

携手  
爱  
为  
健康

Love  
for  
Health

2018

China Resources  
Pharmaceutical Group Limited  
Sustainable  
Development Report

# Contents



- Messages from Executives
- Company Profile
  - About Us 4
  - 2018 Honor and Awards 7
  - 2018 Memorabilia 8
- Responsibility Management
  - Social Responsibility Management 10
  - Stakeholder Engagement 12
  - Materiality Analysis 13

- Business Philosophy: Seeking Development with Sincerity
  - Operational Excellence 16
  - Governance Structure 18
  - Compliance Operation 21
- Consolidating Foundation: Making Medicine with Craftsmanship
  - Innovation and R&D 26
  - Drug Safety 29
  - Customer Service 31
- People First: Seeking Happiness within Unity
  - Employees' Rights and Interests 38
  - Employee Development 39
  - Care for Employees 42

- Environmental Protection: Protecting the Environment with Kindness in our Heart
  - Environmental Management 46
  - Green Emissions 47
  - Resource Conservation 49
  - Ecological Conservation 54
- Approach to Safety: Devoting to Production Safety
  - Safety Management 58
  - Safety Guarantee 59
  - Safety Culture 61

- Win-Win Outcome: Caring for People's Livelihood
  - Win-Win Cooperation 64
  - Responsible Supplement Chain 65
  - Serving Society 67
- Outlook for 2019
  - Key Performance Indicators 72
  - Index of China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0) 74
  - HKEx ESG General Disclosures and KPIs 76
  - About This Report 78
  - Feedback 79



## Message from Executives

2018 is a crucial year for the implementation of the 13th five-year plan, a year full of opportunities and challenges. As more industrial policy are being implemented, the healthcare industry is facing more structural reform, we strengthened our strategy, grasp development opportunities, and actively deal with challenges in the market. We optimized our resource allocation, accelerated innovative transformation, improved our organizational skill and achieved stable growth in performance. management quality continues to improve, the overall business performance beyond strategic progress.

**CRPG is an organization driven by mission.** We provide our customers with high quality products and rich health services. We improve the life quality to satisfy needs of individuals and the society. In the field of R&D, we continuously integrate R&D resources and increase efforts in R&D and innovation. In the field of production, we actively move forward with generic drug consistency evaluation and continue to provide safe and reliable medicines to the public. In the field of circulation, we continue to improve the network layout, optimize the business structure, innovate business model, to create an integrated supply chain platform.

**CRPG is an organization with dreams.** Our employees unite as one and get along with each other. Not only do they show compassion and support for each other, but they have the spirit of pursuing excellence and taking responsibilities with courage. We create a good working environment, care for the lives of employees, and protect the rights and interests of employees. A sound professional development path was established with a variety of training programs rich in content carried out constantly, so that employees feel the fun and meaning of working and realize self-worth.

**CRPG is an organization with compassion.** We believe that only those who are grateful can warm themselves and others. While creating value for shareholders, we are concerned about the development of society and public health. To actively implement the national precision poverty alleviation strategy, we carried out a series of social welfare activities such as "Healthcare China Tour for Poverty Alleviation" and "CRPG YAO Action" to improve the basic medical and health level in poverty-stricken areas, thereby contributing to the harmonious development of society.

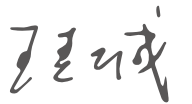
**CRPG is an organization with sense of responsibility.** We are committed to becoming the leader of the pharmaceutical and healthcare industry by promoting resource integration and leading industry development. We actively carry out exchanges and cooperation with governments, research institutes, and domestic and foreign companies to jointly promote the improvement of human health. We strengthen supplier management and innovation on supply chain financing channels, and support supplier growth to promote the sustainable development of the pharmaceutical and healthcare industry.

**CRPG is an organization with vision for environmental protection.** Green mountains and clear waters are as good as mountains of gold and silver. We practice the concept of harmonious coexistence between man and nature and adhere to the path of green, low-carbon and sustainable development. We strictly control pollution emissions by taking a series of energy conservation and consumption reduction actions. In active response to climate change, we promote resource conservation and recycling, and implement the concept of green and low-carbon

development throughout all aspects of production and operation to help build a resource-saving and environment-friendly society.

"Boundless is the ocean where we sail with the wind." 2019 marks the 70th anniversary of the founding of New China. It is also a crucial year for achieving the first of the "Two Centenary Goals". We will continue to uphold the lofty mission of "being the guardian of human health and improving the quality of living", practice the concept of "love for health", and work with all stakeholders to make fresh contributions to implementing the Healthy China Initiative and improving public health!

CRPG Board Chairman & CEO






# Company Profile

## About Us

China Resources Pharmaceutical Group Limited (CRPG) (Stock Code: 3320.HK) is a leading integrated pharmaceutical company in China which deals with manufacturing, distribution and retail of medicines and nutraceutical products.

We are the fifth largest pharmaceutical manufacturer in China, covering chemical, traditional Chinese medicine, biological preparations and nutrition and health products. We manufacture more than 430 kinds of drugs, covering a wide range of cardiovascular, digestive and metabolic products, large volume intravenous injection, paediatrics, respiratory system and other therapeutic fields.

We are the third largest distributor of pharmaceutical products in China, operating a nationwide distribution network of 170 logistics centers across 28 provinces, municipalities and autonomous regions. With a comprehensive product offering and an extensive distribution network, we distribute products directly to

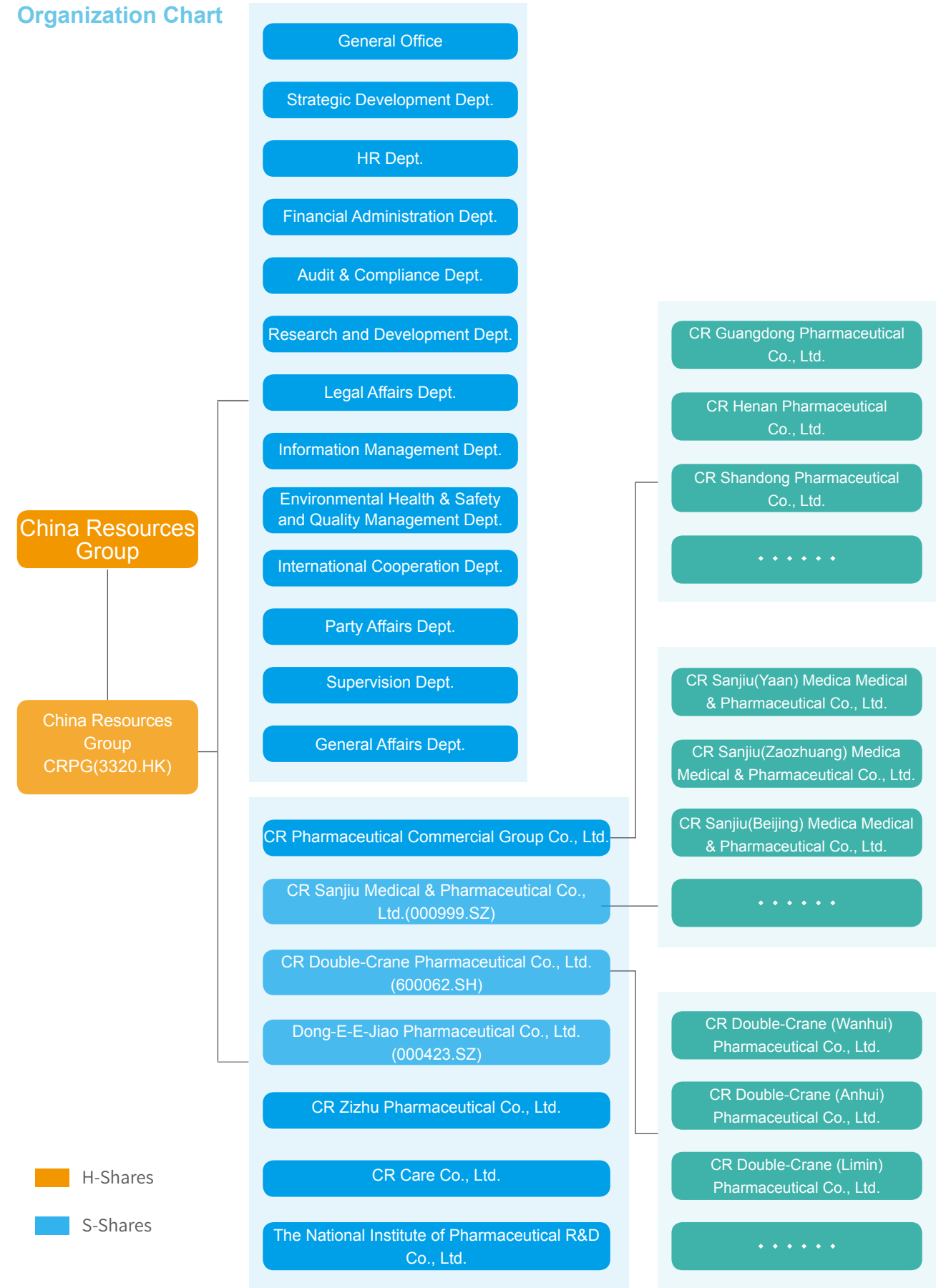
hospitals and other healthcare organizations.

We operate one of the largest retail pharmacy networks in China, which comprises more than 850 retail pharmacies under national or regional premium brands such as "CR Care", "Tech Soon Hong", "New Medical Insurance", "Li-an Chain Store" and "Tung Tak Tong".

We shoulder the solemn mission of "being the guardian of human health and improving the quality of living". Based on the development and reform of China's pharmaceutical and healthcare industry, we actively arrange the core areas and links of the industrial chain. Adhering to innovation and development, we give full play to the synergies of integrated business layout, optimize resource allocation, strengthen international cooperation, promote transformation and upgrading, and continuously enhance our core competitiveness, endeavoring to be the leader in China's pharmaceutical and healthcare industry.



## Organization Chart



■ H-Shares  
■ S-Shares





### 2018 Honor and Awards



Winner	Award	Offered by
CRPG	Ranking 57 <sup>th</sup> of Top 500	Fortune
CRPG	"Capital Chinese Pharmaceutical Group" of "Capital Outstanding Chinese Enterprise Achievement Awards"	Capital (Hong Kong)
CRPG	Listed Enterprises of the Year 2018	Bloomberg Business Week
CR Pharmaceutical Commercial	2017-2018 Demonstration Enterprises of Medicine Circulation Innovation	China Association of Pharmaceutical
CR Pharmaceutical Commercial	Top 10 Enterprises in Pharmaceutical Logistics Industry of 2018	2018 (the 5 <sup>th</sup> ) Annual Meeting of Chinese Pharmaceutical Logistics Industry
CR Sanjiu & Dong-E-E-Jiao	Ranking 1 <sup>st</sup> and 4 <sup>th</sup> of OTC Drug Manufacturers List in China	The 15 <sup>th</sup> China Annual Conference on Self-medication by China Non-prescription Medicines Association
Dong-E-E-Jiao & CR Double Crane	The 12 <sup>th</sup> Session of Most Valuable 100 Listed Companies on the Main Board of China	Securities Times
CR Sanjiu	The Second Prize of National Science and Technology Progress Award	The State Council
CR Sanjiu	"Golden Bull Top 100" of "Golden Bull Awards for China's Listed Companies"	China Securities Journal
CR Double Crane	"EHS Social Responsibility Award" Champion of "Value List·China Pharmaceutical Brand List"	2018 Listed Chinese Pharmaceutical Companies Competitiveness Evaluation
Dong-E-E-Jiao	Top 3 of China's Time-Honored Brand of "China's Most Valuable Brands List"	2018 China Brand Evaluation Press Conference


 2018 Memorabilia

**January 2018**

**CR Sanjiu once again won the second prize of National Science and Technology Progress Award.**

At the National Science and Technology Awards Conference, the project "Development and Commercialization of Key Technology for Comprehensive Development of Large-variety Traditional Chinese Medicine Sanqi" jointly completed by CR Sanjiu Kunming Shenghuo Pharmaceutical Co., Ltd., the Institute of Medicinal Plant Development of the Chinese Academy of Medical Sciences and other units won the second prize of the 2017 National Science and Technology Progress Award.

**August 2018**

**CRPG ranked fifth in the top 100 pharmaceutical companies in China.**

China Pharmaceutical Industry Information Center held the 2018 (35<sup>th</sup>) National Pharmaceutical Industry Information Annual Conference and released the "Top 100 Chinese Pharmaceutical Enterprises of 2017", in which CRPG ranked fifth.


**July 2018**

**CR Double-Crane products "Yashida" passed the generic drug consistency evaluation.**

CR Double-Crane Amlodipine Besylate Tablets (5mg)(Yashida)successfully passed the consistency evaluation of quality and efficacy of generic drugs, becoming the first product of CR Double-Crane and the third product of the same kind in China through the consistency evaluation of generic drugs.


**December 2018**

**CR Zizhu Mifepristone Tablets passed the consistency evaluation.**

The two specifications(10mg and 25mg) of CR Zizhu Mifepristone passed the consistency evaluation, and were included in the "China Listed Drug List" as a national reference listed drug(RLD), while maintaining in the national essential drug list.

**CR Double-Crane "Mashani" passed the generic drug consistency evaluation**

CR Double-Crane Terazosin Hydrochloride Tablets (2mg) (Mashani) passed the consistency evaluation of generic drugs.

**May 2018**

**CR Sanjiu and Dong-E-E-Jiao were included in the MSCI Emerging Markets Index.**

MSCI officially admitted Chinese A-shares into the MSCI Emerging Markets Index. 234 A-shares were included in the MSCI index system, of which 17 were pharmaceutical companies, and CRPG affiliated companies - CR Sanjiu and Dong-E-E-Jiao were among them.

**July 2018**

**CRPG ranked 57<sup>th</sup> among Fortune China's top 500 companies.**

China resources pharmaceutical ranks 57<sup>th</sup> in fortune China 500.

