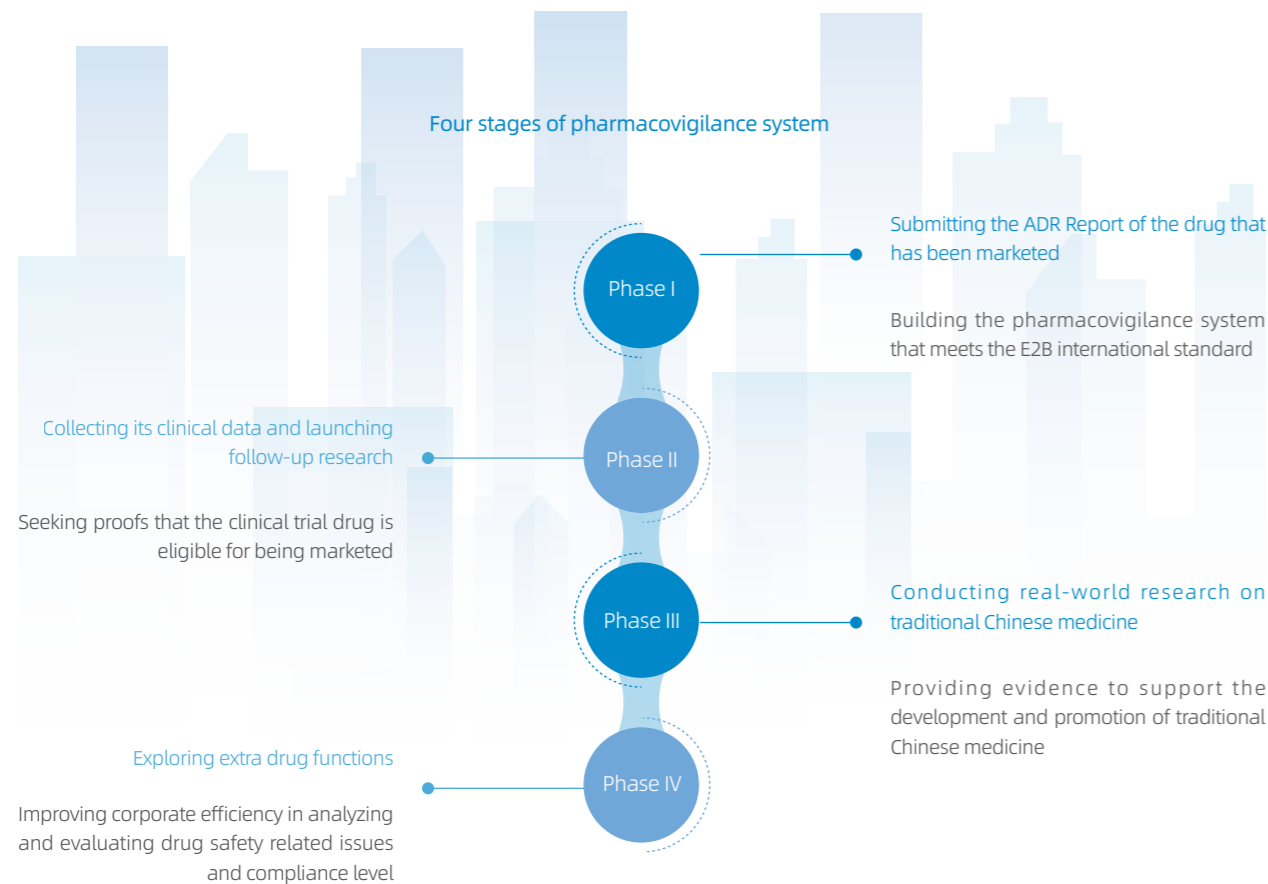


Baiyunshan General Factory launched 2023 Drug Quality Knowledge Contest in September, the Quality Month, in which 20 teams from 18 departments participated. With the theme of "Everyone Creates Quality, Everyone Enjoys Quality", this contest involved drug management laws and regulations, work knowledge, production process details, drug GMP guidelines (revised in 2023), etc. Employees awareness has been raised through the contest, so have the production site quality control capacity and management level in the factory, which are crucial to its high-quality development.



Building a sound medicine warning system

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



In 2023, our medical warning system completed construction and met the requirement for compliant operation. After being examined by the third-party company, it was complete enough to be officially launched and showed no major risk. On December 22, the system finished acceptance check and was deployed for the first time by Chen Li ji. Other enterprises will deploy the system one after another. At the same time, we completed the internal audit of the medical warning system, and have rectified problem that emerged to improve our adverse drug reaction monitoring system for more compliant and effective operation.

We have fueled efforts to build a medical warning department responsible for organizing and conducting medical warning work. Departments for quality management, R&D, marketing, production, human resources and warehousing are obliged to assist the medical warning department in fulfilling corresponding responsibilities. The medical warning department is equipped with full-time staff responsible for reporting and monitoring adverse drug reactions (ADRs).



Protecting consumer rights and interests

We abide by the *Law of the People's Republic of China on Protection of Consumer Rights and Interests*. We give priority to consumer experience and needs, vigorously establish smooth communication channels and offer them full chain consultation services, in a bid to protect their privacy and legitimate rights and interests.

We have formulated retail membership system to clarify the definition, scope and management methods of members' personal information, and standardize customer information and privacy management. We conduct strict member registration and management, and adopt necessary operation authority and data security measures. We carry out strict data access control and adopt multi-factor identity authentication technology and data leakage prevention technology to protect personal information against illegal use, protecting consumer privacy and information security. The change of member information must be initiated or consented by the member. Without authorization, no one can use the member's personal information for purposes other than the company's operation or disclose it to a third party.

We have formulated and concretely observed the customer complaint handling management system and standardized the customer complaint management procedure. We would document and preliminarily classify customer complaints. The complaints should be reported to higher authorities for final determination of their level and be handled by unified treatment department. After receiving complaints, the department should follow up and verify the complaints according to their level, and inform customers of treatment process and solutions after analyzing the reasons. After a solution is made up, a Complaint Treatment Form should be filled to record the treatment result and customer satisfaction. All complaints should be recorded and filed.

Customer satisfaction

98%

Consumer privacy protection training sessions conducted

29

Premium customer service is our endless pursuit. We send care to customers through such actions as conducting patient health management, popularizing medication knowledge, rolling out patient exchanges, and carrying out pharmaceutical care. In addition, we conduct customer satisfaction survey through online and offline questionnaires to improve customer service quality.



More Accessible Health

The pharmaceutical sector is foundational to people's right to health. Committed to the idea of "an enterprise will get prosperous development when benefiting mankind with one heart", we strive to facilitate the development of healthcare at primary level, carry forward TCM culture, and uphold equitable pricing, therefore benefiting people around the world with excellent TCM.

Facilitating healthcare at primary level

We aim to draw attention across the society to disease prevention with firm actions. To this end, we carry out popularization lectures, free clinics and other activities on a regular basis to strengthen pharmaceutical education and publicity.

GYBYS Stroke Prevention Day



On October 27, 2023, Zhong Yi and Qi Xing with a number of chain pharmacies across the country, started to launch 2023 World Stroke Day and the 11th GYBYS Stroke Prevention Day and series of public welfare activities in Guangdong, Guangxi, Yunnan, etc. The campaign aimed to communicate stroke prevention measures to the public so as to minimize the risk of death and handicap resulting from stroke and send more care to stroke patients and their family. The campaign featured stroke prevention publicity, free clinic with experts, assistance to poor stroke patients, aerobic exercise, etc., aiming to inform participants of stroke, its symptoms and preventive methods in a comprehensive way.



The stroke prevention publicity was well received by local residents.

Guangzhou Baiyunshan Hospital continues health lectures and free clinics



In Guangzhou Baiyunshan Hospital, medical staff introduce real examples in health lectures to clearly explain disease concept, prevention, rescue, rehabilitation and other knowledge from a professional perspective. They conclude relevant precautions so that residents participating in the lecture can learn how to prevent diseases. As for free clinic activities, the hospital provides professional and convenient diagnosis and treatment services for residents, and endeavors to raise people's awareness of common and chronic diseases, delivering high-quality medical resources to protect people's health.



Medical staff in consultation

Equitable pricing

Abiding by relevant laws and regulations, we are subject to the supervision and management of provincial drug pricing authorities, striving to reduce consumers' medical costs and provide high-performing drugs at equitable prices. We commit to making good medicines that are affordable and reliable for people.



Considering local production and operation costs and market supply and demand, we set recommended drug retail prices and hold ourselves subject to the supervision and management of provincial pricing departments, making sure drugs are sold at equitable prices to the public.

In terms of medicine terminal price, GYBYS complies with the requirements of Anti-Monopoly Law of the People's Republic of China and never intervenes in terminal medicine price, in a bid to uphold fair market competition and protect consumers' interests.

In addition to the expired family drug recycling campaign, we distributed store coupons for medicines nationwide to duly benefit patients.

Innovating marketing model

We continuously broaden our marketing channel, intensify publicity to enhance the influence of "fashionable traditional Chinese medicine", and proactively embrace new trends such as e-commerce live broadcasting. We are making every effort to expand online and offline marketing networks. GYBYS owns flagship stores on such platforms as Tmall, JD.COM and Pinduoduo. The Company has established B2C pharmaceutical e-commerce brands such as Suikang Medicine, a WeChat App, and built online sales channels for all GYBYS products.

On April 26, 2023, the Greater Bay Area Consumption Season and the 3rd Live E-commerce Festival was held in Guangzhou. It was jointly organized by the Ministry of Commerce, China Media Group, People's Government of Guangdong Province, Hong Kong Special Administrative Region Government and Macao Special Administrative Region Government. Many of our subsidiaries, including WLJ Great Health, Wang Lao Ji, HWBYS, Guang Hua, Baiyunshan Han Fang, Chen Li Ji, Zhong Yi, Qi Xing, Jing Xiu Tang, He Ji Gong, Pan Gao Shou, Xing Qun and Chuang Ying, together initiated the TCM Health Campaign in the festival to lead new trend of healthy consumption.



Pan Gao Shou

Combining its technical advantages in the field of TCM for cough treatment and phlegm reduction, Pan Gao Shou first advocates "specific medicine for classified cough treatment" and puts forward an innovative marketing management model of "integration of three value chains of consumers, chain stores, and drug manufacturers, and professional empowerment of chain stores and consumers". Taking opportunities of the "new Chinese style" trend to explore the healthcare appeals of young people nowadays, Pan Gao Shou organically combines the brand culture of "longevity and health" with traditional diets and healthcare culture, creating healthy food full of Chinese style and empower the development of time-honored brands. Pan Gao Shou, with its typical practices and outstanding achievements in brand, cultural, and marketing innovation, has been selected as an honest and innovative case of China's time-honored brands by the Ministry of Commerce.

HWBYS

A Tik Tok challenge was launched with the theme of "Preventing colds". The connection of "emotions" and "sceneries" and innovative playing such as stickers full of product characteristics and creative and novel interactions attracted influencers and users to participate and guide users and consumers to share the "stories of model workers around". The purpose is to further close the gap with young consumers, stimulate users' awareness of TCM culture, and spread the concept of fashionable and young TCM.

Case

Wanglaoji iSEE Excellent Business Practice Award

On May 14, 2023, the 5th iSEE Awarding Ceremony was held in Shanghai Convention and Exhibition Center of International Sourcing. WLJ won the Excellent Business Practice Award for enterprises for its WLJ surname totem. Keeping an open and innovative attitude, WLJ has tapped into the ancestor culture behind Chinese surnames. The company joined hands with Wang Dayou, a master of surname research, to trace the history of 100 surnames, define the meanings of 100 surnames with Chinese totem elements, and upgrade the surname jar to WLJ surname totem with 115 surnames in total. As a result, WLJ has grew the symbolic significance of brand culture and contributed to a phenomenal cultural marketing case.