**May 2018**

**CRPG signed a strategic cooperation agreement with the State-owned Assets Supervision and Administration Commission of Jiangxi Province in the field of big health.**

As part of the strategic cooperation, Jiangxi Provincial Government agreed to reorganize Jiangzhong Group, of which 51% or more equity would be acquired or subscribed for by CRPG with cash or assets.

**June 2018**

**CRPG reorganized Angde Biotech Pharmaceutical Co., Ltd. to integrate biomedical resources.**

Angde Biotech was reorganized jointly by CRPG Through this reorganization, CRPG resources related to R&D, production and marketing of biopharmaceuticals were further integrated.

**August 2018**

Following the acquisition of 45% equity of Hunan Xiangzhong Pharmaceutical Co., Ltd. in May 2018, CR Double-Crane acquired 40.65% equity of Xiangzhong Pharmaceutical through Hunan United Assets and Equity Exchange Co., Ltd. After completion of the transaction, CR Double-Crane holds a total of 85.65% equity of Xiangzhong Pharmaceutical.


**June 2018**

**CR Pharmaceutical Commercial Group launched the "Healthcare China Tour for Poverty Alleviation" torch relay campaign.**

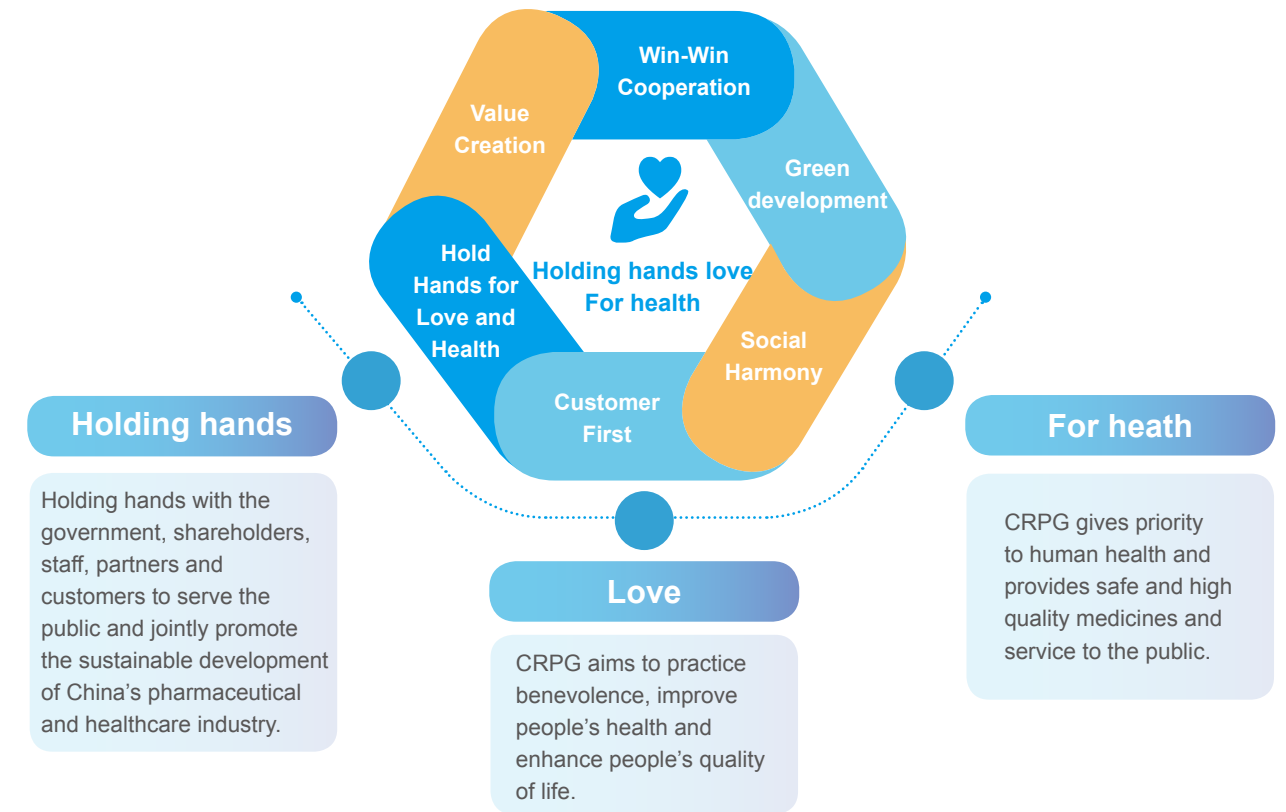
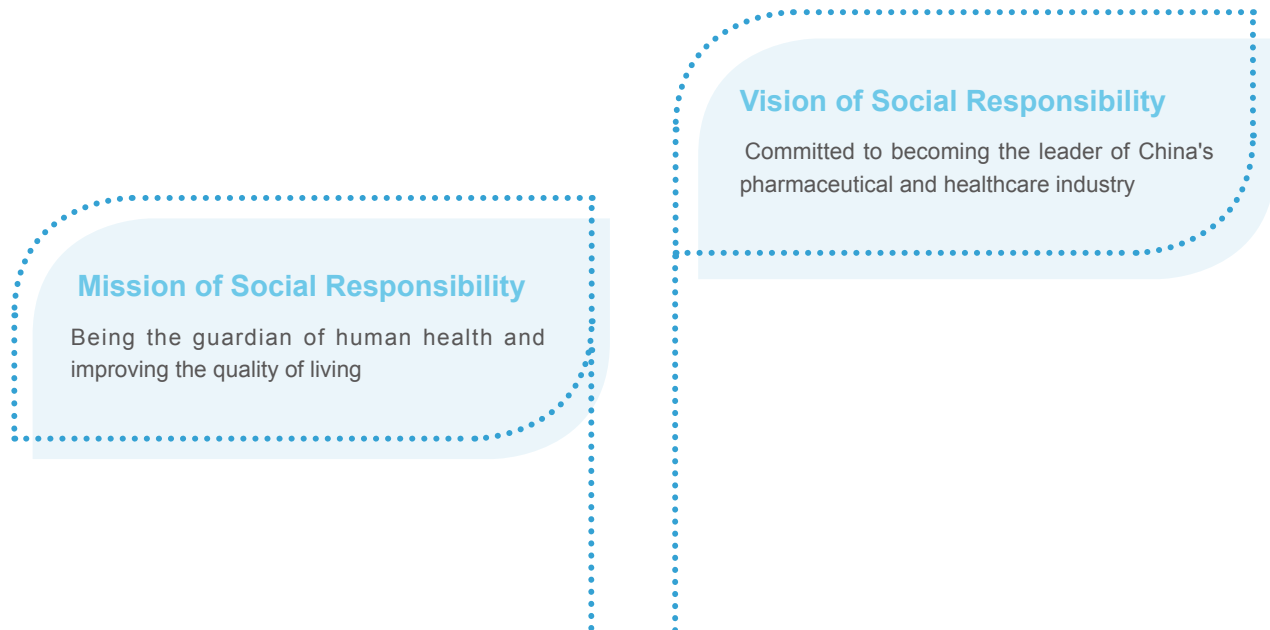
In June 2018, CR Pharmaceutical Commercial held the "Healthcare China Tour for Poverty Alleviation" torch relay cum social responsibility brand launching ceremony. 2018 officially kicked off this national large-scale charity event.





# Responsibility Management

We deliver returns for shareholders, build platforms for growth of employees, and create value for society. Upholding the social responsibility concept of "love for health", we promote the sustainable and healthy development of China's healthcare industry and contribute to achieving the goal of "Healthy China 2030".



## ⚙️ Social Responsibility Management

The Board of CRPG takes full responsibility for the Company's strategy and reporting on ESG, evaluates and clarifies all related risks and ensures implementation of proper and effective risk management and an internal ESG monitoring system. In 2013, CRPG established the Steering Committee on Corporate Culture and Social Responsibility, forming a social responsibility working mechanism of vertical guidance and horizontal coordination. The Committee chaired by chairman of the board of directors is responsible for decision-making and guidance of social responsibility strategy, reviewing social responsibility strategic plan and annual plan, and deploying annual social responsibility work to prevent and resolve material social responsibility risks. The decision-making matters concerning social responsibility are discussed and decided by the Corporate Culture and CSR Committee of the Group.

Based on CRPG development strategy and annual business plan, we formulated the medium and long-term plan for CRPG social responsibility. Focusing on integration of ideas, system construction, and practical guidance, etc., we formulated the *CRPG Social Responsibility Work Management Measures* to guide and regulate our social responsibility work, and at the same time, blended the concept of social responsibility into the management process, so that fulfilling social responsibility becomes an important guarantee for sustainable and healthy development of the enterprise.

After establishment, our social responsibility performance management system gradually improves. Comprising of key performance systems and key performance indicators, the system serves as an important basis for promoting social responsibility work, conducting social responsibility supervision, demonstrating social responsibility results, conducting social responsibility benchmarking research, and preparing social responsibility reports.

We actively support corporate social responsibility research in the pharmaceutical industry and participate in social responsibility activities at home and abroad. In 2018, we communicated with social responsibility authorities on many occasions, and invited third parties to conduct social responsibility-related training to help us understand and grasp the latest policy orientation, regulatory requirements, and trends in capital market's attention to social responsibility.



In 2018, China Resources Pharmaceutical was listed in the Hang Seng Corporate Sustainability Benchmark Index for the first time, and was awarded the "Outstanding Corporate Social Responsibility" by *The Mirror* in Hong Kong.



## Stakeholder Engagement

We place a high value on communication with stakeholders. Through various targeted communication channels, we understand the opinions and suggestions of internal and external stakeholders, and respond in a timely manner.

### CRPG Stakeholder Engagement

Stakeholder	Expectations and Demands	Responses
Shareholder	<ul style="list-style-type: none"> <li>Strengthen profitability</li> <li>Improve corporate governance structure</li> <li>Ensure information openness and transparency</li> </ul>	<ul style="list-style-type: none"> <li>Convene general meetings of shareholders</li> <li>Establish a good investor communication mechanism</li> <li>Release notices and circulars regularly</li> </ul>
Employee	<ul style="list-style-type: none"> <li>Protect employees' basic rights and interests</li> <li>Value career development and training</li> <li>Create a good working environment</li> </ul>	<ul style="list-style-type: none"> <li>Hold workers' congress</li> <li>Provide employee training</li> <li>Organize cultural and sports activities regularly</li> </ul>
Customer	<ul style="list-style-type: none"> <li>Guarantee product quality</li> <li>Protect customers' rights and interests</li> <li>Protect customers' privacy</li> <li>Realize accountable marketing</li> </ul>	<ul style="list-style-type: none"> <li>Improve the after-sales service network</li> <li>Carry out surveys on customer satisfaction</li> <li>Guarantee customer information safety</li> <li>Optimize the quality management system</li> <li>Organize training on safe medication</li> </ul>
Supplier/ Industry/ Partner	<ul style="list-style-type: none"> <li>Maintain integrity and realize mutual benefits</li> <li>Ensure fair competition</li> <li>Promote management and technological advances</li> </ul>	<ul style="list-style-type: none"> <li>Observe laws and regulations</li> <li>Adhere to win-win cooperation</li> <li>Strengthen supply chain management</li> <li>Safeguard healthy development of the industry</li> </ul>
Government	<ul style="list-style-type: none"> <li>Adhere to compliance operation</li> <li>Coordinate with the government in leading healthy development of the industry</li> </ul>	<ul style="list-style-type: none"> <li>Operation with integrity</li> <li>Pay taxes according to law</li> <li>Participate in government projects and industry collaboration</li> </ul>
Community/ Public	<ul style="list-style-type: none"> <li>Serve community development</li> <li>Devote to charity work</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen community communication</li> <li>Drive local employment and economic development</li> <li>Carry out volunteer activities</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Save energy and reduce emissions</li> <li>Use resources rationally</li> <li>Protect the ecological environment</li> </ul>	<ul style="list-style-type: none"> <li>Actively cooperate with environmental protection authorities in inspections</li> <li>Improve production techniques, technologies and equipment</li> <li>Plant endangered Chinese medicinal materials</li> </ul>
Media	<ul style="list-style-type: none"> <li>Disclose information openly and transparently</li> <li>Organize special interviews and exchanges</li> </ul>	<ul style="list-style-type: none"> <li>Disclose information timely through classified media channels such as official websites and the press</li> <li>Establish a complete media communication mechanism</li> </ul>

## Materiality Analysis

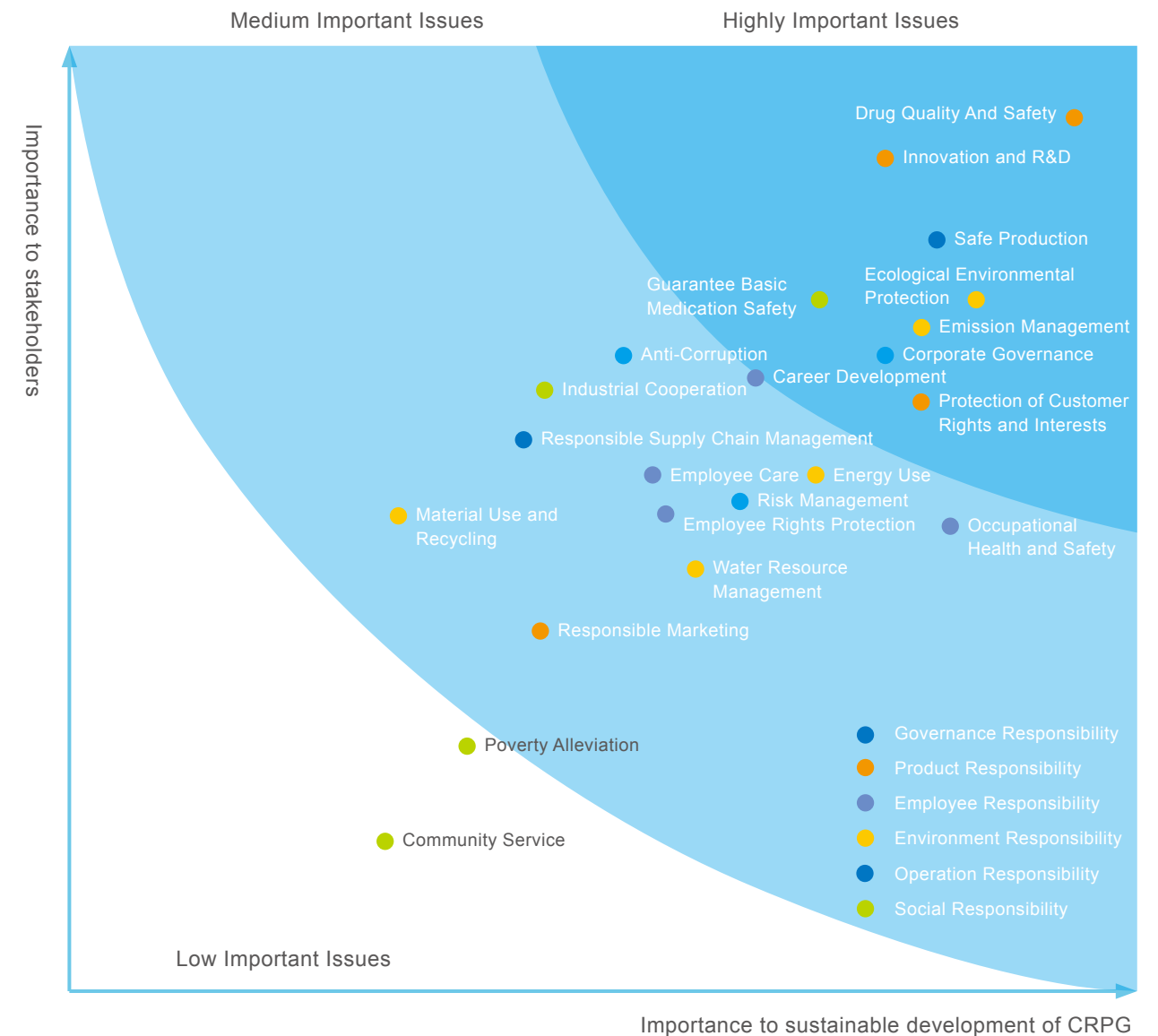
We made interaction and communication in various forms with all stakeholders and carried out a benchmarking analysis of corporate sustainability information disclosure in the same industry. On this basis and in accordance with the requirements of the ESG Reporting Guide - Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange, we identified 22 sustainability issues for CRPG in 2018.

In 2018, we determined the extent and boundaries of disclosure of the issues in the form of a questionnaire to ensure the accuracy and completeness of information

disclosure. We recovered a total of 6 company management team questionnaires and 292 stakeholder questionnaires and collected opinions and suggestions from various stakeholders on our sustainable development work, which served as an important basis and guiding direction for our work on sustainable development management.

Based on assessment of all sustainability issues by stakeholders and the Company's management team, the CRPG 2018 materiality matrix for sustainability issues was determined as follows:

### Materiality Matrix of CRPG's Sustainable Development Report in 2018





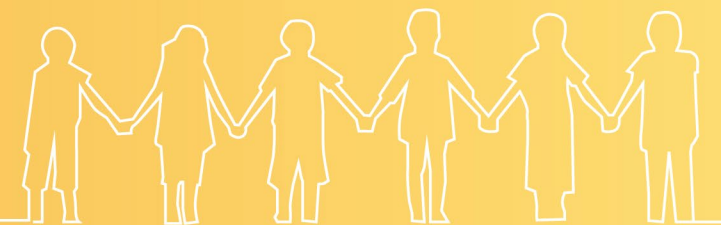
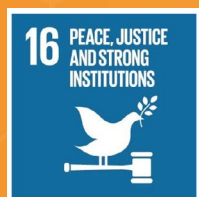


# Business Philosophy

## Seeking Development with Sincerity

The health of all Chinese people is an important hallmark of a comprehensive well-off society. CRPG sincerely serves the public health and contributes to the Healthy China Initiative. With high-quality development, and compliance with laws and regulations, it leads industry development, promotes industry progress, and strives to achieve the organic unity of economic and social values.

This chapter responds to the following United Nations' Sustainable Development Goals



## Operational Excellence

China resources medicine continues to optimize its business structure, promote innovation transformation and resource integration. We continuously improve the level of operation management and our business performance, realizing our value preservation and assets appreciation while maintaining sustainable development.

### Creating Economic Value

By strengthening basic management, continuing to promote R&D and innovation, improving industrial layout, and expanding business territory, our business quality and profitability continued to improve.

In 2018, CRPG achieved operating income of HK\$189,689.1

million, a year-on-year increase of 9.9%, total profit of HK\$9,242.8 million, increased by 7.7%, and its operating income from pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail accounted for 16.8%, 80.2% and 2.9% of the total respectively.



CRPG Main Business Performance from 2016 to 2018

Indicators	Unit	2016	2017	2018
Operating income	HK\$ 1 M	156,705.2	172,532.2	189,689.1
Total profit	HK\$ 1 M	8,042.7	8,582.3	9,242.8
Net profit	HK\$ 1 M	5,968.1	6,866.9	7,632.6
Total tax paid	HK\$ 1 M	5,582.5	6,582.5	7,422.7

## Continuously Improving Operation Quality and Promoting Transformation

At present, China's pharmaceutical industry is in a period of profound adjustment and transformation, showing new trends and new features such as industrial structural optimization, quality upgrading, stricter supervision, and accelerated transformation. We actively adapt to industry environment and market demands by continuously deepening reforms, acquiring high-quality resources, and tapping potential for endogenous growth to comprehensively promote enterprise transformation and upgrading and achieve high-quality development.

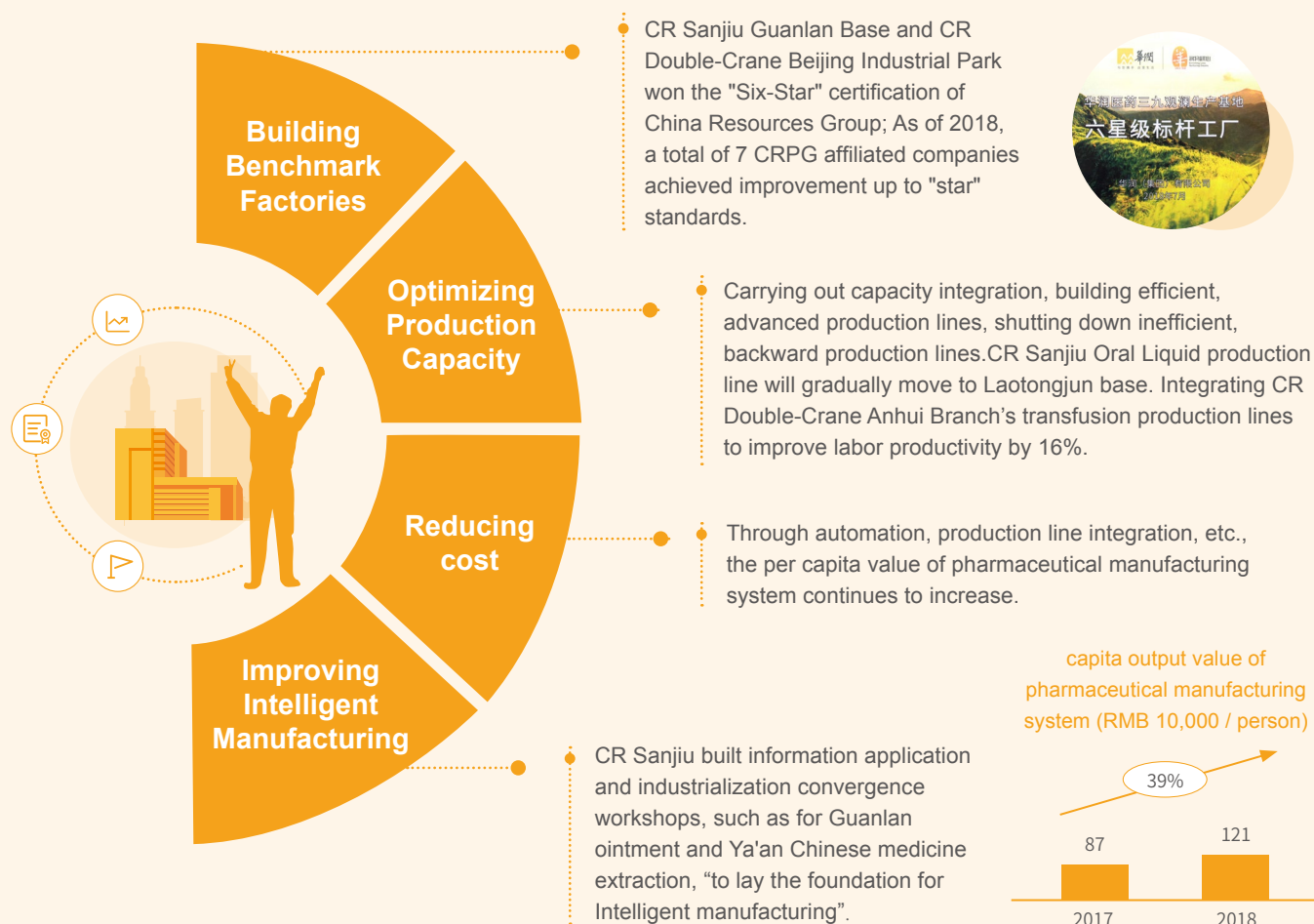
<p>Promoting the transformation and upgrading of the pharmaceutical business</p>	<p>Continued efforts are made to strengthen the core business areas with emphasis on core categories, to enrich and optimize product portfolio, to expand market share, and to promote industrial upgrading.</p> <ul style="list-style-type: none"> <li>• Priority is given to consumption upgrades and health needs in order to create big products with both clinical effects and market value. In 2018, there were 49 products with revenue of over 100 million yuan and 7 products with revenue of over 1 billion yuan.</li> <li>• Product portfolio is enriched for such core areas as cardiovascular and cerebrovascular diseases, cold and cough, infection prevention, digestive diseases, and pediatrics. New layout has been made in psychiatric and neurological product lines.</li> <li>• Everything possible is done to promote the consistency evaluation of generic drugs with emphasis on more than 40 such projects in order to promote industrial upgrading.</li> </ul>
<p>Creating a smart pharmaceutical supply chain service provider</p>	<p>Policy opportunities are seized to improve network layout, innovate on business models, and continued efforts are made to optimize variety structure and business structure.</p> <ul style="list-style-type: none"> <li>• Business structure is continuously optimized to bring up the proportion of medical service in our total operations to 75% and the overall gross profit margin by 0.6ppt.</li> <li>• Network layout is continuously improved to cover 28 provinces and more than 90,000 downstream customers.</li> <li>• An integrated, professional and large-scale modern logistics system has been built with a total of 170 logistics centers.</li> <li>• Efforts are made to explore and promote a variety of innovative business models to promote industrial upgrading, including "logistics + pharmacy + Internet" platform, intelligent integration of hospital logistics, hospital supplies supply chain intelligent integration (SPD), and so on.</li> </ul>
<p>Accelerating integration of pharmaceutical retail resources to enhance competitiveness</p>	<ul style="list-style-type: none"> <li>• 853 retail pharmacies have been distributed, including 140 DTP pharmacies covering 66 cities.</li> <li>• Efforts are made to integrate retail resources, unify retail brands, build a unified collective purchasing platform, and enrich and optimize product categories, hence new progress made in promotion of innovative business models such as DTP, chronic disease management, cloud-based drug distribution and pharmaceutical consulting services.</li> </ul>
<p>Optimizing R&amp;D and innovation system</p>	<ul style="list-style-type: none"> <li>• R&amp;D investment was increased, and a first-class R&amp;D team established. In 2018, our R&amp;D expenditure was 1.455 billion Hong Kong dollars, up 38% year-on-year; there were 222 ongoing research projects, 10 clinical approvals obtained, and 4 production approvals obtained.</li> <li>• All-round strategic cooperation has been strengthened with National Center for Nanoscience of Chinese Academy of Sciences, Nankai University, WuXi AppTec, Fujifilm and other partners.</li> </ul>
<p>Extensive development to expand growth space</p>	<p>Acquisition of high-quality resources is accelerated through strategic mergers and acquisitions (M&amp;A), industrial funds, etc. to promote extensive growth.</p> <ul style="list-style-type: none"> <li>• M&amp;A projects such as Jiangzhong Pharmaceutical and Xiangzhong Pharmaceutical were implemented in pharmaceutical business to further enrich product portfolio and expand business layout.</li> <li>• Multiple prefecture-level M&amp;A projects were completed in pharmaceutical distribution to strengthen regional advantage of the distribution network and enhance comprehensive competitiveness.</li> <li>• A forward-looking layout has been made in the field of industry fund, including a number of investments in the fields of traditional Chinese medicine, medical devices, and biopharmaceuticals, and industrial synergy has been achieved</li> </ul>
<p>Integrating biopharmaceutical resources systematically to accelerate the development of biopharmaceutical business</p>	<ul style="list-style-type: none"> <li>• Our R&amp;D, production and marketing resources of biopharmaceuticals have been integrated to accelerate project commercialization and product acquisition in areas we have yet to enter.</li> <li>• Our biopharmaceutical business already has advanced R&amp;D and production platforms and products in bulk production, as well as highly potential products under research, focusing on tumor treatment, immune system, cardiovascular and cerebrovascular diseases.</li> </ul>
<p>Expanding international cooperation</p>	<ul style="list-style-type: none"> <li>• Continued efforts are made to promote the expansion and construction of international cooperation platforms and to introduce high-quality projects, advanced technologies and management concepts. A strategic cooperation agreement was signed with Sandoz and Takeda respectively, and our strategic cooperation with Roche and Sanofi far has far exceeded expectations.</li> <li>• Analysis and research has gone further into the international pharmaceutical market in order to seek breakthroughs in business layout overseas.</li> </ul>





## Improve Operation Quality and Efficiency

We focus on the development of quality, promote business collaboration and resource integration, in-depth promotion of lean management, implementation of lean management ideas; Through the integration and optimization of resources, we improve the level of intelligent manufacturing, product quality and production efficiency through which we promote the steady improvement of economic benefits with outstanding management.