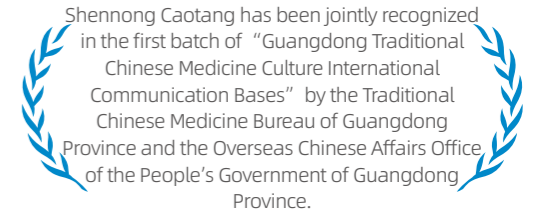


Read More

WLJ, thanks to its high-quality cases and precise insights into consumer demands, was awarded the title of "Best Annual Social Media Marketing Brand" at the 11th TopDigital Innovation Marketing Award, the Social Marketing Gold Award through the marketing case of "Ci Ning Ji Taking Advantage of High in Vitamin C and Hot Topics To Be Widely Known", the IP Marketing Gold Award through the marketing case of "WLJ x Honor of Kings - Don't Be Afraid of Excessive Internal Heat, Be the King of Summer", and the Gold Award in Integrated Marketing of Food and Beverage Industry through the marketing case of "Customized Can for College Entrance Examination: Creating Scenes Is Better than Pursuing Hot Topics".

Upholding health idea

Committed to "carrying forward TCM culture and spreading TCM knowledge", we are aimed at constructing TCM culture communication platforms to protect, explore, develop and carry forward TCM culture, and eventually making strides in promoting TCM industry.



Guests of Chinese Language Press Institute Annual Conference visit Shennong Caotang

Case

On November 28, 2023, guests of Chinese Language Press Institute Annual Conference visited Shennong Caotang to learn about TCM culture. The Chinese Language Press Institute Annual Conference brought together more than 30 mainstream media leaders, experts and scholars, heads of relevant departments and other representatives from Chinese mainland, Hong Kong, Macao, Taiwan, Singapore, Thailand, Malaysia, Indonesia, Korea and the United States. They visited Shennong Caotang where TCM elements feasted their eyes. The TCM culture, as a cultural bond, is spreading far and wide beyond China to the world stage.

Guangzhou Primary and Secondary School Labor Practice Group steps into Cai Zhi Lin TCM Culture Museum

Case

On March 11, 2023, a labor practice group with near 100 students from primary and secondary schools in Guangzhou walked into Cai Zhi Lin TCM Culture Museum. The students there learned about Chinese herbal medicine and TCM culture, and witnessed the skills of this intangible cultural heritage, feeling the profoundness of TCM culture. The students came into close contact with various TCM plants, learned to distinguish medicines, tried to dig cinnamon, cut Astragalus membranaceus and other traditional processing skills in Guangdong. They experienced pharmaceutical work under the guidance of their teachers.

Students learn about TCM culture

Ethics and Transparency

Challenges and Opportunities

Facilitating anti-corruption efforts in the pharmaceutical sector is an integral part of driving the high-quality development of the industry. In 2023, the anti-corruption campaign unfolded across the entire pharmaceutical industry, with a focus on key individuals and critical positions. This has led to the establishment of a comprehensive governance model, where pivotal areas such as drug production, distribution, and the supply of medical equipment are subjected to increasingly stringent monitoring, thus ensuring transparency and fairness throughout the industry. What's more, it has evolved into a normalized management approach to promote the overall healthy development of the pharmaceutical sector.

Our Actions

We place high importance on transparent business ethics practices. We strictly adhere to the ethical and moral principles to ensure patients' medication safety. By further enhancing product quality, business ethics, and operational transparency, and actively engaging in anti-corruption and anti-bribery training, we collaborate with the value chains, supply chains and partners to build a business ecosystem that is characterized by integrity, transparency, and compliance, striving to earn trust and respect from various sectors of society.

9,378.60 **117**

Total anti-corruption training hours of employees

Total anti-corruption training hour for board members

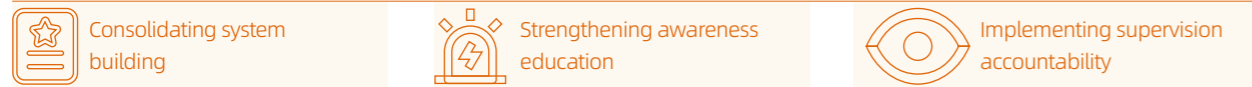


Business Ethics

We have always adhered to the code of business ethics and complied with market rules and relevant laws and regulations. Employees are forbidden to engage in any unfair competition or actions that are detrimental to customers, suppliers, partners, social interests, and other stakeholders. By enhancing the corruption risk management and supervision system, and optimizing reporting channels, we have been implementing the concept of responsible marketing.

Anti-corruption and anti-bribery

We have taken preventive measures to promote efforts against corruption, money laundering, and bribery. With rigorous implementation of reporting mechanisms and whistleblower protection programs, we strengthen employees' awareness of integrity and self-discipline, and continuously enhance the Company's anti-corruption capabilities.



We have made explicit requirements for employees, suppliers, and partners regarding their ethical conduct, maintaining zero tolerance for any forms of corruption and bribery. We organize the signature of the *Supervision Responsibilities for Party Conduct and Government Integrity*; designate department as the representative to sign *Clean Employment Commitment at multiple levels and sign Anti-commercial Bribery Agreement* with customer. Moreover, we continually optimize the management system and system building in response to changes in regulatory laws and regulations.

We routinely conduct specialized awareness education for leaders and cadres on legal risk prevention and organize attendance at court hearings for cases involving duty crimes. In this way, we aim to urge Party organizations at all levels to identify, analyze, and solve problems by applying typical cases, maximizing the effect of education and conduct improvement through real cases. A total of 2,269 individuals have participated in the training sessions.

We emphasizing a systemic approach, and follow the strategy of integrating punishment, governance, and prevention, strictly enforcing discipline and accountability to enhance deterrence. Through the collaboration of supervisory forces at two levels, we facilitate the communication of various supervisory information, transfer of clues, coordination of measures, and sharing of achievements. This has significantly propelled several subordinate disciplinary institutions to achieve a breakthrough with "zero" case handling.

Integrity Construction

8 relevant plans
28 guidelines formulated and implemented

5 Thematic strategic meetings held

According to the Implementation Regulations on the Responsibility System for Party Conduct and Government Integrity Construction, we have established a leadership group for Party conduct and government integrity to further implement related work. Through daily publicity and integrity and compliance training, we continue to create an honest working atmosphere, actively implement daily education, continuously broaden the depth of education, and comprehensively and strictly govern the Party.

Guangyao corporate culture series activities

We organize exhibition of calligraphy, painting, and photography works on integrity culture. 7 outstanding works have entered the preliminary round of the Guangdong corporate stories among state-owned enterprises, and 3 have been selected for the "Precious Antiques" collection exhibited by Guangzhou discipline inspection commission. 9 articles have been published in provincial-level and above media such as "State-owned Enterprise Clean Governance" and "Guangdong State-owned Enterprise Discipline Inspection and Supervision Research". Ideological education has been integrated in the entire process of team building and management.

Strengthening the supervision team

To address the needs of disciplinary inspection and supervision team building and the weaknesses of disciplinary inspection and supervision institutions of subsidiaries, we conduct 4 specialized training sessions, focusing on enhancing practical capabilities. 19 disciplinary inspection cadres have been selected to participate in on-the-job training at the higher-level discipline inspection commission, with a cumulative total of over 200 participants.

Reporting and whistleblower protection

We keep optimizing our supervision methods to build and improve a 3D complaint letter treatment system of "letter, visit, call, and Internet". Public feedback is collected from various channels by dedicated personnel and lines and is quickly approved and processed through our disciplinary inspection and supervision management system, achieving real-time updates on the investigation progress. We timely report investigation results and feedback to informers.

Reporting Channels

E-mail:
jjjcs@gpc.com.cn

Telephone:
020-66281222

Visit and Letter:
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, 45 North Shamian Street, Liwan District, Guangzhou City
(Recipient: Discipline Inspection and Supervision Office; Postal Code: 510130)

Online:
Clean Guangyao WeChat official account

We strictly implement the relevant system for reports and complaints, keep the identity and reporting matters of the informer confidential, and prohibit the disclosure of informer information and reporting content. The Company clarifies to strictly forwarding the report materials to the units and person being reported against or irrelevant units and individuals. The Company shall take appropriate ways to contact the whistleblowers and verify the situation without revealing the identity of whistleblowers.

We strictly forbid any form of retaliation against informers. In case of real-name whistleblowers being subjected to retaliation, we, in accordance with relevant regulations, will safeguard their legitimate rights and interests and personal and property security, and investigate and punish the conducts of retaliation, including but not limited to dismissal, termination of labor contracts, and referral to judicial authorities



Responsible marketing

58 Conducting responsible marketing

We strictly comply with the Advertising Law of the People's Republic of China, Medicinal Product Administration Law of the People's Republic of China, Provisions on the Administration of Pharmaceutical Directions and Labels and other laws and regulations. We carry out our product distribution in accordance with the Ethical Criteria for Medicinal Drug Promotion of World Health Organization (WHO) and formulate internal guidelines such as External Information Release Guideline of the Company to ensure the objectivity and authenticity of advertising, drug instructions and relevant publicity material. We hold medical knowledge training and assessment for medicine salesmen at regular intervals, avoiding any false or misleading publicity.

Conducting responsible marketing training

We offer overall marketing training to subsidiaries, employ professional lawyers every year to interpret latest policies, laws, and regulations, and cooperate with a third-party institution to implement the training about e-commerce and brand.



Formulating marketing audit mechanism

We audit the publicity and marketing promotion contents involving the Company and brand, so as to ensure the contents conform to laws and regulations.

Compliance Management

We continue to promote the in-depth construction of the compliance management system for comprehensively strengthened compliance management, and improve our level of lawful and compliant operation and management. Basic compliance management system and compliance review system are formulated and implemented according to the Measures on the Compliance Management of Central Enterprises, the Measures on the Compliance Management of Guangdong Provincial Enterprises, and the Measures on the Compliance Management of Enterprises by Guangzhou State-owned Assets Supervision and Administration Commission, so as to promote lawful and compliant operations.

Operation as per laws and regulations

We abide by various national laws and regulations in good faith. The Legal Affairs Department, the Secretariat to the Company and Risk Control Office are responsible for the compliance construction of the headquarters and subsidiaries. Adhering to the concept of "compliance being everyone's responsibility and creating value", we regularly carry out legal compliance audits, actively conduct legal compliance training, and continuously improve the compliance awareness and conscious actions of employees, creating a compliance atmosphere of external operation by the law and internal operation by compliance.

Establish Compliance management system

Combined with the actual operation and development of the company and its subsidiaries, we have embedded compliance requirements in all areas and aspects of operation and management, carried out the entire process of decision-making, implementation and supervision, enhanced the operability and effectiveness of the compliance management system, and made full use of information technology to improve the effectiveness of management.



Legal risk management

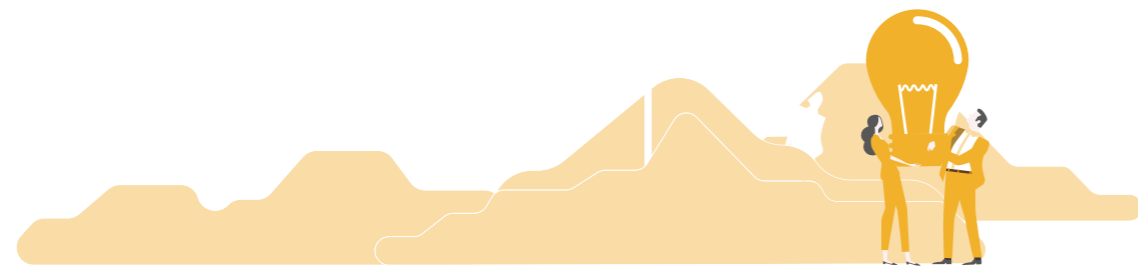
We have been implementing project demonstration meetings to prevent legal risks. Through reviewing large-sum economic contracts, we further advance contract approval, evaluate contract legal risks, put forward preventive measures and opinions and make legal risk management beforehand.