## Governance Structure

CRPG actively fulfills its shareholder responsibilities by establishing and continuously improving the corporate governance system and improving the information disclosure mechanism to ensure operational compliance with laws and regulations.

### Improving corporate governance structure

We strictly abide by the Hong Kong Companies Ordinance, the Listing Rules of the Hong Kong Stock Exchange and other rules and regulations formulated by regulatory authorities. With the governance structure of "Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and the Senior Management" as the core, we implement effective checks and balances and coordinate operations among all parts of the Company to ensure efficient and sound decision-making and to prevent business management risks brought about by individual decisions.

### The Board of Directors actively performs its duties

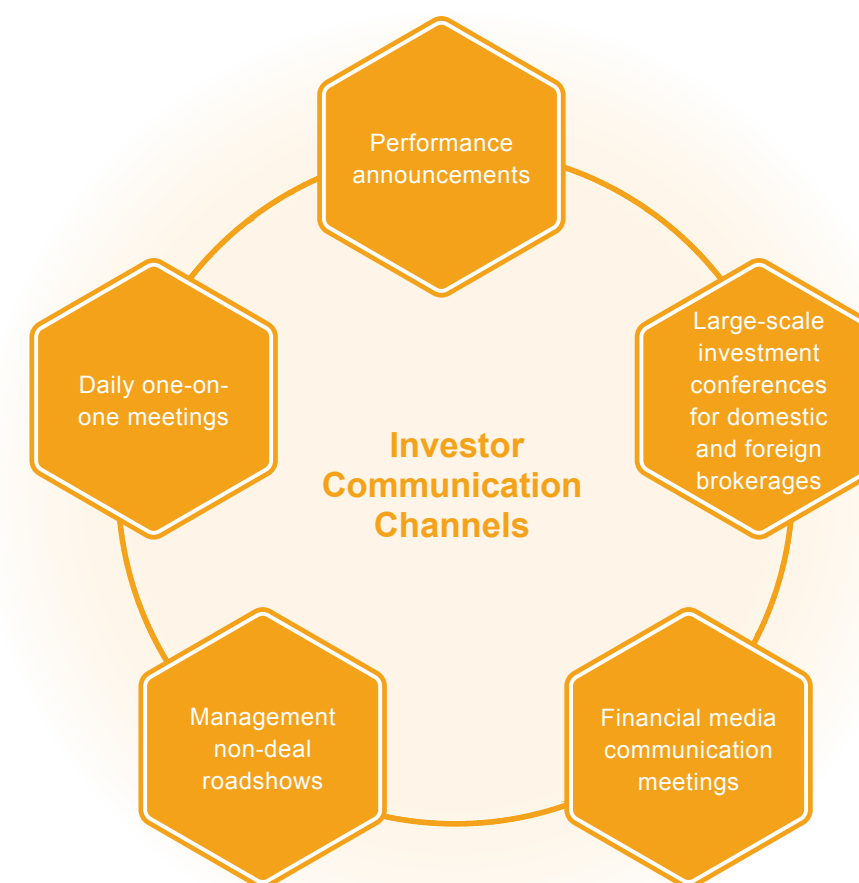
In 2018, the Board of Directors actively performed its duties to the Company and its shareholders. It held in total 8 on-site board meetings, 3 meetings of the Audit Committee, 1 meeting of the Remuneration Committee, 2 meetings of the Nomination Committee and 2 meetings of the Corporate Governance Committee, the numbers of which met or exceeded the required by the Listing Rules or the terms of reference.

### The governance system continues to be improved

In 2018, the Board of Directors revised the terms of reference of the Audit Committee, the Board of Directors Diversity Policy, the terms of reference of the Nomination Committee, the roles and functions of the Chairman and the CEO, and adopted the nomination policy and dividend policy in accordance with the Listing Rules of the Hong Kong Stock Exchange.

## Improving Investor Communication Mechanism

We actively maintain sound investor relations by keeping smooth communication with domestic and foreign investors to ensure that investors timely and comprehensively understand important information such as company strategy, material issues, business operations and financial performance. We hold performance announcements, general meetings of shareholders, global investor conference calls, and global institutional investor roadshows on a regular basis to rationally guide market expectations, enhance investor confidence, and maintain stable and harmonious investor relations.





We met with a total of

**600** person-times

of institutional investors as buyers in 2018

We met with a total of more than

**40** person-times

of analysts as sellers in 2018



CRPG Interim Results Announcement

### Regulating Information Disclosure

In strict compliance with the requirements of domestic and overseas listing, we disclose relevant information in a complete and accurate manner in accordance with the principles of truthfulness and reliability, and timely release important information such as announcements, news, and media highlights through official website to make shareholders and investors fully understand the enterprise dynamics and to enhance the transparency of information.



**3** periodic reports were issued in 2018

**59** announcements and circulars were issued in 2018

### Protecting Shareholders' Rights and Interests

We actively fulfill the obligations of listed companies. We continue improving the rules of procedure of shareholders' meeting, dividend distribution and other policies and regulating the behavior of shareholders in strict compliance with the requirements of the Listing Rules of the Hong Kong Stock Exchange to ensure that shareholders exercise relevant rights through shareholders' meeting. We persistently strengthen communication with small and medium-sized shareholders, and attach importance to protecting their rights to voice demands, transfer shares, withdraw shares, and rights to know.

## Compliance Operation

Operational compliance with laws and regulations is the basis for survival and development of an enterprise. We continuously strengthen the construction of internal control system, conduct risk assessments on a regular basis, and timely monitor the effectiveness of internal control system. We put anti-corruption and upholding integrity on the prominent position of daily operations to strictly prevent commercial fraud and to cement the anti-corruption defense line.

### Strengthening Construction of Internal Control System

In 2018, CRPG revised and improved the *Administrative Measures for Internal Control Evaluation* and the *Implementation Measures for Risk Management Work*, so that the internal control evaluation system comprehensively covers affiliated R&D, industrial and commercial enterprises to improve the efficiency and effectiveness of internal control evaluation.

To ensure standardized and effective internal control management, we conduct internal control self-evaluation on a regular basis. In 2018, CRPG conducted independent inspections of internal control design and operation of five affiliated enterprises - Dong'e Dairy, Angde Biotech, Kunming Shenghuo Pharmaceutical, CR Sichuan, and CR Liaoning. No material defects were found.

### Risk Assessment

In the fourth quarter of 2018, CRPG and its affiliates launched risk assessment for 2019, which covered risk point combing, risk classification, probability of occurrence, impact level, and response measures to comprehensively improve risk management and control of the enterprise.

CRPG Headquarters			
A number of methods were used such as risk collection, questionnaire survey, and comprehensive assessment. The risk questionnaire was designed from the point of view of strategic goals, covering 143 material risks from 17 dimensions such as macroeconomic risks, strategic management risks, organizational control risks, investment and M&A risks, etc.			
Through selection, analysis and ranking of risk issues, the top ten risks for CRPG in 2018 were identified, and based on this, the 2019 risk response strategies and solutions were developed.			
CR Sanjiu	CR Double-Crane	Dong-E-E-Jiao	CR Pharmaceutical Commercial
Collecting risk information to form a risk list, using risk questionnaire, statistical analysis, expert scoring, etc. to conduct risk assessment	Identifying risks horizontally across all operations of the headquarters departments and subordinate entities; Combing risks by analyzing vertically such aspects as policy, system and execution, organizational responsibilities, etc.	Identifying risk events through questionnaires, on-site interviews and seminars, etc. and conducting risk analysis and evaluation	Based on the three-level management system of "headquarters - provincial-level companies - prefecture-level companies", carrying out risk information identification and risk assessment from the bottom up according to the risk classification framework with the help of risk identification methods

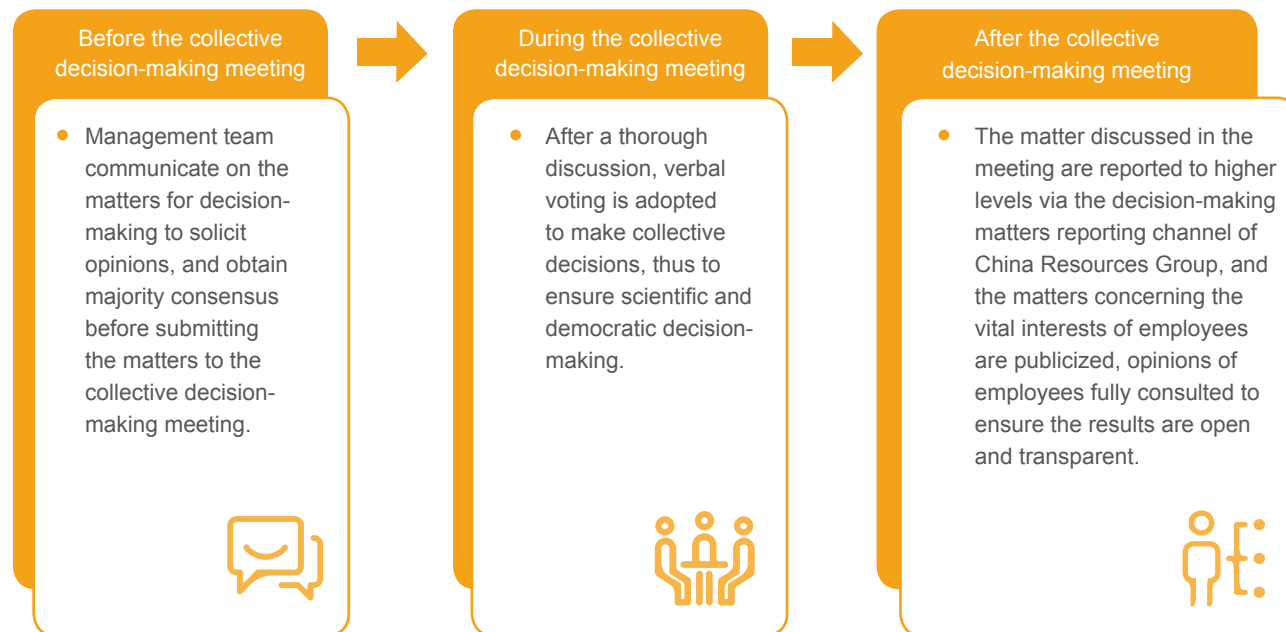
Internal Control and Risk Assessment Measures of CRPG and Affiliated Companies



## Improving Decision-Making System

We resolutely implement the decision-making system that "decision-making on important matters, appointment and exemption of important executives, important project arrangements, and use of large-sum funds must go through collective discussion"(so called "3-Important & 1-large"). Taking the approach of internal and external inspections for rectification, we continue improving the rules and regulations such as *the Administrative Measures for Implementation of the Decision-Making System* and *the Administrative Measures for the Meetings of Corporate Offices* to clarify the scope, procedures, rules of procedure, and accountability for decision-making, consolidate institutional foundation, and standardize the decision-making process.

### CRPG Decision-Making Process



## Deepening Anti-Corruption and Upholding Integrity

We conduct in-depth study and education on ideology and regulations to firmly establish the concept of honesty, integrity, and compliance with the rule of law. In strict compliance with such regulations as *Regulations on Disciplinary Actions of the Communist Party of China*, we formulated and improved the *Administrative Measures for Discipline Inspection and Supervision, Guidelines for Administration of Letters and Visits and Supervision and Discipline* among other systems to further tighten the institutional cage.

Focusing on strengthening supervision, we constantly improve the working mechanism of communication and coordination between discipline inspection and supervision and various business-specific supervision entities to build a "big supervision" work pattern of synergy. Such supervision channels as whistle-blowing hotline and email address have been set up and made public. Daily reflections and reports are accepted and responded in accordance with the workflows such as petition handling, clues processing

and disciplinary review and investigation. To further deepen reforms, in accordance with the central proposals for reforming and innovating the discipline inspection and supervision system and the unified deployment of China Resources Group, we continuously optimize our discipline inspection and supervision work mechanism and effectively translate institutional advantage to governance effectiveness.

We pay attention to implementation of tasks and fulfilling of responsibilities level by level down to earth. We always maintain a highly charged drive to enforce discipline and advance efforts to build a mechanism with the objectives that "officials dare not, cannot and do not want to be corrupt". In 2018, CRPG handled 11 persons of violation and there was no incident of corruption.

## CRPG Anti-Corruption Work Content

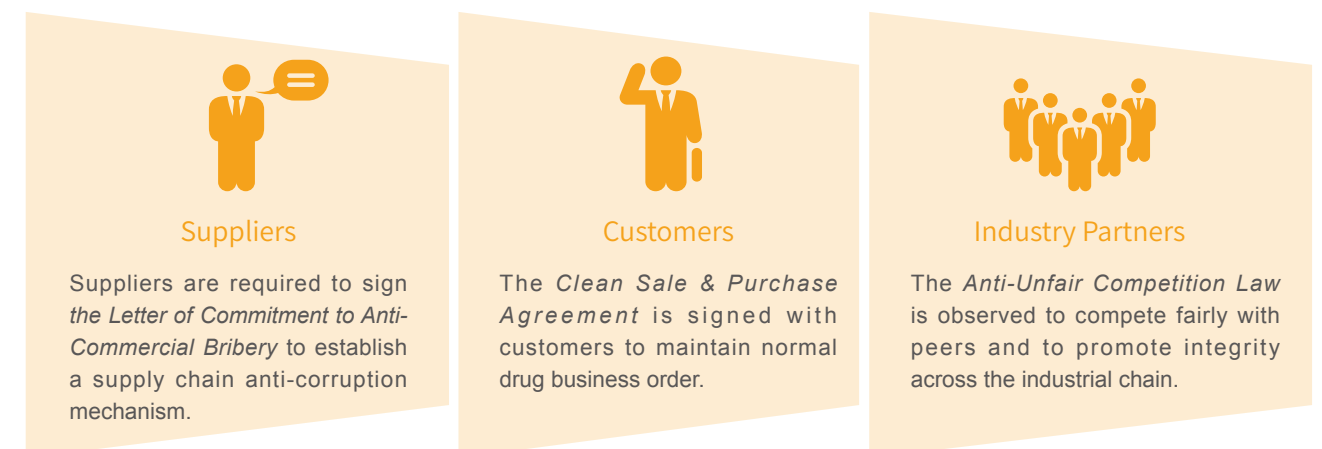


## Opposing Commercial Fraud

With honesty and trustworthiness as core values, we resolutely oppose commercial fraud and create a fair, just and open business environment.