Active compliance reviews

We conduct compliance reviews on the Company's significant decisions, the formulation, modification, and abolition of normative documents and economic contracts, and major project operations and other matters that may significantly affect the Company's operation and management. The aim is to ensure effective prevention of compliance risks by identifying and alerting compliance risks and proposing prevention and control measures or suggestions.

Legal training and publicity activity

We organize the theme training activities on various laws and regulations and invite external experts to participate in the legal training sessions. By combining the legal publicity with the public benefit activity of expired household drug recycling, we popularize legal knowledge to the public.



Information security and management

We conduct in-depth information security awareness education, and have strengthened protective measures for critical data, systems, and applications to enhance various aspects of information security work. Fully grasping advanced information security technologies and management methods, we actively respond to various network attacks and risks, safeguarding the security defense line of the Company.

In line with Guangzhou Network Security Coordination Mechanism and following the Guidelines of Network Data Security in Guangzhou, we have developed the network data security management system with self-inspection conducted, and formulated emergency plans for each information system.

Fulfilling the main responsibility for safety management

Enhancing the development of information system networks

Launching the Network Security Awareness Week

We actively promote the demonstration and approval of air-conditioning scheme for the data center, the demonstration and preparation of the antivirus software and desktop terminal management, and the preparation of optimizing the high availability of the office area network. We have completed the project approval and selection of information systems for the second-level protection of the network.

We enhance employees' awareness through posting publicity posters and releasing educational videos on the Company's OA system for all staff to learn. We give lectures on data security regulations, hold training sessions on network security, organize employees to watch security education videos, and organize network security knowledge quizzes to enhance employees' security awareness.

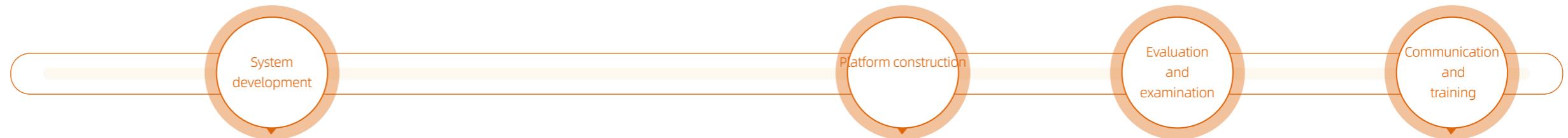
Responsible Supply Chain

We attach great importance to supply chain management. We have enhanced the resilience and risk resistance of the supply chain by establishing a centralized procurement platform and improving the supplier management system. To ensure the stability of the supply chain, we continuously promote its transparency, process optimization, and lean management. By establishing and maintaining a robust and sustainable supply chain, we guarantee the quality and safety of the raw materials supply.

Supplier management

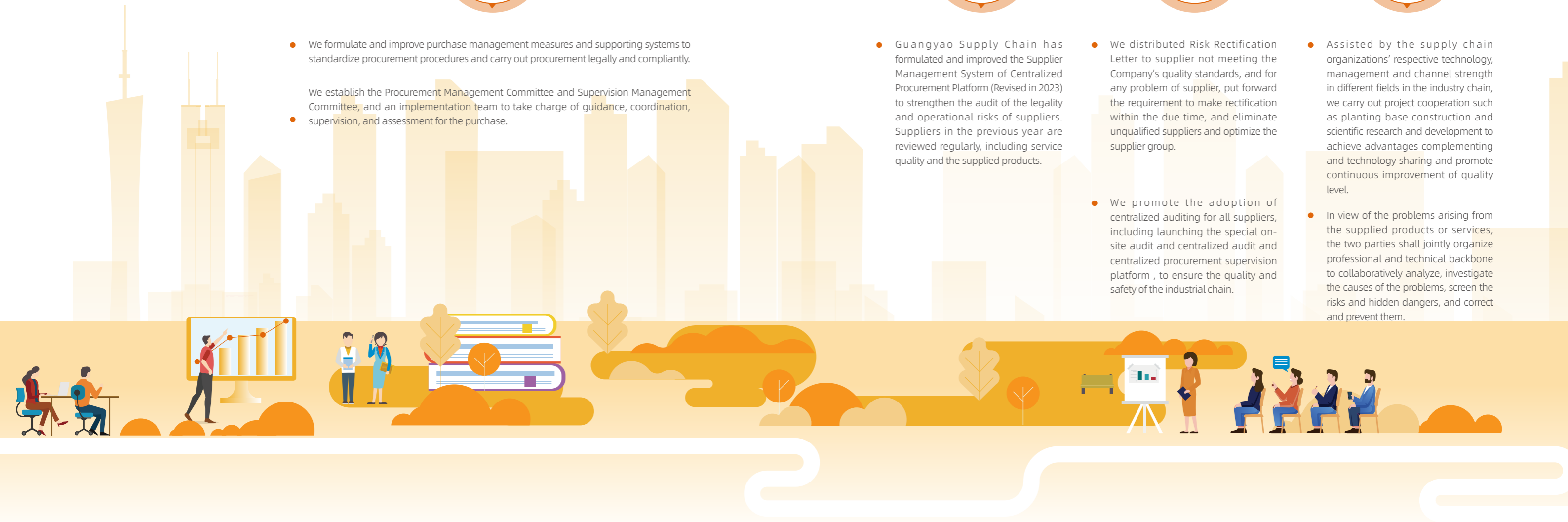
We abide by relevant national and local laws and regulations in good faith and formulate the Measures for Supplier Management. We achieve the control of suppliers access management and qualification by establishing a complete procurement and supply management system, and implement quality assessment and assurance, carry out performance evaluation and auditing, realize the standardized control of the whole process from access to withdrawal of suppliers, and continuously improve the overall level of suppliers.

- We establish a comprehensive centralized purchasing platform, which implements standardized, informatized and intensive operations. The operation of the centralized procurement platform is safe and reliable, the quality of supply is stable and suppliers are performing well.
- Verify suppliers' qualification documents (e.g. business license), management documents (e.g. financial, qualification certificates, quality, environment, safety, occupational health), and ability documents (e.g. performance, social credibility). to ensure that the suppliers are reliable.
- We holding regular meetings on material quality, sharing market dynamics with suppliers, communicating and following up on supply output, quality, service and other requirements, and listening to supplier feedback and opinions.
- Centralized procurement activities follow the principles of "openness, fairness and impartiality" to build a supervision system that combines internal and external, up and down to prevent integrity risks and improve operational efficiency.
- Regularly conduct supplier assessments, based on the assessment results, we formulate a grading management plan, which divides suppliers into excellent, qualified, auxiliary and unqualified ones, to intensify supplier "blacklist" management.
- We carry out suppliers training on a regular basis to improve their performance in product safety and quality, environmental protection and work safety systems, Socio-environmental risk prevention, ESG management and practice.



- We formulate and improve purchase management measures and supporting systems to standardize procurement procedures and carry out procurement legally and compliantly.
- We establish the Procurement Management Committee and Supervision Management Committee, and an implementation team to take charge of guidance, coordination, supervision, and assessment for the purchase.

- Guangyao Supply Chain has formulated and improved the Supplier Management System of Centralized Procurement Platform (Revised in 2023) to strengthen the audit of the legality and operational risks of suppliers. Suppliers in the previous year are reviewed regularly, including service quality and the supplied products.
- We distributed Risk Rectification Letter to supplier not meeting the Company's quality standards, and for any problem of supplier, put forward the requirement to make rectification within the due time, and eliminate unqualified suppliers and optimize the supplier group.
- We promote the adoption of centralized auditing for all suppliers, including launching the special on-site audit and centralized audit and centralized procurement supervision platform, to ensure the quality and safety of the industrial chain.
- Assisted by the supply chain organizations' respective technology, management and channel strength in different fields in the industry chain, we carry out project cooperation such as planting base construction and scientific research and development to achieve advantages complementing and technology sharing and promote continuous improvement of quality level.
- In view of the problems arising from the supplied products or services, the two parties shall jointly organize professional and technical backbone to collaboratively analyze, investigate the causes of the problems, screen the risks and hidden dangers, and correct and prevent them.



Supply chain risk prevention

We pay great attention to supply chain risk prevention by effectively identifying and managing risks in the supply chain and social risks, continuously enhancing supply chain resilience and elasticity, improving supply chain contingency plans, actively promoting green procurement, eliminating corruption and commercial bribery, and building a responsible and sustainable supply chain to safeguard our production safety and product quality.

We conduct regular suppliers listings regularly, and carry out the qualified supplier reservation in time for key materials with the risk of instability. GPC Supply Chain Company actively cooperates with relevant subsidiaries to carry out the filing of new qualified suppliers. In 2023, we completed the filing of a total of 95 new suppliers to effectively prevent the risk of untimely delivery.

By establishing plantation base management system of Chinese medicinal materials, as well as the GAP production management cloud platform system of Chinese medicinal materials, we can keep an eye on the production of the base and information, so as to guarantee the scientific and normative production of Chinese medicinal materials and the supply quality of key Chinese medicinal materials.



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

We improve supply chain emergency plan and reserve more materials in good harvest year, and co-ordinate the effective linkage of the procurement, storage, transportation and sales of medicines to ensure the smooth operation of all links and to effectively deal with the instability of the supply chain due to the physical risks of climate change.

Standardizing procurement practices for projects outside of pooled procurement, establishing a list of guidelines for procurement methods for service, information, material procurement and engineering projects, implementing sunshine procurement policies and systems, and strengthening special supervision and inspection of "sunshine procurement".

We follow up and get informed of suppliers' business operation and social and environmental risk timely through the third-party information platform (e.g. TianYanCha.com) to require suppliers to be compliant in terms of environmental protection, emissions, and production sites, and we sign integrity commitments with all suppliers to prevent integrity risks.

Medical Ethics

Clinical trial transparency

We comply with laws and regulations on clinical trial such as the Good Clinical Practice and Declaration of Helsinki. We follow the relevant ethical policies of clinical test and make rules of conduct for R&D personnel to regulate their moral conduct. We record and publicize clinical trial information and progress as required. After achieving phased progress in research, clinical trial results will be objectively and truthfully disclosed in accordance with regulatory authorities and the Company's relevant regulations.

Animal welfare protection

We strictly abide by the animal ethics policies and relevant regulations on the protection of animal welfare, and practice several management policies, such as the *Ethical Review Procedures for Laboratory Animal and the Principles of Ethical Review for Laboratory Animal*. By establishing Laboratory Animal Management Committee and Laboratory Animal Ethics Committee, we formulate and refine the articles and relevant regulatory documents, to safeguard animal welfare and prevent unnecessary harm to experimental animals during the production and trading of laboratory animals and pre-clinical animal experiments. We review and supervise animal experiments to ensure that all research involving animals conform to the relevant regulations of laboratory animal management.



Possessing full accreditation from AAALAC International

Having legitimate licenses for experimental animal production and usage approved by Department of Science and Technology of Guangdong Province.

Possessing the only National Canine Laboratory Animal Resource Center in China, the National Canine Laboratory Animal Seed Center and the leading Laboratory Beagle Breeding Base in China.

Environmental Protection

Challenges and Opportunities

Addressing climate change and promoting green and high-quality development have increasingly become a consensus across the society. In June 2023, the International Sustainability Standards Board (ISSB) released IFRS S2 Climate-related Disclosures in succession to the work of the Task Force on Climate-Related Financial Disclosure (TCFD) to further standardize climate-related information disclosure. In December 2023, the COP28 reached an agreement for the first time on transitioning away from fossil fuels, which demonstrated the global resolve to strengthen climate adaptability and resilience and to accelerate the transition from traditional energy to more clean energy sources. Against the backdrop of China's "30·60 Decarbonization Goal", it's helpful yet challenging for enterprises to timely adjust energy consumption structure, promote cleaner production and accelerate low-carbon transition.

Our Actions

Following the green development philosophy, we further implemented the idea of "lucid waters and lush mountains are invaluable assets". Guided by IFRS S2, we readjusted our goals and indicators with a result-oriented approach and further reduced GHG emissions, mitigating the impact of climate change. At the same time, we carried out such practices as energy conservation, emissions reduction, biodiversity conservation and green education to help foster harmony between human and nature.

GHG emission intensity

0.12 t/RMB 10,000

Comprehensive energy consumption intensity

0.42 MWh/RMB 1000

Water consumption intensity

2.01 t/RMB 10,000

Non-hazardous waste emission density

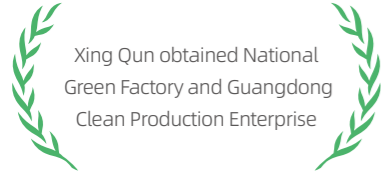
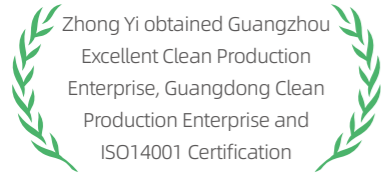
20.61 kg/RMB 10,000

Hazardous waste emission density

0.42 kg/RMB 10,000



Better Environmental Management



We put environmental protection before everything else and embed environmental and resource conservation into every aspect of our business. We strictly abide by such laws as the *Environmental Protection Law of the People's Republic of China and Law of the People's Republic of China on Environmental Impact Assessment*. We have also established internal environmental control systems such as the *GYBYS Environmental Protection (Control) System*, systems for environmental emergency plans and environmental protection self-inspection and supervision, etc. At the moment, GYBYS and many of its subsidiaries have passed ISO14001, which marks our improved environmental control.

Baiyunshan Han Fang

Baiyunshan Han Fang has made medium-, long-term and annual environmental action plans in seven respects: environmental control, product environmental friendliness, GHG effect prevention, resources recycling, chemical substance management, ecological conservation and stakeholder environmental cooperation.

Zhong Yi

To make full use the roof space of factory buildings, Zhong Yi has established a distributed PV system, which supplies supplementary electricity to the company. By introducing chilled water storage technology and building efficient water storage system, Zhong Yi has helped stabilize power grids, contributing to low-carbon development.

Xing Qun

To drive innovation in energy conservation, Xing Qun has invested RMB 1.19 million in renovating its air-conditioning system. After the renovation, the energy-saving efficiency has increased by 50.7%, with less natural gas use through the optimization of boilers. Xing Qun is committed to addressing climate change and reducing GHG emissions in years to come.

Response to Climate Change

Climate change is one of the global issues human faces. China has incorporated the goals of carbon peaking and carbon neutrality into the overall layout of building an ecological civilization. In response to China's 30-60 decarbonization goal, we have set relevant targets and indicators to facilitate the goals after analyzing risks and opportunities with reference to disclosure standard of ISSB.

Addressing risks

With reference to the disclosure standard and suggestions of ISSB, we have analyzed climate change risks. By identifying and adapting to the physical and transition risks brought by climate change and formulating control measures, we hope to mitigate the possible impact of climate change on our business.

Risk control

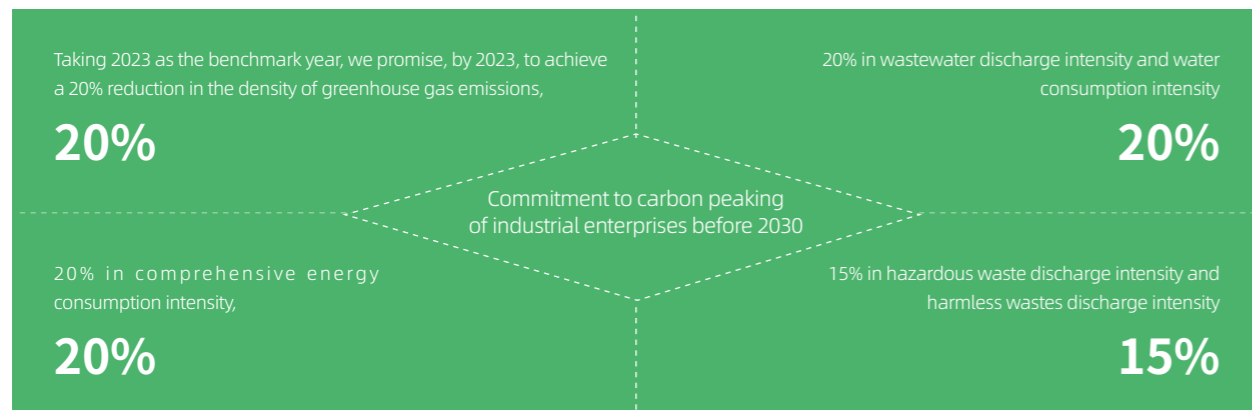
Risk category	Major risks and impacts	Risk impact	Risk impact Time
Physical risks	Acute risks	An increase in extreme weathers due to climate change may cause damage to business buildings, facilities and equipment, projects and others, resulting in higher maintenance costs. Furthermore, floods and typhoons are risks to employee safety, therefore employee premiums may also increase. Extreme weathers may also disrupt the supply chain, affecting the stability of raw material supply and product delivery.	Medium term (3-10 years)
	Chronic risks	Climate change results in rising temperatures. Yet pharmaceutical production and storage necessitate relatively low temperatures, which leads to more energy consumption and costs. The worsening climate change contributes to water scarcity, increasing our operational costs in water-scarce areas. Rising sea levels pose a threat to business buildings.	Long term (10-30 years)
Transition risks	Policy and legal risks	1) Requirement and regulatory risks: In the context of "30 · 60 decarbonization goal" for energy use, several provinces and cities have released plans for carbon peaking, map out green actions and launch carbon-trading pilot programs, living up to corporate green requirements. This is expected to impact our energy use and expenditures, requiring a faster energy mix transition to more energy structure. In terms of medicinal herbs cultivation, the Company's expansion of cultivation scale may be limited due to government commitments to curbing deforestation and land degradation, affecting medicinal herb yields and supply. In terms of the supply chain, as China accelerates building a green circular economy along with the issuance of increasingly stringent rules and policies, the Company may face stricter requirements for responsible and sustainable sourcing in its medicinal herb supply chain.	Medium term (3-10 years)
		2) Litigation risks: When corporate emissions result in climate change and losses, or when investment decisions exclude the deliberation of climate risks and fail in information disclosure, which harms the benefits of investors, businesses will face the risk of litigation filed by investors or customers.	Short term (1-3 years)
	Technical risk	To tackle climate change, the Company has shored up research on low-carbon technologies. Soaring research expenses will lead to rising operating costs.	Medium term (3-10 years)
	Market risk	Consumers now prefer greener and healthier products, placing higher demands on the quality of our health products and services. In addition, the focus on biodiversity conservation requires us to achieve a win-win result for both traditional Chinese medicine and wildlife protection. If we fail to adapt to market changes and meet customer needs, our business, financial situation and operating performance may face severe adverse effects.	Medium term (3-10 years)
Reputation risk	With growing stakeholder concern about climate issues, insufficient disclosure of the Company's carbon neutrality goals and data, or inadequate carbon management leading to increased emissions, could have adverse effects on the its reputation.	Medium term (3-10 years)	

Opportunity category	Opportunity impact	Impact duration
Resource use efficiency	By developing new technologies such as intelligent energy management system, the Company can improve energy efficiency and reduce carbon emissions reduction costs.	Medium term (3-10 years)
Energy sources	To reduce carbon emissions, the Company will scale up clean energy use, reduce use of fossil fuels, develop new energy sources such as photovoltaic power generation, and optimize the energy structure.	Medium term (3-10 years)
Products and services	The Company will develop, produce and sell medicines that treat new diseases and meet consumer preferences. Innovation in and development of low-carbon products and services are helpful for the Company to build up competitive edge and enhance profitability.	Medium term (3-10 years)
Market	New diseases may break out because of climate change, leading to an increase in drug demand. Only by grasping the opportunities in climate change and meeting the changing market demand can businesses effect diversified operations and serve China's transition to a low-carbon economy.	Medium term (3-10 years)

Objectives and commitments

Placing environmental responsibility in an important strategic position, we actively use advanced technological means to improve production and operation, continuously optimize production processes, improve energy utilization, and strive to promote subsidiaries to carry out clean energy transformation, save energy, reduce consumption, and prevent and control pollution.

We respond to the "30-60 decarbonization goal" by actively and orderly carrying out related work, formulating the Company's related action plans as soon as possible, clarifying emission reduction goals, tasks, and transformation paths, striving to reduce the carbon emissions intensity in production and operation, and promoting subsidiaries to conduct carbon investigation.



Enhancing climate resilience

We insist on conserving energy and reducing emissions in production and experiments, and arrange subsidiaries to reduce GHG emissions based on their own situations, thus helping enhance climate resilience.

In 2023, we actively researched paths for carbon reductions, explored environmentally friendly technologies, optimized and improved production processes, conducted in-depth research on the recycling of wasted herb residues, and innovatively discussed the conversion of herb residues into paper products. According to calculations in research, paper made from herb residues will reduce energy consumption by more than 20%, waste emissions by 50%, and deforestation from the source of materials. Meanwhile, technological upgrades and innovations achieved in paper production processes will reduce the impact of commercial activities on the environment.

Zhong Yi

Zhong Yi has formulated the *Carbon Peaking and Carbon Neutrality Pilot Construction Plan* and *2023 Energy Conservation Plan*, and has established an energy conservation responsibility system to decompose its conservation targets for major energy consumption departments and regions, with regular assessments conducted to ensure the targets are fulfilled. An energy management system has taken shape within the company to collect, transmit, analyze and dynamically monitor energy data. The system has contributed to the refined management of all kinds of energy from the technical and management aspects, improving energy utilization and further reducing GHG emissions.

Xing Zhu

On the premise of ensuring energy security, we take communal heating as the main direction and strictly control and gradually reduce natural gas consumption. We vigorously promote a "three-transformation linkage" of energy-saving and carbon reduction, flexibility, and heating transformations to actively and orderly develop new energy, build a boiler system with communal heating as the main source and natural gas and biomass as the supplement, as well as a clean, low-carbon, safe and efficient energy system to reduce direct greenhouse gas emissions. We also conduct energy management plans and fully implement the strategy of prioritizing energy conservation to accelerate the improvement of energy utilization and continue to promote energy-saving in workshop production, fully reducing carbon through energy conservation and efficiency improvement. Enabled video conferencing system achieves face-to-face, cross-regional, and cross-time communications between employees and customers, cutting down on travel, and reducing indirect emissions such as car exhausts.

Shennong Caotang

Shennong Caotang leverages the advantages of southern TCM resources to promote sustainable utilization and development, including increasing the introduction of southern TCM planting resources, building a database of specialized plant exhibition gardens for southern TCM, plant introduction and conservation, R&D on planting technologies, development of great health products, and driving front-end planting and protection by using market-oriented scientific payoffs. In 2023, Shennong Caotang was selected in the first batch of specialized botanical gardens that integrate cities and South China national botanical gardens, promoting the close combination of Lingnan TCM protection and innovative development with ecological construction, and the transformation of southern TCM resource advantages into ecological advantages.