We strictly abide by the national rule-*Interim Provisions on the Prohibition of Commercial Bribery* issued by the State Administration for Industry and Commerce, requiring each salesperson to strengthen self-discipline and properly deal with the relationship with stakeholders. CR Pharmaceutical Commercial and CR Double-Crane organized relevant personnel to sign the *Responsibility Letter on Sales Compliance* to strictly supervise the behavior of pharmaceutical salespersons. Dong-E-E-Jiao carried out the "Public Commitment to Key Positions" campaign in which 205 copies of the *Letter of Commitment to Integrity on Key Posts* were signed. We work with all stakeholders to continuously create a fair, just and open industrial chain.

### CRPG Joins Partners across the Industrial Chain to Combat Commercial Fraud

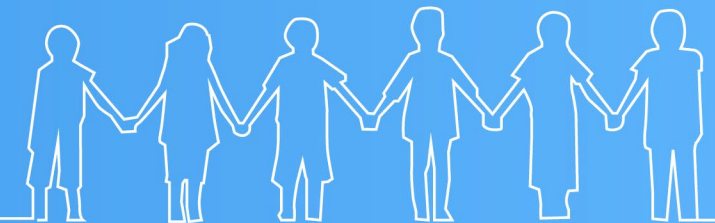


# 2

## Consolidating Foundation Making Medicine with Craftsmanship

Pharmaceutical industry is crucial to national economy and people's livelihood.  
We care for public health with dedication and create a healthy life for human  
beings with high-quality medicines and excellent services.

This chapter responds to the following United Nations'  
Sustainable Development Goals





## Innovation and R&D

Innovation is the key driver of leading development. Regarding R&D and innovation as an important driving force for sustainable development, we focus on multiple fields of medicine and healthcare to continuously improve core competitiveness.

### Combining Imitation and Innovation to Promote Innovation Achievement

Guided by national policies, industry development trends and market demand, we continue to promote the translation of innovation results, promote the launch of new products, and enhance our core competitiveness through combination of imitation and innovation.

We actively promote the consistency evaluation of quality and efficacy of generic drugs. By the end of 2018, more than 40 special consistency evaluation projects had been carried out, more than ten started bioequivalence clinical trials, and eight completed bioequivalence clinical trials.

#### Major R&D Achievements in 2018

Projects Under Research	<ul style="list-style-type: none"> <li>A total of 222 (excluding consistency evaluation projects), including 32 innovative drug research projects and 152 new product development projects</li> </ul>
Patents Obtained	<ul style="list-style-type: none"> <li>14 new patent applications</li> <li>33 new patent grants</li> </ul>
Project Approval	<ul style="list-style-type: none"> <li>10 projects obtained clinical approvals issued by the State Drug Administration.</li> <li>4 projects obtained production approvals issued by the State Drug Administration.</li> <li>CR Double-Crane sulfonate amlodipine besylate tablets (5mg) and terazosin hydrochloride tablets (2mg) passed consistency evaluation.</li> <li>CR Zizhu Mifepristone (10mg and 25mg) passed consistency evaluation.</li> </ul>

#### Case

CR Double-Crane products "Yashida" and "Mashani" passed the generic drug consistency evaluation.



CR Double-Crane Amlodipine Besylate Tablets (5mg) (Yashida) successfully passed the consistency evaluation of quality and efficacy of generic drugs, becoming the first product of CR Double-Crane and the third product of the same kind in China through the consistency evaluation of generic drugs. In December, CR Double-Crane Terazosin Hydrochloride Tablets (2mg) (Mashani) passed the consistency evaluation of generic drugs. It is used for the treatment of symptoms caused by benign prostatic hyperplasia (BPH) and is also suitable for the treatment of mild or moderate hypertension.

## Strengthening R&D Capacity Building

In order to enhance product R&D capabilities, we continue to increase investment in R&D. In 2018, CRPG R&D expenditure reached HK\$ 1.455 billion with an increase of 38% year-on-year.

### R&D Capacity Building Achievements as of the End of 2018

<p>Platform Construction</p>	<ul style="list-style-type: none"> <li>Two nationally accredited engineering technology research centers</li> <li>Two nationally accredited enterprise technology centers</li> <li>15 provincial and municipal accredited research centers</li> <li>Post-doctoral research station</li> <li>Launching the construction of a biological evaluation center</li> <li>Introducing the most accurate computer-aided drug design (CADD) software and technology platform available today</li> </ul>
<p>R&amp;D Talent Team Building</p>	<ul style="list-style-type: none"> <li>600+ R&amp;D staff members, accounting for about 1% of the formal staff</li> <li>CRPG Research Institute introduced 5 well-known experts and high-end talents</li> <li>Introducing 1 talent to the post-doctoral research station</li> </ul>

### Regulating R&D and Innovation Management

We carry out product R&D and innovation in strict accordance with the *Drug Administration Law of People's Republic of China, Administrative Measures for Pharmaceutical Registration, and Patent Law of People's Republic of China*, among other laws and regulations.

In order to encourage innovation culture and standardize intellectual property management, we formulated the *Administrative Measures for R&D Project Performance*

and *Technology Rewards* to set incentives for project performance and sci-tech achievements to stimulate employees' innovative potential and creativity. We formulated the *Administrative Measures for Intellectual Property Rights and Archives of R&D Projects* to effectively protect intellectual property rights in the R&D process and fully mobilize the enthusiasm of scientific and technical personnel.

### Promoting Technological Advancement in the Industry

We continue to strengthen cooperation among production, education and research. Through technology licensing, service outsourcing, joint construction of joint laboratories and other means, we established all-round strategic cooperation with the National Center for Nanoscience of Chinese Academy of Sciences, Peking Union

Pharmaceutical Institute, Nankai University, WuXi AppTec, Japan Fujifilm, Pharmaron and other domestic and foreign partners, while actively participating in the formulation of industry standards.



6 domestic and foreign products or projects were introduced including 2 Class 1 chemical innovative drugs and 1 biological drug

### CRPG Participation in Development of Industry Standards in 2018

Industrial standards & Paper	Release time	Organizer
<i>Technical Guide to Peritoneal Dialysis Solution Packaging System</i>	July 2018	China Pharmaceutical Packaging Association
<i>Guide to the Evaluation of Clinical Use of Basic Transfusion (Trial)</i>	August 2018	China Pharmaceutical Packaging Association
<i>Administrative Guide to National Grassroots-level Diabetes Prevention and Treatment</i>	November 2018	Administrative Office for Grassroots-level Diabetes Prevention and Control
<i>Guidelines for the Prevention and Treatment of Hypertension in China (Revised Edition, 2018)</i>	December 2018	Hypertension League Chinese Medical Association Cardiovascular Disease Branch Chinese Medical Doctor Association Specialty Committee on Hypertension China Healthcare International Exchange Promotion Association Hypertension Branch Chinese Geriatrics Society Hypertension Branch
<i>Guide to Rational Medication for Dyslipidemia (2<sup>nd</sup> Edition)</i>	December 2018	National Health and Family Planning Commission Committee on Rational Use of Medicine Chinese Medical Doctor Association

### Adhering to R&D Ethics

We adhere to the ethics of pharmaceutical research and development by always putting the rights and interests of patients first in clinical trial projects we carry out.

- Complying with policies and regulations**  
 We strictly abide by the *Administrative Measures for Pharmaceutical Registration*, the GCP, the Declaration of Helsinki, and the Nuremberg Code.
- Protecting patients' right to know**  
 We actively train and educate patients with the help of clinical trial partners to make patients truly understand their own disease and the risks and benefits of clinical trials.
- Respecting patients' freedom of choice**  
 We strictly implement indiscriminate treatment of patients regardless of whether they choose to participate in clinical trials.
- Protecting patients' rights and interests**  
 We purchase special insurance for patients participating in clinical trials and pay relevant clinical trial grants to participating patients.

## Drug Safety

We care public health. Drug safety is our important responsibility. We continuously improve product quality control, quality supervision and inspection mechanism, and quality management to provide the society with products of excellent quality, definitive efficacy, safety and reliability.





Drug sampling pass rate as follows

CR Sanjiu, Dong-E-E-Jiao, CR Zizhu **100%**

42

quality awards were received throughout the year

### Improving Quality Management System

We strictly abide by the *Drug Administration Law of People's Republic of China*, *Drug Administration Law Implementation Regulations of People's Republic of China*, *Food Safety Law of People's Republic of China*, WHO TRS documents, EU GMP, FDA cGMP, ICH Guiding Principles and other domestic and foreign laws and regulations. On that basis, we established the *Quality Management System*, which defines quality management responsibilities, operation management, risk management, information management and quality audit methods and related procedures. Through the formulation of *Adverse Drug Reaction Report and Monitoring Management*, *Drug Traceability Management System* and relevant systems, we guarantee legal

compliance of production and operation.

CRPG established a sound quality management system. All of its subordinate enterprises have passed domestic GMP and GSP certifications, and some have also carried out GB/T19001 system certification. Some affiliates' laboratories have strong technical capabilities in detection and calibration, and have been acknowledged by China National Accreditation Service for Conformity Assessment (CNAS). We actively seek international certifications. Some affiliated enterprises have successfully passed the FDA, EU cGMP, and WHO certifications, their management systems passed a number of international supplier on-site audits.

Case

CR Saike Pharmaceutical passed cGMP Inspection due to its continuous "Zero Defect".

---

From July 30<sup>th</sup> to August 3<sup>rd</sup>, 2018, CR Saike Pharmaceutical accepted the routine cGMP inspection organized by FDA of the United States. It had passed the inspection again with "zero defect" since it first pass it with "zero defect" in 2016. Since 2009, CR Saike Pharmaceutical has passed the cGMP inspection of the FDA for four consecutive times.



## Focusing on Quality Control throughout the Process

We implement product quality control throughout the life cycle, ensuring drug safety in multiple links such as raw material supply, production, transportation, and marketing.

CRPG has established a complete product traceability system and anti-counterfeiting system to ensure that the products can be traced from raw materials to end consumers. All main products are labeled with the CFDA electronic drug monitoring code, the authenticity of which can be verified through official website and 400 consultation hotline.

During the products transmission process, enclosed trucks are used for the transportation and distribution of medicines and commercial drugs by CR Pharmaceutical Commercial. Before using the vehicles, cleanness inspection is carried out. Protective devices are installed in the vehicles to prevent damage and pollution problems, drug theft and robbery and loss and exchange accidents. Emergency plans for the transportation of refrigerated medicines are established, and emergency drills are conducted regularly to ensure the quality and safety of the transportation of refrigerated medicines.

CR Pharmaceutical Commercial used computer system to set the automatic locking function for expired drugs, and strictly prohibits the release and sale of expired drugs. During the sales process, We collect expired drugs regularly, which are destroyed by qualified organizations.



### Case

#### Dong-E-E-Jiao Joins China Quality Chain Platform to Achieve Product Quality Monitored throughout the Chain

In 2018, Dong-E-E-Jiao officially joined the China Quality Chain Platform jointly established by Inspur Group and China Society of Inspection and Quarantine as the first pharmaceutical company. The platform combines advanced IT technologies such as cloud computing, big data and blockchain and covers five major links of corporate credit, product standards, inspection and testing, product traceability and quality insurance, forming a complete quality closed-loop to provide consumers with product traceability and verification services.

After joining the platform, Dong-E-E-Jiao's product quality throughout the life cycle from donkey breeding, quarantine, refining, to circulation and marketing, as well as the high standards used are written into the chain in the form of data, which is audited by government agencies and third-party authoritative testing institutions as nodes on the chain so as to achieve anti-counterfeiting and "traceability across the industry chain" and maximize the protection of consumer rights.

## Improving Drug Emergency Recall Mechanism

We pay attention to patients' medication safety by strictly following the *Pharmaceutical Recall Management Measures*, *Pharmaceutical Production Quality Management Regulations*, *Food Recall Management Measures* and other laws and regulations. Each affiliated enterprise has established *Product Recall Management Measures*, *Emergency Prevention and Response Control Procedures* and other systems, so that the drug source and circulation can be traced, problems can be identified. We conduct recall exercises and other activities to ensure the effectiveness of the recall system. For recalled products, we carry out inspection, investigation, analysis, storage and disposal in strict accordance with national laws and regulations.

## Building Quality Culture

In order to build a company-wide quality culture and create a quality-first atmosphere, we organized a quality skill competition with the theme of "enriching lives, nurturing dreams, improving quality and enhancing efficiency", thus to build a team of knowledgeable, skilled and innovative workforce. We enhance employees' quality on all fronts, strengthen the quality awareness of all employees, and ensure the continuous improvement of product quality.

We organize various quality trainings on a regular basis. Through the formulation of *Employee Quality Training Program*, we promote the improvement of employees' quality management capabilities by means of specialty training, feature projects, project construction, and lean management, which effectively guarantee product quality. In 2018, we organized GMP and GSP trainings. The number of training times and trained people was 104,000 in total.

### Case

#### Dong-E-E-Jiao Conducts Quality Management Activities for 36 Consecutive Years

In 1983, Dong-E-E-Jiao launched the "Quality Control (QC) Circles" activity, which has been in progress for 36 years. This activity has become an effective way for all employees to participate in quality management, and has become one of the most effective ways for frontline employees to carry out on-site quality improvement and quality research. At the 42nd International Convention on Quality Control Circles (ICQCC) held in the Philippines, "Research on Methods for Simultaneous Detection of Multiple Trace Elements in Donkey-hide Gelatin" won the international QC Gold Award.

## Customer Service

Customer satisfaction is the goal we pursue consistently. CRPG always protects customer rights and interests by responding to customer needs in a timely manner and continuously innovating service models to meet customer needs with more efficient and better services.

## Broadening Pharmaceutical Distribution Channels

In 2018, we continued to broaden and increased the breadth and depth of our pharmaceutical distribution business network. We advanced layout in the west of China by entering Gansu Province, and accelerated penetration in prefecture-level market to strengthen regional leading edge. As of the end of 2018, our distribution network had covered 28 provinces with 170 logistics centers. Our terminal coverage continued to expand to more than 90,000 downstream customers, including more than 6,000 hospitals and 50,000 primary medical institutions.

We promote the integration of mobile Internet and pharmaceutical industry by further layout in the "Internet + medicine and healthcare" field. We actively innovate on business models and continuously expand distribution channels to provide customers with precise marketing, online finance, product traceability, third-party warehousing and logistics services.

### Case

#### CR Pharmaceutical Commercial Helps the Launch of Beijing's First "Smart Hospital + Prescription Transfer Platform"

On December 26, 2018, the first "Smart Hospital + Prescription Transfer Platform" project in Beijing was launched at the Beijing Aerospace General Hospital. CR Pharmaceutical Commercial and Beijing Aerospace General Hospital signed the "Internet +" Strategic Cooperation Agreement to actively explore the innovative business model of "Internet + Medicine + Retail". Thus, the "CRPG E-Pharmacy" project in the context of "Smart Hospital + Prescription Transfer Platform" was officially launched.



Case

CR Pharmaceutical Commercial Launches Sanofi China Third-party Logistics Project

On December 18, 2018, CR Pharmaceutical Commercial and Sanofi's third-party logistics project was officially launched. CR Pharmaceutical Commercial will set up logistics centers in Beijing and Guangzhou to provide Sanofi with services such as warehousing, distribution, operational analysis and customized reporting. The two logistics centers undertaken by CR Pharmaceutical Commercial have the storage capacity account for about 40% of the total storage capacity of Sanofi logistics centers in the country, and have achieved full coverage of varieties for distribution.



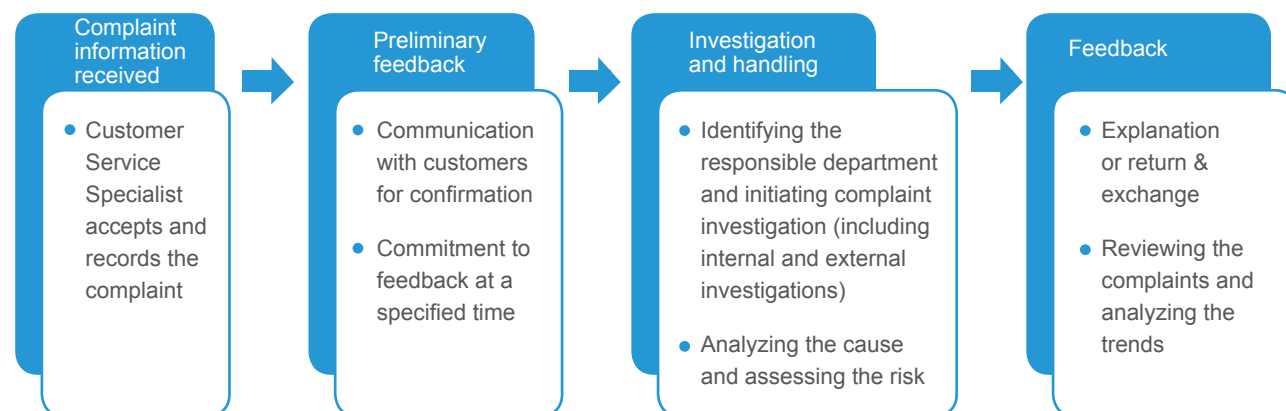
CR Pharmaceutical Commercial and Sanofi Third-party Logistics Project Launch Ceremony

Improving Customer Complaint Handling Mechanism

We established a comprehensive and three-dimensional service system to carefully listen to customer needs and conduct customer satisfaction surveys on a regular basis. We established a comprehensive complaint reporting channel through which consumers can provide feedback and suggestions on products and services via customer service hotline, official WeChat account, official Weibo account and e-mail. CRPG subordinate enterprises have all established the *Complaint Management Regulations* to standardize complaint classification, complaint receiving procedures, complaint investigation and handling, complaint response, etc., thus to ensure timely and effective handling of complaints.



Customer Complaint Handling Process



Normalizing Drug Information

CRPG formulated the *Product Packaging Management Regulations* and *Administrative Measures for Licensing the Use of Trademarks* in accordance with the *Product Labeling Regulations*, *Pharmaceutical Advertising Review Measures*, *Drug Advertising Review and Release Standards* and other relevant laws and regulations to strengthen standard management of product packaging design, advertisement

release procedures, trademark application and usage. All product packaging labels are based on drug registration data and have undergone rigorous review and approval to ensure the authenticity and accuracy of drug information. For adverse reactions that may occur in a small number of patients using drugs, we note the same in instructions on drug label.

Promoting Accessibility of Medicines

Promoting accessibility of medicines is an important measure to improve public health and ensure social stability. Starting with drug R&D, supply and reasonable pricing, we provide the public with necessary, adequate, and reasonably

and transparently priced drugs to promote drug accessibility. By the end of 2018, we had produced more than 430 products, of which more than 260 made into the National Health Insurance Directory.

CRPG's Measures to Promote Drug Accessibility

Ensuring Supply	<ul style="list-style-type: none"> <li>We tap product value by building a multi-level expert network. We improve the prescription drug compliance management system and strengthen specialty marketing capabilities in the fields of chronic diseases, pediatrics, and hepatology;</li> <li>We strengthen the leading role of hospitals, while expanding grassroots and retail markets. We accelerate the coverage of chronic disease products such as "Yashida" and "Suiyue" in the urban medical market, improve the expert network at the grassroots level and retail terminals, so as to guide the drug use at grassroots level, and carry out strategic cooperation on retail;</li> <li>We increase coverage of medical terminals to cover 58,000 medical institutions, up 21% year-on-year.</li> </ul>
Reasonable Pricing	<ul style="list-style-type: none"> <li>We strictly follow the drug pricing and price adjustment procedures by appointing special personnel to be responsible for price-related work, such as maintaining commodity prices in the retail system, and ensuring retail stores to sell at expressly marked price;</li> <li>Our pharmacies price drugs basically the same as hospitals. The DTP varieties are sold according to the recommended price provided by the manufacturer or the Ministry of Commerce;</li> <li>We conduct internal audits every year and receive random checks and reviews by price administration departments.</li> </ul>

Case

14 Varieties of CRPG Were Added to the 2018 Edition of Essential Medicines List

On October 25<sup>th</sup>, 2018, the National Health Commission issued the *2018 Edition of the National Essential Medicines List*. CRPG had 14 varieties including chemical medicines, traditional Chinese medicines and biopharmaceuticals added to the new list. Among them, Cinobufotalin Tablets, Calf Pulmonary Surfactant and Gliquidone are medicines with annual sales exceeding 100 million yuan, which target at cancer, pediatric and chronic diseases respectively.



## Case

CR Pharmaceutical Commercial released the *Research Report on Drug Use at Grassroots Level*

On December 4<sup>th</sup>, 2018, CR Pharmaceutical Commercial released the *Research Report on Drug Use at Grassroots Level*, which is the first report on grassroots-level drug use security completed by pharmaceutical circulation enterprise in China.

Around the grassroots-level drug use security, CR Pharmaceutical Commercial penetrated into medical institutions in grassroots-level, communities, and retail pharmacies in various provinces and cities to conduct research on residents' purchase of drugs, drug use behaviors, habits and attitudes, and drug needs. In the face of challenges revealed by the survey results, CR Pharmaceutical Commercial joined by nearly 50 upstream and downstream institutions called for joint efforts in building a grassroots-level medication security network.



Release Conference of CR Pharmaceutical Commercial's *Research Report on Drug Use at Grassroots Level*

## Protecting Customer Information

We value customer privacy protection by developing comprehensive customer information protection policies and procedures, which clarify code of conduct for protection, standard operating procedures, and measures

for violations handling. Through customer information security training, we integrate customer privacy protection into all aspects of operations.

## Adhering to Accountable Marketing

Scientific and rational use of medicines requires the public to have certain professional knowledge. CRPG and its affiliates disseminate to the public common and scientific knowledge of medication through various forms and channels.

CR Sanjiu opened the "999 Sunshine Club" official

WeChat public account to push medical knowledge such as industry trends, disease prevention, and antibiotic use to all relevant parties. CR Zizhu holds the "Zizhu Campus Campaign on Youth Health" in colleges and universities every year to care for the physical and mental health of college students by popularizing knowledge on adolescent reproductive health.

## Case

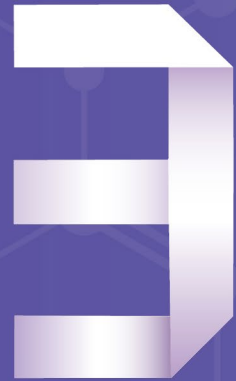
## CRPG Held a Public Open Day Event

On September 8, 2018, CRPG and its affiliates - CR Pharmaceutical Commercial, CR Sanjiu, CR Double-Crane, and Dong-E-E-Jiao - held a public open day event entitled "Experiencing 80-Year CR", which invited investors, family members of employees, consumers, partners, media reporters, surrounding residents and government officials to participate.

- »» CR Pharmaceutical Commercial opened five locations in Beijing, Tianjin, Hunan, Shandong and Jiangsu to public for participants to visit drug sorting lines to learn about medical logistics.
- »» CR Sanjiu opened Shenzhen Guanlan production base, where guests walked into exhibition center and production workshop to learn about all aspects of pharmaceutical manufacturing.
- »» CR Double-Crane opened Beijing Industrial Park, where participants witnessed the automation and specialization of pharmaceutical production.
- »» Dong-E-E-Jiao invited the public to visit Chinese Ejiao Museum, China Donkey Museum, and Ejiao World to learn about donkey-hide gelatin's efficacy and to taste gelatin cake prepared on the spot.



"Experiencing 80-Year CR" Public Open Day



# People First Seeking Happiness within Unity

Talent is the most valuable asset of an enterprise. We respect and care every employee by protecting the legitimate rights and interests of employees, creating a productive atmosphere, and building a broad career development platform for the common development of enterprise and employees.

This chapter responds to the following United Nations' Sustainable Development Goals





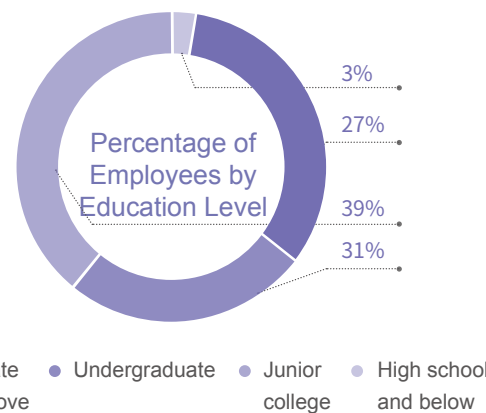
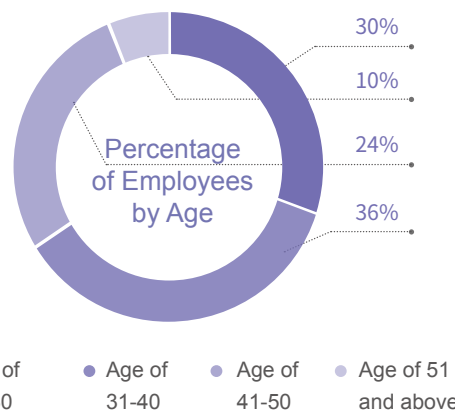
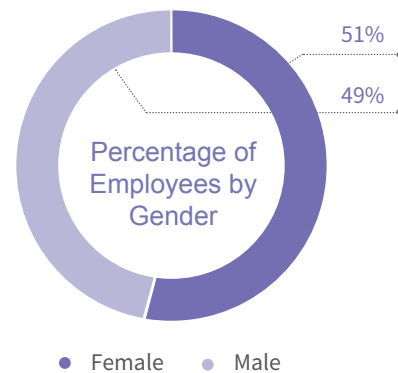
## Employees' Rights and Interests

Adhering to the people-oriented principle, we strictly abide by laws and regulations such as the *Labor Contract Law of the People's Republic of China*, and formulated the *Administrative Measures for Labor Contracts*, *Administrative Measures for Recruitment and Employment*, *Administrative Measures for Compensation and Benefits*, *Administrative Measures for Leave and Attendance*, etc., which protect employees' rights and interests from such aspects as equal employment, performance management, compensation and benefits, and career advancement. We resolutely prohibit the employment of child labor and forced labor, respect

and protect the employees' right to privacy at work, and maintain confidentiality in terms of remuneration, personal information, assessment, etc., so as to protect employees' rights and interests.

We respect the gender, race, ethnicity, religious beliefs and cultural backgrounds of our employees. Committed to building a diverse and inclusive talent team, we strengthen localized talent management during the employment process and increase the localization ratio of first-line production employees and logistics support employees.

### 2018 Employee Data



We strengthen democratic management by improving the system of employees' congress, building trade unions and establishing smooth channels of feedback to promote the harmonious and stable development of the enterprise.