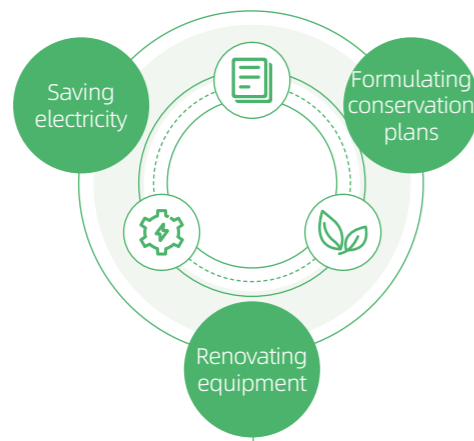
Energy Conservation and Emissions Reduction

Energy management

Committed to the green operation philosophy, we strive to improve energy management, water resource management, packaging materials use, waste gas management, waste management and noise management by means of equipment renewal, technology upgrading and recycling, facilitating energy conservation and emissions reduction.

We highlight the role of technology in energy conservation and green transition. With advanced technologies, we aim to improve energy efficiency, reduce the use of traditional fossil fuels such as coal and oil, and eventually accelerate energy transformation.

Our chemical pharmaceutical factory adopts CQi Smart Electricity Safety Management System to control three 255kW air-conditioning chillers, saving about 132,000 kWh of electricity each year, with 19.88% of power saving rate. A 45kW roots blower is monitored by the variable frequency control system, saving 97,200 kWh of electricity each year, with 30% of power saving rate.



Zhong Yi has formulated the 2023 Energy Conservation Plan. It has established a responsibility system to decompose its conservation targets, and conducts regular energy consumption quota assessment with rewards and punishment system. A complete set of energy management system has been built to collect, transmit, analyze and dynamically monitor energy data. It helps realize the refined management of various energy sources, improve energy utilization and contribute to energy conservation and consumption reduction.

Tian Xin has renovated its old water chillers. The renovation has significantly improved the cooling capacity per unit time and the startup time of the chillers, saving up to 330,000 kWh of electricity within the same production time.

Water resources management

We carry out all-round water resource management and urge subsidiaries for water utilization. We intensify efforts to monitor and improve the water condition in places where our Chinese herbal medicines are planted. We endeavor to reduce water consumption and wastewater discharge and promote water recycling



Chen Li Ji has introduced a coating process pre-treatment facility in its wastewater treatment system. This facility specifically treats the high-concentration wastewater from the coating workshop, effectively reducing the foam content in the original wastewater treatment system. The COD value at the overall discharge outlet has also decreased from 250 mg/L to 150 mg/L.

Use of packaging materials

Following the green packaging idea, we make every effort to minimize the adverse impact of traditional packaging materials and methods on the environment. By using environmentally friendly packaging materials and adopting reducing and recycling methods, we aim to reduce resource consumption and pollution to the environment.

Bai Di Biological uses customized packaging boxes compatible to product sizes to improve utilization of packaging boxes. The original packaging box without such identifiers as batch number can be reused in case of customer need to replace the box before delivery.



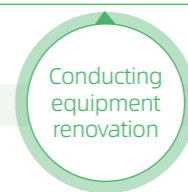
Wang Lao Ji replaces its paper transfer boxes with recyclable plastic ones, reducing about 30,000 scrapped transfer boxes throughout the year and significantly reducing the energy consumption for packaging production and the storage capacity for packaging materials. The plastic bottles to contain Baoji Pills are replaced with strip bags to reduce the use of plastic bottle caps. The aluminum cover of Baoji Oral Liquid is replaced with aluminum-plastic combined cover to reduce pollution.



Tian Xin has effectively reduced the water evaporation and replenishment by renovating its old cooling towers. During normal production, the monthly water replenishment for cooling towers has reduced by 1500 to 2000 m³. In addition, the company has launched a water appliance renovation project, replacing 103 mechanical faucets in plant area with electronic induction faucets. The new faucets, as flow-restricting devices, are expected to save 1500 liters of water per working day.



To enhance management of sewage stations, Jing Xiu Tang has brought in bacterial culture to improve its sewage treatment capacity, reducing chemical oxygen demand and ammonia nitrogen emissions.




Tian Xin has installed low-nitrogen boilers that can help reduce 0.95 tons of nitrogen oxide emissions each year. Furthermore, the company has upgraded the reclaimed water filtration system and cooling towers to raise reclaimed water utilization, reducing wastewater discharge by 59,700 tons.



Waste gas management

We strictly abide by national waste gas emission standards and require subsidiaries to conduct waste gas management. We have introduced waste gas treatment devices and optimized our production and technical processes, in a bid to guarantee limited waste gas emissions and reduce its impact on the environment.



Chen Li ji has introduced two sets of lab-oriented waste gas treatment devices. The organic waste gas generated from the experiment is collected by a fume hood, treated by the combination of high-efficiency spray tower, dry filter and activated carbon adsorption device, and eventually discharged through the exhaust pipe on the roof by the flue of the building. The treatment devices can effectively reduce the pungent odor generated from the experiment, and reduce pollutants such as VOCs, hydrogen chloride, sulfuric acid mist, nitric acid mist, ammonia and odor, so that our waste gas emissions can meet the national standards and be approved by Guangzhou Municipal Ecological Environment Bureau.

Waste management

Following the requirements of Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Wastes, we have formulated our own solid waste management rules and ask subsidiaries to conduct general waste and harmful waste control to help build a "zero-waste city".

- Declaring "zero-waste factory"**
Chen Li ji held internal training activities and tests for all employees, in order to raise their waste management awareness and standardize solid waste management. In response to the campaign of building Guangzhou into a "zero-waste city", the company submitted the construction materials of its "zero-waste factory" to declare this honorary title.
- Establishing management system**
Jing Xiu Tang has formulated *Solid Waste Management System, Responsibility System for Prevention and Control of Hazardous Waste Pollution*, etc. It vigorously carries out clean production activities and technological transformation to reduce the consumption of packaging materials.
- Conducting waste sorting**
Tian Xin stores its solid wastes generated from the pharmaceutical process, such as plastic and packaging wastes, in the temporary solid waste dump in the factory area. After manual waste sorting, the wastes are handed over to licensed waste treatment units with hazardous waste treatment qualification.

Noise management

- Upgrading noise reduction equipment**
Baiyunshan General Factory installs high-standard roots blower and each wind turbine is equipped with a high-efficiency muffler, which is filled with high-quality sound-absorbing materials for primary noise reduction. For fan rooms, soundproof doors and double-layer glass windows are installed for secondary noise reduction.
- Renovating air compression system**
Chen Li Ji has invested RMB 1 million to comprehensively upgrade its air compression system, replacing old air cooling equipment with water cooling equipment, which greatly reduces noise and waste gas emissions and save tremendous energy at the same time.

Advocate for the Philosophy of Environmental Protection

By rolling out environmental protection education, we endeavor to pass on the idea of energy conservation and environmental protection within the Company and across the society. We hope to enhance everyone's environmental protection awareness and together build a green society.

Pan Gao Shou joins hands with well-known chain pharmacies to launch "Earth Day" green public welfare activities

Case

On April 22, the 54th Earth Day, Pan Gao Shou rolled out series activities in cooperation with several famous chain pharmacies such as Nepstar Drugstore, Pingjia Pharmacy, LBX Pharmacy, Xiaolin Pharmacy, Jian Zhi jia Drugstore and Sifang Baixin Pharmacy. The activities included "hand-painted canvas bags", "walking and scavenging", "cough classification challenge", etc. The "Earth Day" events featured lung care with green education, aimed at raise the environmental protection awareness of the public and protecting the earth's ecology with every resident.



Pan Gao Shou joins hands with well-known chain pharmacies to launch "Earth Day" green public welfare activities.

Ming Xing Communist Youth League members conduct volunteer service to save and protect water

Case

On March 23, on the occasion of "World Water Day", in order to strengthen people's awareness of water conservation, Ming Xing gathered its Communist Youth League members to carry out water saving and river protection volunteer service. The volunteers cleaned up the garbage and sundries along the river and in the green belt, as well as sorting the waste. They gave out leaflets to communicate the idea of water conservation and river protection so as to raise the local awareness. They said that the volunteer service not only made rivers cleaner, but further communicated the green idea, contributing to more lucid waters and better life.

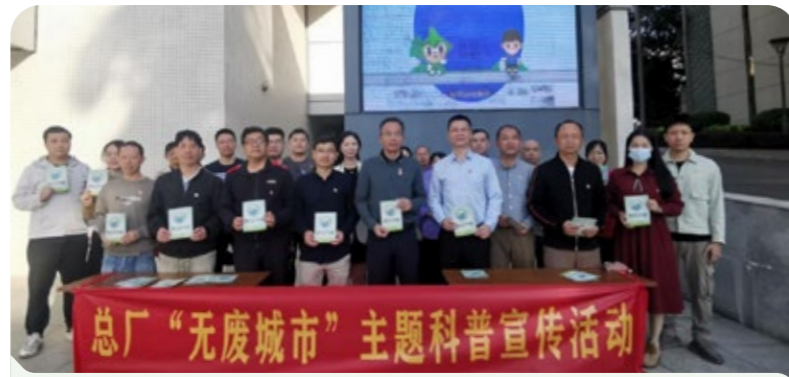


Ming Xing conducts volunteer service to save water and protect river.

Baiyunshan General Factory launches a "zero-waste city" publicity campaign

Case

On November 21, to respond to the spirit of Guangzhou Zero-waste City Pilot Construction Plan and Guangzhou Zero-waste Cell Construction Guideline (Trial), Baiyunshan General Factory initiated a "zero-waste city" publicity campaign to promote the green transformation of enterprises. The publicity team communicated the zero-waste philosophy and the definition of "zero-waste cell" to the employees through videos and pamphlets. At the same time, combined with the current situation of the enterprise, the team introduced Baiyunshan General Factory's moves to construct a "zero-waste factory" and showed the achievements to the audience, hoping to embed the "zero-waste" idea into everyday work and life.



Baiyunshan General Factory carries out "zero-waste city" publicity campaign.

Employees of Zhong Yi and Qi Xing join hands in voluntary tree-planting activity for a brighter tomorrow

Case

On March 10-11, in response to the call of "lucid waters and lush mountains are invaluable assets", Zhong Yi and Qi Xing formed a tree-planting team to participate in the afforestation campaign held in Chen Tiejun Memorial Park in Huangpu District, Guangzhou, making employees realize the importance of afforestation. They became more aware of their responsibility to protect the environment and to implement the principles of science, coordination, ecological conservation, inclusiveness and sharing through practical actions. We aimed to foster a green culture and to advocate, practice and advance ecological conservation.



Biodiversity Conservation

In respond to the national biodiversity conservation strategy, we commit ourselves to respecting, adapting to and protecting the nature. We have established relevant biodiversity conservation systems in terms of Chinese herbal medicine cultivation and wildlife protection to maintain ecological balance.

Actions for farmland protection and soil and water conservation

The construction of TCM planting bases does not occupy arable lands. We encourage the use of wasteland for planting, strengthen soil and water conservation, and restore and improve the local ecological environment. We also encourage the priority of the use of organic fertilizers, guide the appropriate use of chemical fertilizers and pesticides, and actively manage and improve soil to reduce soil pollution.

Protecting endangered geo-authentic materia medica in Lingnan area



Cornerstone of Development

Challenges and Opportunities

The rapid development of the pharmaceutical industry has further increased its demand for high-level, high-quality talents. Talent cultivation also faces emerging challenges such as fast technological advancements, interdisciplinary integration, and international competition. In recent years, with introduction of national policies on pharmaceutical talent cultivation, the Company has gradually built talent cultivation systems and intensified cooperation and exchanges between universities, industry, and research institutions, providing a broader platform and space for pharmaceutical talent cultivation.

Our Actions

Talent is the driving force of the Company's development. In line with the people-oriented principle, we provide open, inclusive, and fair job opportunities and a working environment, establish competitive compensation and incentive mechanisms, and build diverse and smooth channels for career development to consistently improve the talent cultivation system. By establishing a rich variety of platforms for industry-university-research exchanges, we are committed to enhancing the overall qualities and capabilities of employees and achieving mutual growth for both employees and the Company.