In 2018, CR Pharmaceutical Commercial, CR Double-Crane, CR Zizhu and Dong-E-E-Jiao held employees' congress to deliberate and adopt relevant systems such as enterprise annuity, credit management, attendance and leave, which effectively safeguarded employees' right to participate in democracy and the right to be informed.

By various means such as employee satisfaction survey, general manager mailbox, employee symposium, and questionnaire, we listen to employees' suggestions and opinions on enterprise development in a timely manner, and give feedback to employees' demands.

In 2018, Dong-E-E-Jiao conducted an employee satisfaction survey with a satisfaction rate of **97%**

### Staff Democracy Management Data from September 2017 to September 2018



## Employee Development

We attach great importance to career planning for employees by building a broad career development platform and providing various employee trainings to promote the development of our employees on all fronts.

Vision of Talent Development	<ul style="list-style-type: none"> <li>This is an inclusive organization where ordinary people become excellent, excellent people become extraordinary, and a steady flow of people realizes their dreams of life.</li> </ul>
Talent Development Strategy	<ul style="list-style-type: none"> <li>It is the persistent pursuit of CRPG to cultivate a team that commands market leadership, creates organizational advantages, guides value orientation, and has a sense of mission and responsibility to support the realization of our strategic goals.</li> </ul>

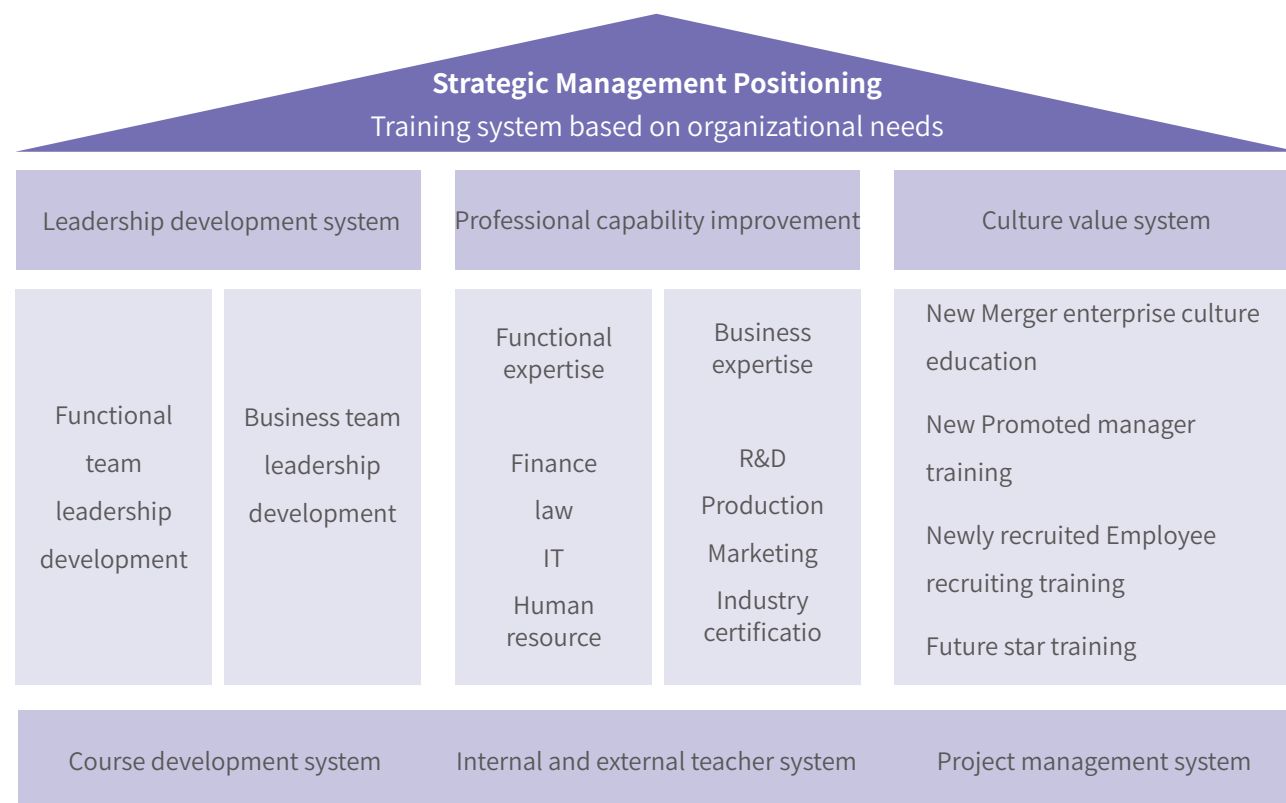
### Selecting and Appointing Managers

In order to build a team of highly qualified and pragmatic managers who are suitable for business development, we formulated the *Administrative Measures for Manager Selection and Appointment*. Our manager team expands by internal selection, open competition and talent introduction. In the selection process of managers, we pay attention to young talents at the grassroots level, requiring managers to have good political and professional quality, outstanding work performance, and strong comprehensive ability and speciality.

## Improving Training System

In order to maintain an advanced and dynamic talent team, we provide a comprehensive and rich talent training curriculum. According to the development strategy and the actual business needs of CRPG, we continuously improve the existing training system and talent development program. We actively organize rotation training of managers on key positions, develop and improve functional talent training programs and business talent training programs. To disseminate CR culture and values, we share internal best case studies and cultivate trainers with rich practical experience.

We have implemented a series of talent team building initiatives, including building and improving the leadership quality model, conducting annual talent review, developing and implementing leadership development programs for managers on key positions, and setting up dual-channel (R&D and information) post sequence for career development, building a grassroots-level staff training system, etc.



### Headquarter Employee Training Data in 2018



### Case

#### Dong-E-E-Jiao Launched the 6<sup>th</sup> Module Training Session of "CRPG Pilot" Phase III

In November 2018, Dong-E-E-Jiao launched the sixth module training session of "CRPG Pilot" Phase III, where participants learned strategic cost management and conducted research on various fields such as Internet+, business model innovation, and industry-business collaboration, etc. Participants visited Ejiao Biotechnology Park and Dong'e Black Donkey Breeding Center to learn about the process of building a six-star benchmark factory of Dong-E-E-Jiao and the development of Dong-E-E-Jiao from the aspects of cultural marketing, value marketing and value return.



### Case

#### CR Sanjiu Launched the "Rising Star" Financial Leadership Program Phase II

In December 2018, the 15-month "Rising Star" Financial Leadership Program Phase II successfully concluded in Shenzhen CR Sanjiu Guanlan Base. With supporting and serving business development as the foothold, the Program followed the main line of "business orientation, professional guidance, business-industry collaboration, and internal and external integration". The content covered four main modules: professional finance, business finance, organization construction, and financial management and control. Through five training sessions, participants completed various assignments such as personal assignments, group theme assignments, and individual graduation thesis defense, which helped financial personnel improve financial management and strategic leadership.



"Rising Star" Financial Leadership Program Phase II



## Care for Employees

CRPG advocates mutual care and mutual support among employees. We organized a series of activities every year to enhance employees' sense of belonging, identification with corporate values and cohesion.

### Helping employees in difficulty

Proactive assistance is extended to employees with difficulties, such as setting up a 1 million Hong Kong dollar charity fund. In 2018, CRPG visited 588 households with difficulties and invested 1.93 million yuan to help them solve life difficulties

### Caring for female employees and special groups

Health education is offered to female employees to promote and encourage their professional development and growth

### Caring for front-line employees

A gift-giving activity of "delivering cooling items, delivering health, and safety" was carried out during the summer

### Paying attention to balance between work and life

CRPG regularly organizes a variety of cultural and sports activities such as essay competitions, speech contests, power walking, table tennis, badminton competitions, etc

### Case

#### CRPG Held a Special Event for Mother's Day

On Mother's Day in 2018, CRPG held a special event for Mother's Day entitled "CRPG 80-Year Care for Women's Health", which sent blessings to female employees with greeting cards and flowers. The event also invited experts from Guang'anmen Hospital and Shenzhen Maternal and Child Health Hospital to give lectures on women's health, common diseases, nursing and first aid for female employees.



CRPG Women's Health Seminar for Mother's Day

### Case

#### CRPG Organized an Essays Competition on Story of Working for CRPG

In August 2018, CRPG organized a competition of essays on experience with CRPG. With the theme of "people around telling stories around", the event explored excellent deeds of employees who keep in mind their initial intentions and work hard against all odds. More than 200 stories were received. The finals were successfully held at the National Theatre for the Performing Arts on November 9, 2018. More than 200 employees were present.



CRPG story telling

### Case

#### CRPG Held a Sports Competition for Employees

In April 2018, CRPG held a table tennis competition with the theme of "Playing Table Tennis for Harmonious Development". More than 120 athletes from 14 men's teams and 10 women's teams from CRPG subsidiaries participated in the competition. In September 2018, CRPG organized a badminton competition entitled "Flying Like A Shuttlecock", where more than 200 athletes from 25 teams participated. The competitions were all successful, enriching the lives of employees, enhancing friendship and promoting communication among various units.



Table tennis competition for employees



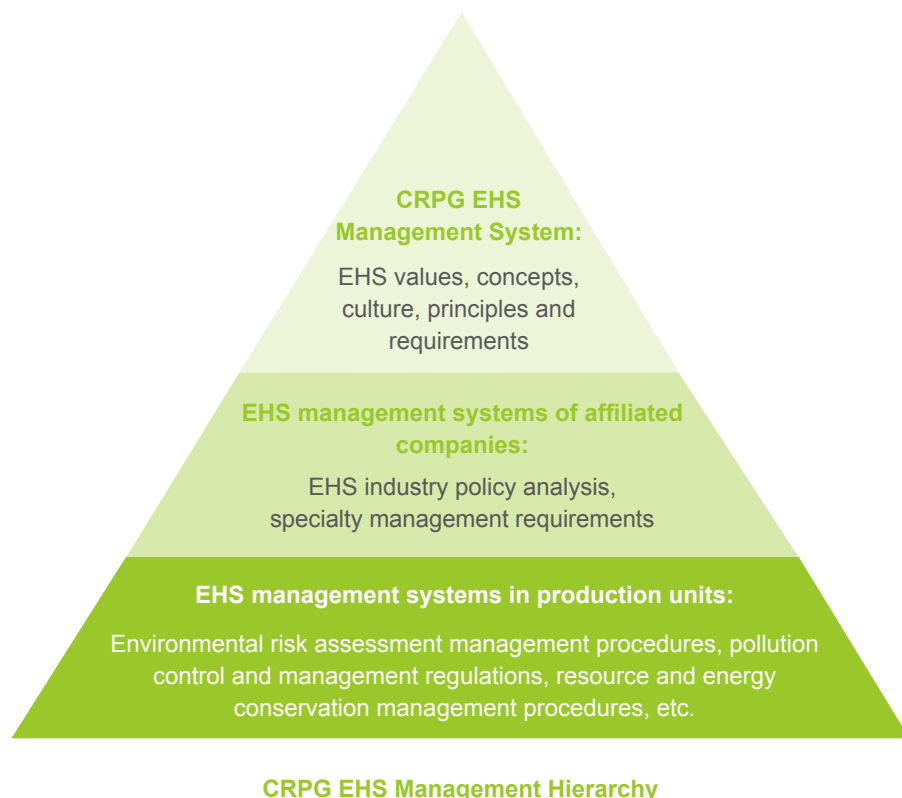


## Environmental Management

In strict compliance with the *Environmental Protection Law of the People's Republic of China* and the *Administrative Measures for Environmental Protection of Pharmaceutical Industry*, CRPG formulated the *EHS Management System Establishment Regulations* and *EHS Targets Management and Responsibility System* to form an EHS management system with characteristics of the pharmaceutical industry and suitable for CRPG.

In 2018, by revising and improving the Measures for Responsibility Investigation for EHSQ Accidents (2018 Edition), CRPG clarified the principles of environmental management, implemented the accountability system, and fulfilled its commitment to environmental protection. In 2018, CRPG's environmental protection investment totaled RMB 70.06 million.

In 2018, CRPG participated in the formulation of technical specifications on pharmaceutical industry pollution permit application and issuance to deeply understand the trend and orientation of national environmental protection policies. Combined with the status quo of its own environmental management, CRPG organized self-examination and rectification of environmental protection compliance and made special deployment for environmental protection work of its affiliated companies. The annual environmental protection conference was convened to promote the exchange and sharing of environmental protection theories and practices and to improve the management level of environmental protection personnel.



### Case

#### CRPG Held the 2018 Environmental Protection Conference

On August 17, 2018, CRPG convened an environmental protection conference to strengthen the Company's sense of environmental responsibility and improve its consciousness of environmental protection work. The conference invited environmental experts to give special explanation on such topics as national ecological environmental protection policies and regulations, regulatory situation, and pollutant control technology. Dong-E-E-Jiao, CR Zizhu and other affiliated companies shared environmental management experience and signed a letter of commitment to environmental protection.