42.68 % **1800+** tons

Proportion of female employees

Recycled expired medicines in total

2,817.04

RMB

Total investment in public welfare activities and donation



Employee Rights and Development

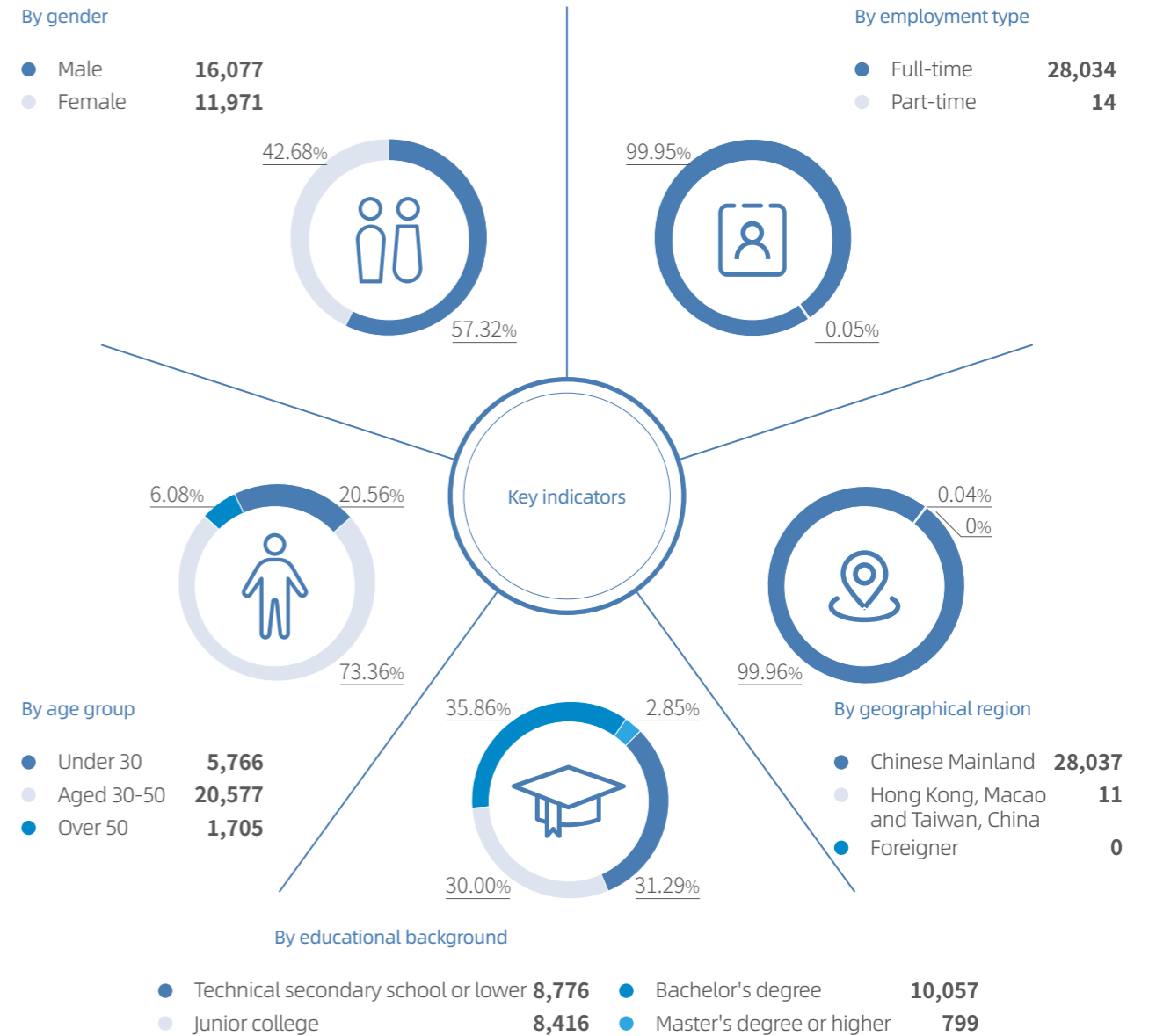
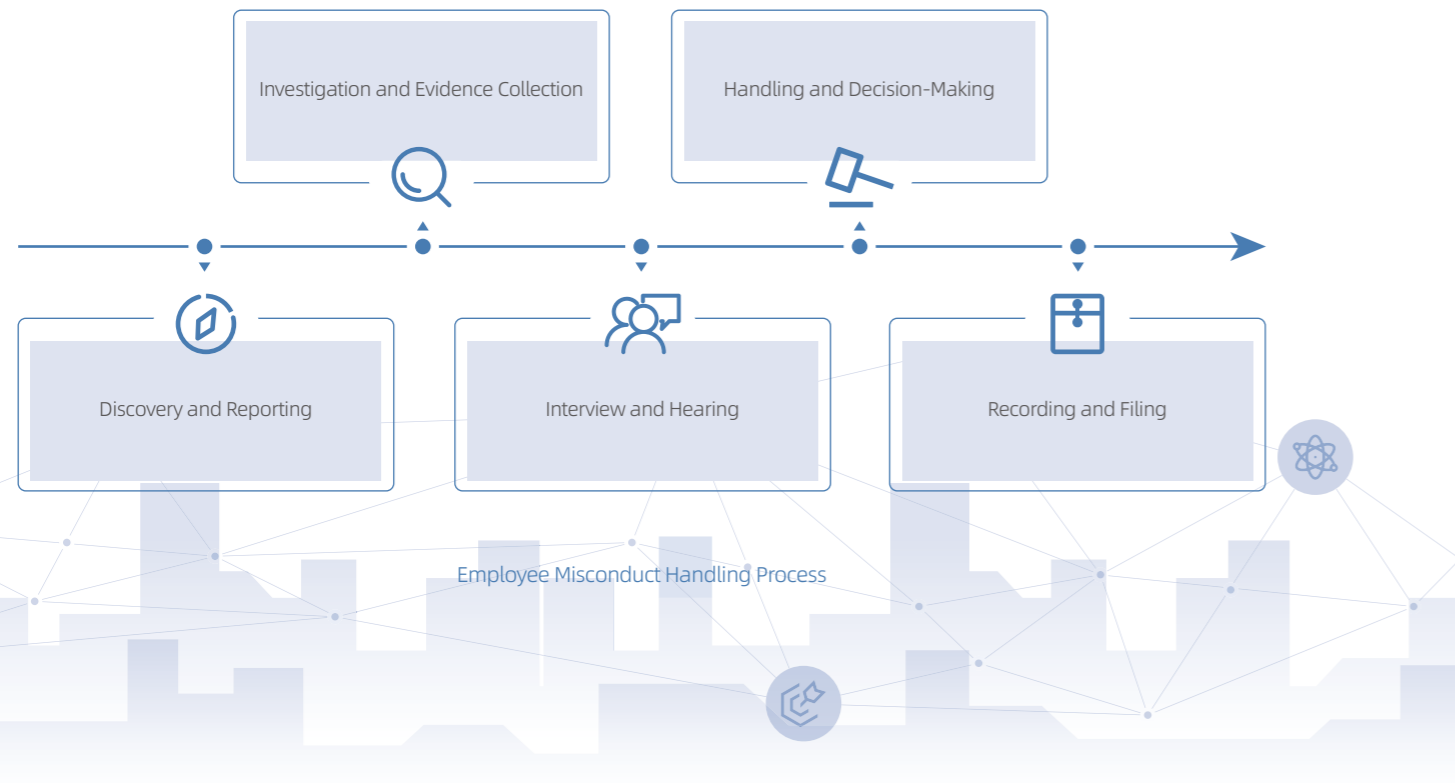
Employee rights

Talent is the foundation of the Company and the primary force for its sustainable development. Adhering to the principle of diversity and inclusiveness, we safeguard employees' legitimate rights and interests, provide them with comprehensive compensation and welfare benefits and set up a systematic talent training system. We care for employees' well-being and strive to nurture a supportive atmosphere, thus achieving harmonious development of employees and the Company.

We protect the basic rights of employees on all fronts. By strictly regulating the employment process, improving employee management systems, and treating all employees equally, we create a diversified, fair, and inclusive working atmosphere for employees.

Legal employment

We strictly abide by the laws and regulations, such as the *Labour Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*. Following the legitimate employment principles, we recruit new employees based on post requirements and on a fair and just manner. We do not discriminate against employees based on education, religion, nationality, marital status, gender, illness, or race and prohibit the employment of child labor. We have signed labor contracts with all employees and protect their legal rights and interests in accordance with relevant management measures. In 2023, no child labor, forced labor, or harassment incidents was found in the Company.



28,048
Employees in total

2,667
New employees

1,128
Minority employees

42.68%
Proportion of female employees

Female employees accounts for
913
among the middle-level management

61
among the senior level management

Salary and Benefits Improvement

We improve the salary and benefit system and optimize performance management system, to provide employees with a more comprehensive welfare system, fully motivating employees' enthusiasm and initiative.

Compensation incentives

We have established a comprehensive salary structure. An employee's salary consists of seniority-based wages, fixed wages (including basic salary, position salary, overtime subsidy), performance wages, and allowances. Performance wages include monthly performance wages and year-end bonuses, while allowances include transportation subsidies, communication subsidies, etc.

Benefits

We provide comprehensive welfare benefits to employees, including the five social insurances (endowment insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance) and housing provident fund, enterprise annuity, paid annual leave, talent apartment, free working meal, holiday subsidy, annual physical examination, serious illness and hospitalization insurance, and women health insurance. In terms of female employees' benefits, the Company offers childcare facilities or donations, lactation facilities for breastfeeding, as well as six months of paid parental leave for primary caregivers and 15 days for secondary caregivers.

Democratic communication

We have established and improved the Congress of Workers system. Members of the Congress exercise their legal rights, including reviewing and approving drafts of collective contracts, labor contracts, employee reward and punishment measures, economic responsibility assessment methods, work safety, labor protection measures, and employee resettlement plans. They also review and decide on major issues related to employees' living welfare, ensuring employees' right to be informed, participate, express opinions, and supervise.



Salary consultation meeting at Guang Hua

Employee development

We keep improving the talent development system. By establishing training platforms and making full use of various resources, we carry out classified employee training sessions, thus enhancing employees' professional skills and qualities and helping them realize self-worth and grow with the Company.

By formulating the Management Measures on Professional Channel Promotion for Talent Development (Trial), we prepare four major professional paths in R&D, technical, marketing, and functional positions. Employees can choose different development paths based on such factors as their own abilities, career development plans, and organizational talent needs, fully leveraging their own strengths. At the same time, we standardize the professional access review and certification process. In 2023, over 40 review sessions were conducted, with nearly 350 employees applying for promotion through the professional promotion path and 176 promoted successfully. As a result, employees' potential has been unleashed, safeguarding the sound development of the talent pool.

Promotion System Improvement

Independent evaluation

We have carried out independent assessment of senior and middle-level titles, successively obtaining the authority for independent assessment of titles in the engineering series of the pharmaceutical profession, the health series and the economic profession, and issued a work plan for the independent assessment of titles and a method for the assessment of titles, so that the talent system, which is adapted to high-quality development, has been further improved

A certain amount of financial reward is granted to employees who have obtained nationally recognized academic degrees or certificates closely related to their job through on-the-job learning. This includes getting degree upgrade, obtaining professional technical qualification (practice qualification), participating in nationally recognized professional technical qualification (practice qualification) examinations and acquiring a higher-level professional technical qualification, as well as intermediate to senior-level professional (practice) qualifications recognized by the Guangzhou Municipal Human Resources and Social Security Bureau. Through these efforts, the Company aims to encourage employees to further enhance their personal knowledge and professional skills.

Capability enhancement

Focus on Professional Enhancement

To advance the development of the industrial employment training base in Guangdong Province, we set up an expert team of 123 members, covering various professions such as traditional Chinese medicine processing, pharmaceutical product sales (traditional Chinese medicine dispensing), drug formulation technician, chemical synthesis pharmaceutical technician, public nutritionists, and health management specialist. Promoting the development of curriculum systems for relevant work types and setting standards for certification, and promoting the certification of vocational skills levels. Additionally, the Company has formed alliances with 8 universities and associations to advance the construction of skill alliances and promote the training of skilled talents in the industry, thus continuously enhancing the Company's technological innovation capabilities and competitiveness.

We have established the company-wide education and training management system, involving in enterprise management leaders and personnel who sign labor contracts with the Company's headquarters. This system is designed to standardize employee training, improve their political and professional qualities, and create a favorable environment for employees' growth. We formulate classified and diversified training plans and prepare key annual training activities to improve employees' professional capabilities and improve their job competency.

Optimizing the training system

656,634.71

Total training hours of employees

16+

RMB million

Total investment in employee training

Employment care

We proactively attend to the work and life needs of employees. By organizing various cultural and sports activities, we are committed to enriching employees' lives, improving their work experience in the Company and enhancing their sense of happiness and cohesion.



"Jing Xiu Tang Dieda Wanhua Oil Cup" Employee Chess Competition



lectures of employees' mental health care

Occupational Health and Safety

Upholding the principle of "Life First" and aiming at "Zero Accident, Zero Causality", we prioritize employees' health and safety. We make continuous efforts to enhance the safety and occupational health management systems, and strengthen risk prevention and emergency response management, striving to provide employees with a healthy and safe working environment.

276 Safety drills
127,924.08 Safety training hours



Work safety

In strict accordance with the laws and regulations, such as the Law of the People's Republic of China on Work Safety, and Fire Control Law of the People's Republic of China, we have improved the work safety management system, implemented safety responsibilities, and strengthened safety emergency drills, so as to enhance safety awareness among employees and ensure their safety in all aspects. In 2023, the Company did not violate any laws and regulations related to occupational health and safety, and no work safety incidents occurred.

We have signed the Letter of Responsibility on Work Safety with subsidiaries to clarify the main responsibility for work safety and peg the performance assessment of responsible individuals with safety. In the event of safety accidents, the corresponding performance percentages will be deducted according to the provisions of the Letter of Responsibility on Work Safety.

We urge our subsidiaries to conduct special work safety inspections, investigating key locations such as production places, construction sites, laboratories, hazardous chemical usage and storage, and densely populated public areas to prevent potential safety risks.



Themed with "Being Aware of Safety, Being Capable of Emergency Response" in 2023, we organized a series of activities on work safety, such as the launching ceremony for "Work Safety Month" under the theme, special emergency safety drills, the walking campaign for employees' safety, enhancing employees' safety awareness and emergency preparedness capabilities.

We have established and implement the dual prevention mechanism for safety risk classification and potential hazard investigation and control. In this way, we can supervise the work safety of manufacturing enterprises, construction sites, hospitals, and other relevant fields, promptly eliminating potential work safety hazards.

We conduct semi-annual and annual work safety target management assessments for subsidiaries to enhance the responsibility and initiative of leaders at all levels and strengthen the work safety management mechanism of enterprises.

Conducting "2023 Work Safety Field Meeting and Emergency Drill of Guangzhou State-owned Assets System"

Case

On December 5th, the "2023 Work Safety Field Meeting and Emergency Drill of Guangzhou State-owned Assets System" was carried out at the Baiyunshan Chemical Pharmaceutical Factory.

The drill adopted a form of "oral guidance + on-site advancement" and nine subjects were set up, including forest fire alarm, preliminary disposal, response initiation, process disposal, coordinated disposal, emergency termination, and emergency skills experience. It involved emergency rescues, such as high-pressure plugging, reconnaissance and firefighting in complex environment, and high-altitude rescue, and deployed advanced equipment such as medical rescue helicopters, firefighting robots, elevated firefighting trucks, industrial "band-aids", 5G smart survey vehicles, and intelligent drones, which effectively enhanced the intelligence level of the rescue operation. This drill demonstrated enterprises' ability to respond rapidly to emergencies, tested the coordination capabilities of emergency teams and personnel of enterprises and government,



The company promptly launches emergency rescue plan

and effectively strengthened awareness and response capabilities for safety precautions and emergencies.

Occupational health

We strictly comply with Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, Regulations on the Supervision and Management of Occupational Health in the Workplace and other laws and regulations. To prevent occupational hazards in all aspects, we actively conduct occupational injury prevention training, secure a healthy working environment, provide effective labor protection equipment, and carry out occupational disease prevention and health examinations, thus ensuring the occupational health of employees.



Baiyunshan General Factory conducts training on occupational injury prevention



On November 7, 2023, in collaboration with Guangdong Technology Center of Work Safety Co., Ltd., Guangzhou Baiyunshan Pharma held occupational injury prevention training at Baiyunshan General Factory. More than 200 participants, including Mr. Xu Chunjiang, deputy Director and the person directly responsible for work safety production at the factory, as well as frontline workers from various departments, attended the training. Mr. Zhang Jide, a Level 1 safety assessor and a national trainer in safety and emergency gave lectures in the training. Beginning with the evacuation drill organization and exercises in the meeting room, Mr. Zhang provided a clear and in-depth explanation of the preparation, organization, and practice of emergency plans. He particularly emphasized the role and key points of on-site emergency handling cards, helping employees respond correctly to safety risks in various work scenarios and preventing occupational accidents.

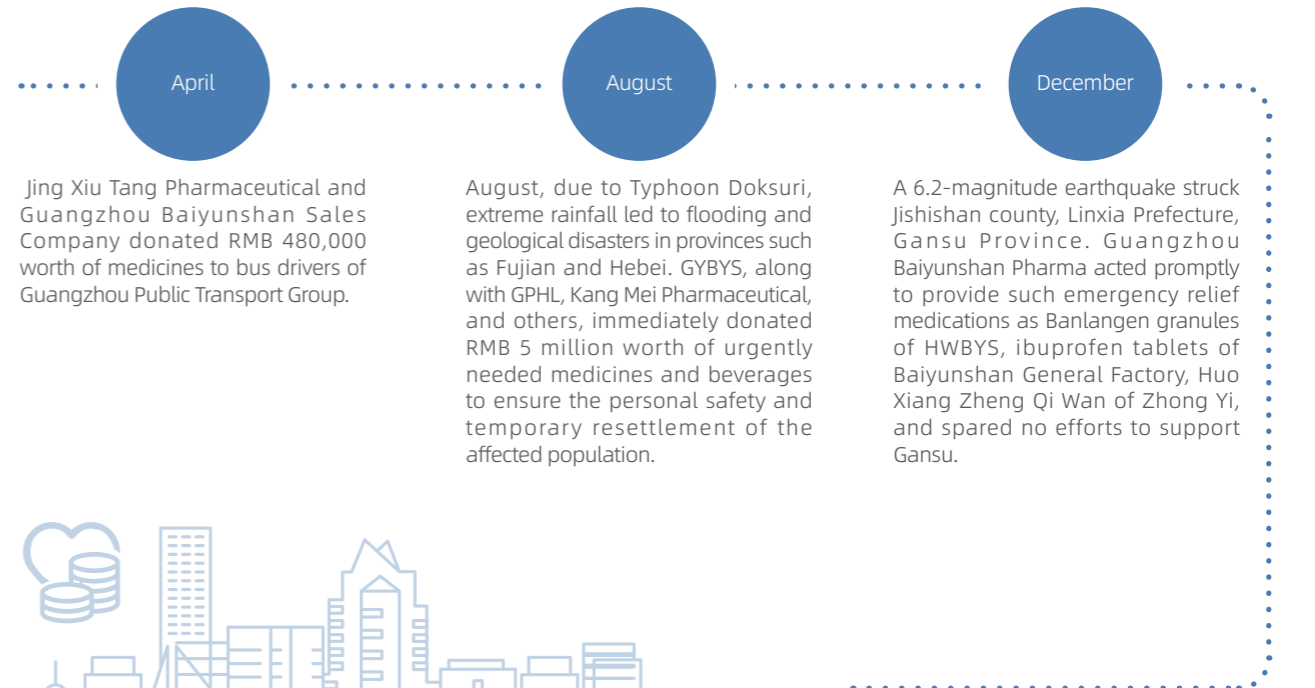


Charity and Community Development

Based on our commitment to the philosophy of “spreading love all over the world”, we integrate the pharmaceutical resources in the Company, leverage its industry advantages, and keep an eye on areas closely related to corporate and industry development. Our key actions prioritize topics such as the recycling of expired drug, sound development in the community, services for vulnerable groups, and charitable assistance. We proactively practice social responsibility, contribute to the health and prosperity of communities, and play a significant role in advancing the development of the Healthy China Initiative.

Public welfare activities

In response to social demands and expectations, we engage in various public welfare activities such as medication donations, free medical consultations, and health education campaigns. We practice our corporate citizenship responsibility and give back to the society, contributing to the social harmony and development.



Staying true to the original Commitment, “Blue Light Action” has been conducted for 14 years to enhance public health awareness



The World Diabetes Day fell on November 14, 2023. Guangzhou Baiyunshan Zhong Yi Xiao Ke (Diabetes) Fund has carried out public welfare activities themed “World Diabetes Day” and Baiyunshan “Blue Light Action” for 14 consecutive years. With the concerted efforts of communities, hospitals, enterprises, and charitable organizations, activities such as lectures on diabetes risk and prevention, free expert consultations, assistance for diabetes-affected families, and health dance performances were carried out at this event. It helped people gain a more systematic and scientific understanding of diabetes, and manage diabetes health effectively, as well as enhanced awareness of diabetes prevention and treatment among the public, and standardize diabetes medication at the grassroots level, providing support and hope to the large population of diabetes patients.



Voluntary services

We mobilize employees to actively participate in voluntary service activities, providing various services to community residents. We advocate the spirit of “dedication, friendship, mutual assistance, and progress”, and play our role in the development of a better community.



“Slow Time” Elderly Care Volunteer Program



On March 11, 2023, members of the Youth League of Chen Li Ji, and members of the Party and the Youth League of Xing Qun, along with many compassionate individuals and healthcare professionals, gathered at the Party and Mass Service Center of Fangyang Sub-district in Haizhu District to initiate the “Slow Time” Elderly Care Volunteer Program. Considering that most elderly individuals suffer from ailments such as rheumatism, weak waist and knees, and digestive weakness, the youth members from Chen Li Ji and Xing Qun brought a batch of commonly used household medicines, such as Zhuang Yao Jian Shen Pills and Shu Pi Yi Chang Pills from Chen Li Ji Pharmaceutical Factory, as well as towels, tissues, and other daily necessities, bringing warmth to the elderly living alone.



Expired medicines recycling

200+ Cities and regions

6,000+ Cooperating “Never Expired Pharmacy”

1,800+ tons Expired drugs recycled

700+ million People benefited

Adhering to its original intention, Guangzhou Baiyunshan Pharma has consistently promoted the recycling of expired household medicines for 20 years and incorporated it into the Company’s development strategy. Through continuous innovation in recycling mechanisms and methods, the Company has expanded and refined its network for collecting expired medicines, striving to enhance public awareness of health and environmental responsibility.

We not only persist in innovating household expired medicine recycling activities, but also actively invite various sectors of society to be engaged in this public welfare cause. On the occasion of its 20th anniversary, GYBYS initiated the “20+1 Power” public awareness campaign. This initiative represents the energy generated by GYBYS’ 20 years of dedication to the same cause and extends an invitation to every citizen to participate in the household expired medicine recycling initiative at the 20th anniversary.

With the joint participation of the industry, GYBYS has established a mature operation network for expired medicine recycling, forming diverse recycling methods of collecting through pharmacy, community, doorstep collection by couriers, and volunteer-assisted collection. In the future, GYBYS will collaborate with more “Never Expire Pharmacy” to jointly practice the public welfare cause of recycling household expired medicines, safeguarding medication safety and creating a healthy future.

Joining hands to expand household expired medicine recycling at county-level



In March 2023, leveraging the role of Health Product Trade Fair as a platform to gather health industry resources and promote industry development, GYBYS held the “Never Expired Pharmacy” licensing ceremony for household expired medicine recycling on-site. The Company will collaborate with 10 cooperating chains and potential partner clients such as Yuannan Yuxi Pharmaceutical and Hubei Wudu Pharmaceuticals, aiming to expand the coverage of household expired medicine recycling. They are committed to continuously advocating for consumer care by promoting the “Never Expired” message, collectively improving the household expired medicine recycling mechanism and fighting to safeguard the health of the ecological environment.



Outlook

Looking back, we braved the winds and innovated with determination, forging a health barrier for the public with sufficient medical supply and driving for the high-quality development through dual enhancement approach. Going forward, we will set a course forward with concerted efforts. Keeping matters of national significance, we will actively shoulder social responsibilities, and strive to build a world-class biomedicine and health enterprise with unique industrial characteristics and distinct culture. Meanwhile, we will facilitate a healthy Guangzhou, , forge ahead in the new era, and lay a solid foundation for the great rejuvenation of the Chinese nation.

We focus on the forefront of the industry and adhere to the primary business of biomedicine and healthcare. Through extensive clinical research, we will make continuous efforts to overcome technical challenges and provide diverse drugs to benefit the public and safeguard their health. Following the trends of times and the needs of the society, and against the background of "Healthy China Initiative", we will optimize and strengthen the healthcare industry and digitize biopharmaceuticals driven by the digital economy, proactively building an industry highland in the "digitalization + health" sector.

Taking people-orientated approach, we improve the talent training system and deliver high-quality talents to the pharmaceutical industry. By carrying our diverse cultural and sports activities, we will enhance the cohesion and the sense of belonging among employees, creating a safe, healthy, and comfortable workplace for them. We are fully committed to promoting industrial revitalization, and supporting Guangdong Province's "High-quality Development Program for Rural Vitalization" with practical actions, empowering rural vitalization. We will actively conduct volunteer activities to further promote the charity brand image of "GYBYS with Care", sincerely giving back to the society and contributing to social harmony.

Access to Health Care

Cornerstone of Development

Ethics and Transparency

Environmental Protection

To build a solid foundation for safe development, we will prioritize work safety with a bottom-line mindset and continually reinforce the ecological governance of compliance. We will establish a comprehensive risk system and enhance anti-corruption and anti-unfair competition measures to further prevent compliance, procurement, and operational risks. Upholding the values of integrity and justice, we will secure customer information through technological upgrades and improve the sustainable supply chain, creating a safe, transparent, fair, and mutually beneficial business environment with internal and external stakeholders.

Actively responding to "30-60 Decarbonization Goal", we adhere to clean production, continuously improve resource recycling efficiency, and optimize energy mix. To address climate change, we will mitigate the potential impacts of climate change, engage in biodiversity conservation practices, deepen the "Green Guangyao" production and manufacturing system, improve HSE management system, and expand the coverage of green factories, jointly safeguarding ecological balance through responsible production and operation.

Table for ESG's Key Performance Indicators

Key Performance	ESG Indicator	Unit	2021	2022	2023
A Environment					
A1:Emissions					
A1.1	Industrial wastewater	ton	2,643,265.06	2,551,382.96	3,100,526.92
	Density of industrial wastewater	ton /output value of RMB 10,000	1.23	1.15	1.02
	Chemical oxygen demand CODCr ¹	ton	100.88	181.65	289.85
	Ammonia nitrogen	ton	5.84	3.57	4.34
	NOX ²	ton	20.24	28.74	14.38
A1.2	SO ₂	ton	4.00	0.39	0.54
	Total emission of greenhouse gas ³	t	124,208.72	165,023.79	311,838.40
	Emission of Category 1	t	35,512.58	48,290.80	171,468.81
	Emission of Category 2	t	88,696.14	116,732.99	123,327.38
	Emission of Category 3 ⁴	t	—	—	17,042.21
A1.3	Total emission of greenhouse gas	ton /output value of RMB 10,000	0.06	0.07	0.12
	Pharmaceutical waste (HW02) and waste drugs (HW03)	ton	319.65	460.33	566.96
	Other hazardous waste	ton	299.36	422.59	521.07
A1.4	Total quantity of hazardous wastes ⁴	ton	619.01	882.92	1,088.03
	General industrial wastes	ton	24,932.90	36,559.71	49,563.28
	Density of general wastes	kg/output value of RMB 10,000	11.59	16.51	19.19
A2: Use of Resources					
A2.1	Gasoline	L	265,178.12	468,786.53	626,357.19
	Diesel	L	778,456.30	1,125,768.79	821,616.58
	Coal	ton	0.00	0.00	0.00
	Natural gas ⁶	10,000 m ³	1,512.99	1,868.90	7,762.64
	Purchased steam ⁷	ton	47,865.87	54,495.20	1,698,526.18
A2.2	Purchased steam	kWh	139,012,632.20	158,051,123.7	159,363,983.80
	Comprehensive energy consumption	MWh	343,605.04	410,990.31	1,080,636.25
	Water consumption	ton	4,216,974.33	4,525,233.21	5,197,246.97
	Water consumption density	ton / output value of RMB 10,000	1.96	2.04	2.01
	A2.3	Packaging material by weight ⁸	ton	38.30	40.20
Outsourced carton usage		ton	932.50	945	1,905,663.56

¹ Increased due to expansion of production and statistical calibers

² The company's production enterprises carry out boiler low-NOx retrofit, and the emission concentration is reduced

³ No energy consumption in 2022 when Baiyunshan Biological is upgraded; a dramatic increase in natural gas consumption in 2023 when Baiyunshan Biological is simulated in large scale production, resulting in an increase in the total amount of natural gas and total GHG emissions in 2023.

⁴ Scope 3 of FY2023 only counts the carbon emissions from the commuting and business trips of employees of the headquarters of Guangzhou Pharmaceutical Baiyunshan, and does not include the carbon emissions inventory data of its subsidiaries and other production chains.

⁵ Increased due to process change and processing cycle

⁸ Increased due to expansion of statistical calibers

Key Performance Indicator	ESG Indicator	Unit	2021	2022	2023
B Society					
Employment and Labour Practices					
B1.1	Total number of employees ⁹	person	25,437	24,249	28,048
性别	Number of male employees	person	15,791	14,807	16,077
	Number of female employees	person	9,646	9,442	11,971
年龄	Number of employees below 30	person	1,582	4,955	5,766
	Number of employees aged 30-50	person	2,501	17,767	20,577
	Number of employees aged 50 or above	person	271	1,527	1,705
学历	Postgraduate and above	person	622	678	799
	Undergraduate	person	8,105	8,194	10,057
	Junior college	person	7,542	7,176	8,416
	High school and below	person	9,168	8,201	8,776
类别	Number of full-time employees	person	25,437	24,249	28,034
	Number of part-time employees	person	0	0	14
B1.2	Employee turnover rate	%	14.76%	12.55%	12.48%
	Turnover rate of male employees	%	20.02%	17.27%	14.99%
	Turnover rate of female employees	%	12.37%	8.95%	9.11%
	Turnover rate of employees below 30	%	27.52%	24.76%	18.68%
	Turnover rate of employees aged 30-50	%	13.79%	12.13%	10.22%
	Turnover rate of employees aged 50 or above	%	17.48%	1.31%	18.77%
B2: Health and Safety					
B2.1	Work related deaths	person	1	0	0
B2.2	Total loss days due to work reason	day	1,879	711	2,648
B3: Development and Training					
B3.1	Male employees who took part in training	person	9,498	11,082	10,128
	Female employees who took part in training	person	11,961	12,402	9,673
	Senior management employees who took part in training	person	308	194	174
	Middle management employees who took part in training	person	2,314	1,473	1,290
	Total training duration of all staff	hour	520,920.60	637,699.16	739,652.71
	Per capita training duration	人 / 时	20.48	32.28	26.37
	Training hours of male employee	hour	170,235.30	176,565.41	331,701.74
	Average training hours for male employees	人 / 时	17.92	15.93	20.63
	Training hours of female employees	hour	165,002.20	167,143.45	314,823.96
	Average training hours for female employees	人 / 时	13.80	13.48	26.30
B3.2	The average training hours by senior Management	hour	6,656.50	8,557.40	8,484.06
	Training hours of middle management employees	人 / 时	21.61	44.11	48.76
	Average training hours for middle management employees	hour	37,519.50	51,498.79	52,976.73
	Average training hours for middle management employees	人 / 时	16.21	34.96	41.07
	Relevant safety training times	time	1,291	771	908
	Relevant safety training person-times	person-time	68,704	127,387	150,072
	Relevant safety training duration	hour	140,272.70	122,011.50	116,616.08
Safety drill times	time	147	193	276	

⁹Expansion of the business of the company's subsidiaries and the operations of the additional subsidiaries in 2022, which increase in the number of employees on board.¹⁰Increase in statistics on the use of packaging materials and outsourced cartons due to the expansion of the caliber of statistics.

Key Performance Indicator	ESG Indicator	Unit	2021	2022	2023
B Society					
Employment and Labour Practices					
B5.1	Number of suppliers	number	6,210	6,285	6,653
	South China	number	41.88%	47.06%	40.64%
	East China	number	25.25%	25.82%	25.72%
	North China	number	7.02%	7.05%	6.22%
	Central China	number	6.57%	0.21%	6.39%
	Northeast China	number	3.93%	3.75%	5.71%
	Northwest China	number	5.54%	5.31%	5.02%
	Southwest China	number	9.81%	10.18%	9.69%
	Hong Kong, Macao and Taiwan	number	—	—	0.39%
	Overseas	number	—	—	0.21%
B5.2	Number of audits conducted on suppliers this year	times	6,027	2,997	4,677
B6 Product Responsibility					
B6.1	Percentage of products sold or shipped subject to recalls for safety and health reasons. ¹⁰	%	0	0	0.002%
B6.2	Total number of customer calls	time	33,288	33,329	29,602
	Complaint (involving "product quality" and "service quality")	time	2,795	2,307	2,928
	The percentage of customer complaint respon	%	—	100%	100%
	Consumer privacy protection training times	time	—	5	29
B7: Anticorruption					
B7.1	Number of corruption lawsuits	case	—	0	0
	Fines imposed on issuers or employees	RMB	—	0	0
B7.3	Total number of directors trained in anti-corruption training	Person-time	—	20	35
	Duration of anti-corruption training for board members	hour	—	24.5	117
	Total duration of anti-corruption training for board members	Person-time	—	10,006	3,455
	Employee anti-corruption training duration	hour	—	40,705	9,378.60
B8: Community Investment					
B8.2	Fund donation and Article donation	RMB 10,000	2,081.23	2,611.56	2,817.04
	Number of volunteers ¹¹	person	7,312	11,185	2,983
	Volunteering hours	hour	17,883.45	157,071.32	13,185.87

¹⁰Percentage of products sold or shipped subject to recalls for safety and health reasons calculated as: sales of recalled products/value of products sold and shipped. The Company voluntarily recalled six lots of products (34,800 cartons), and the recalls did not involve safety and efficacy issues and did not have an adverse effect on consumers in 2023.

¹¹In 2022, the demand for volunteering increased due to the needs of epidemic preparedness and control, resulting in a significant increase in the number of volunteers and volunteer hours, and in 2023, regular volunteering statistics.

Notes:

1. Both data calculation method and correlation coefficient refer to HKEX How to Prepare Environment, Society and Management Report, unless otherwise noted;

2. Greenhouse gas emission of natural gas was calculated according to Industry other Industries Corporate Greenhouse Gas Emission Calculation Method and Guidance of Report released by National Development and Reform Commission.

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