CRPG Environmental Protection Conference of 2018

## Green Emissions

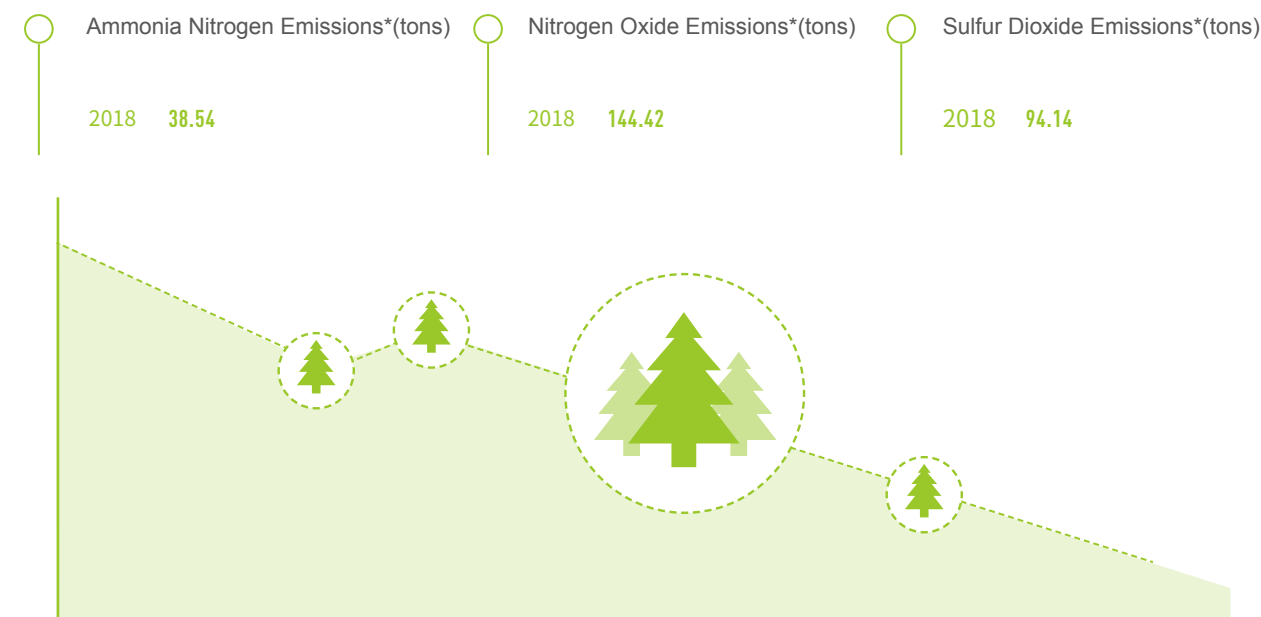
CRPG strictly abides by the environmental protection red line by strict control of pollution emissions. We formulated the *Three-Year Action Plan for Ecological Environmental Protection and Pollution Source Control*, which made environmental protection plans for 58 bases of production and R&D one by one, planning to achieve by 2020 an environmental governance picture where "pollution must be controlled, control must be effective, and emissions must comply with laws and regulations".

In 2018, we compiled the *Self-checklist for Environmental Protection Compliance* to conduct comprehensive and in-depth investigations on key environmental risk factors such

as water pollution control, boiler flue gas treatment, VOCs emission treatment, hazardous waste disposal, and general waste disposal.

According to GBT24062-2009 *Integrating Environmental Aspects into Product Design and Development*, CRPG affiliated companies formulated the *Administrative Procedures for Product Pollution Prevention Design Control* to comprehensively evaluate and prevent pollution risk factors during product development and design, ensuring environmental pollution to be controlled necessarily and effectively.

### Waste Gas Emissions



### Wastewater Treatment

We formulated the *Water Pollution Prevention and Control Management Regulations* and other systems in accordance with the requirements and standards of the *Water Pollution Control Law of the People's Republic of China* and *Water Pollution Standards for the Pharmaceutical Industry*. We focus on the control of toxic and hazardous substances produced during the production process. The organic wastewater is treated by physical and chemical pretreatment, secondary biochemical treatment, and other processes. The traditional Chinese medicine wastewater containing refractory components is treated by air flotation equipment.

In 2018, wastewater discharge was

**760,000** tons

less than last year.  
COD discharge \* 589.38 tons





## Solid Waste Disposal

In accordance with the principle of "reduction, recycling and harmlessness" proposed by the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, we formulated the *Solid Waste Management Regulations*, *Solid Waste Pollution Control Procedures* and other systems to dispose of solid waste in a regulated manner.

For hazardous wastes such as waste drugs, drug residue, sludge and recalled drugs, we arrange special personnel to carry out identification, collection, warehousing registration and classified storage, strictly implement the system of hazardous waste disposal forms, and finally pass them to a qualified third party for disposal.

General solid wastes such as waste cartons, scraps, waste film, and waste packaging produced during the production process are collected and stored by category, and finally collected and disposed of by qualified plants. Domestic garbage from office, canteen, etc. is sealed before dumped into the garbage station and cleared daily by a cleaning company.

### CRPG Solid Waste Emissions Data in 2018

Dong-E-E-Jiao divides garbage into recyclable waste and non-recyclable waste. It formulated detailed management regulations for wastes generated in different areas such as office, canteen, and greenery, achieving waste reduction and recycling through strict and scientific management.

Total general solid waste *	Total hazardous waste generation *
<b>53,571.18</b> tons	<b>1,794.60</b> tons
Density of general solid waste *	Density of hazardous waste *
<b>0.28</b> tons / HK\$ 1million	<b>0.009</b> tons / HK\$ 1million

### Case

#### CR Sanjiu and Dong-E-E-Jiao Achieve Comprehensive Recycling of Medicine Residues

CR Sanjiu (Ya'an) Pharmaceutical Co., Ltd. produces more than 2,500 tons of medicine residues per year. Through green innovation, it further extracts and utilizes the substances in the residue, and uses the remaining residue as organic fertilizer for planting Chinese herbal medicines, thereby achieving comprehensive utilization of medicine residue.

Dong-E-E-Jiao produces about 9,000 tons of medicine residues per year. They use residue and agricultural waste straw as raw materials for donkey breeding to build a circular economy model, thereby realizing comprehensive utilization of resources.

## Resource Conservation

In the process of production and operation, we adhere to the *Energy Conservation Law of the People's Republic of China*, the *Cleaner Production Promotion Law of the People's Republic of China*, and the *13<sup>th</sup> Five-Year Plan for Energy Conservation and Emission Reduction*. Affiliated companies formulated the *Resources and Energy Conservation Management Regulations* and other related systems to achieve resource conservation and recycling.

We advocate a simple, moderate, green and low-carbon lifestyle by taking water conservation and power-saving actions, actively addressing climate change issues, and shouldering the responsibility for sustainable development.

### Energy-Efficient and Low-Carbon Operation

We continuously improve the construction of an energy-saving management system. We formulated the *EHS Supervision Management and Evaluation System*, and guided and supervised affiliated companies in establishing management system, making scientific arrangements and implementing energy-saving work at various levels. We vigorously advocate awareness of energy conservation among employees by introducing performance appraisal mechanisms to promote the implementation of energy conservation and emission reduction projects.

We improve energy management consistently by promoting a series of energy-saving practices in production, conducting energy efficiency analysis, and improving production technology, processes and equipment.

In 2018, CRPG overall energy consumption per RMB 10,000 of output value was

**0.0585** tons of standard coal

a decrease of

**4.62%** year-on-year

In 2018, our energy saved based on output value/operating income was

**75230** tons of standard coal

#### CR Sanjiu

Energy efficiency consulting services were offered in three business units, which proposed 23 energy-saving technology reform programs, saving about 120,000 cubic meters of natural gas, about 916,300 kWh of electricity per year, equivalent to 400.63 tons of standard coal.

#### Dong-E-E-Jiao

Dong-E-E-Jiao was included in the Ministry of Industry and Information Technology (MIIT) Third "Green Manufacturing List", named "Green Factory". Replacing steam heating with solar collector technology saves steam consumption of 2,400 tons, reduces carbon dioxide emissions by about 6,300 tons per year. Dong-E-E-Jiao's project "Application of All-Process Coordinated Intelligent Manufacturing New Model in Gelatin Chinese Medicine" was selected as one of the first preferred projects into the major growth driver transition project library of Shandong Province.

#### CR Double-Crane









A comprehensive three-level management network for energy conservation and emission reduction was set up with specialized agencies and personnel responsible for energy conservation and emission reduction. In 2018, the 2% year-on-year target of energy conservation and emission reduction was successfully reached.

#### CR Zizhu

The York chiller is used to clean the condenser to improve heat exchange efficiency and reduce power consumption. The steam generator is used for switch to steam generator insulation when steam consumption in the workshop is small, thus to reduce the heat loss of the steam pipeline.



### CRPG's Energy and Greenhouse Gas Emission Data

	Comprehensive Energy Consumption*(10,000 tons of standard coal)	15.0
	Diesel Consumption*(tons)	178.3
	Natural Gas Consumption*(10k standard m <sup>3</sup> )	4,756.9
	Heat Consumption*(GJ)	484,970.1
	Electricity Consumption*(10 MWh)	31,281.3
	Biomass Fuel Consumption*(standard coal)	19,069.9
	Gasoline Consumption*(tons)	139.6
	Coal Consumption*(10,000 tons)	1.45
	Greenhouse Gas Emissions	541,956.9

We pay constant attention to the latest policies on carbon emissions trading. In response to the national call for carbon emission reduction, we carry out carbon emission verification as required and proactively implement emission reduction measures.

CR Double-Crane and CR Zizhu carry out carbon verification work every year. CR Zizhu rationally arranges production and completes emission reduction tasks in strict accordance with the "13<sup>th</sup> Five-Year" carbon emission targets set by the National Development and Reform Commission.

### Using Clean Energy

In response to the national call, we increase the proportion of clean energy use and take a series of actions such as clean energy project construction and replacement of conventional energy.

<p><b>CR Sanjiu</b></p> <p>CRPG's second distributed photovoltaic power generation project – CR Gaoke PV Power Station - passed the acceptance test with an estimated annual power generation of 1.2 million kilowatts.</p>	<p><b>CR Pharmaceutical Commercial</b></p> <p>In 2018, CR Pharmaceutical Commercial renovated the fuel heating equipment of three office premises, of which the Xicheng District renovation project won the Beijing Clean Energy Transformation Incentives.</p>	<p><b>CR Double-Crane</b></p> <p>CR Double-Crane comprehensively implemented the clean energy replacement project, reducing coal consumption by 72% and sulfur dioxide emissions by 50% year-on-year.</p>	<p><b>Dong-E-E-Jiao</b></p> <p>Dong-E-E-Jiao World's workshop roof photovoltaic project has a total power generation of 3.346 million kWh, equivalent to 1,077 tons of carbon dioxide emission reduction. Dong-E-E-Jiao's natural gas boiler and power generator set were put into use after passing the environmental protection acceptance test. In 2018, the gas boiler produced steam of 77,000 tons. Compared with purchasing steam from thermal power plants, it can reduce carbon dioxide emissions by more than 8,800 tons and sulfur dioxide emissions by more than 60 tons per year.</p>
---	---	---	--

### Saving Water Resources

We act as practitioner and promoter of water-saving actions with attention to self-discipline and details. In production and operation, we purchase water-saving equipment, overhaul equipment on a regular basis to repair water leakage in a timely manner, and promote water-saving technology through technological innovation.

In 2018, our fresh water consumption per RMB 10,000 of output value was

**2.513** tons



**CR Sanjiu**

Through transformation of old pumps, old storage tanks, procurement pipelines, etc., the directly discharged cooling water of auxiliary machinery room was changed to recycled water, saving softening water use of about 48,384 tons.

**CR Double-Crane**

By increasing the control of water use in the park, CR Double-Crane rationally plans the time and number of greenery watering to reduce water waste. At the same time, it maintains the water treatment equipment of the reclaimed water station to improve the secondary utilization of reclaimed water.

**Dong-E-E-Jiao**

Through the solar collector project, Dong-E-E-Jiao saves 35% of cleaning water, or 21,500 cubic meters annually.



### CRPG 2018 Water Consumption Data

	Water circulation*(tons)	28,983,593.0
	Reclaimed Water Consumption*(tons)	48,352.9
	Fresh Water Consumption*(tons)	6,736,046.0
	Total Water Consumption*(tons)	35,767,991.9



### Green Packaging Materials Application

We integrate the concept of green development into the whole process of packaging design, manufacturing, use, transportation and disposal to ensure that packaging is safe and harmless. We promote the use of new environmentally friendly packaging materials and packaging technology to reduce the use of packaging, and recycle carton packaging to reduce timber consumption.



Note 1: Due to the wide variety of products and related fields of China Resources Pharmaceutical, packaging materials, data statistics standards are not unified. In 2018, only China Resources Zizhu tallied packaging materials, other affiliated companies will gradually improve the use of packaging materials in the future and strengthen the monitoring of the amount of packaging materials used.

### Green Office

We practice the green low-carbon concept by encouraging employees to save electricity, water, paper, oil, and office supplies as much as possible, and to promote awareness of conservation.





## Ecological Conservation

We advocate a green, low-carbon, circular, and sustainable production and living style with focus on cultivating employees' awareness of environment and biodiversity protection. We join hands with stakeholders to build a green homeland and achieve harmonious development between people and nature.

### Controlling Environmental Impact

For construction projects, we strictly abide by the *Environmental Impact Assessment Law of the People's Republic of China*, *Administrative Measures for Environmental Protection of Construction Projects*, and the system of "simultaneous implementation of design, construction and commissioning of main works and supporting environmental facilities" to ensure that projects are approved and accepted by environmental protection authorities. We are concerned about the management of hazardous chemicals by formulating the *Safety Management System for Hazardous Chemicals* in accordance with

the national *Hazardous Chemicals Safety Management Regulations* and *Precursor Chemicals Management Regulations* to standardize the whole process of purchasing, storage, use, etc. of hazardous chemicals and radioactive chemicals. We formulated the *Comprehensive Emergency Response Plan for Sudden Environmental Events*, defining effective emergency response and response procedures for responding to sudden environmental incidents to improve the project management mechanism. In 2018, no major dangerous leakage accident occurred in CRPG.

### Biodiversity Conservation

A sound ecological environment is the foundation of human survival and development. To protect biodiversity, we strive to develop medicinal seeds and sprouts in the utilization of traditional Chinese medicine resources, standardize artificial planting and breeding, and reduce dependence on wild resources. We actively research and protect wild provenances to achieve coordinated sustainable development of enterprise and ecology.

#### Conserving endangered medicinal materials

Using the "company + base + scientific research" model, CR Sanjiu carries out the research of the "three-dimensional intercropping" technology of endangered Chinese medicinal material spatholobus. 80 hectares of standardized sprout breeding base, demonstration base and commercialization promotion base were built to complete the research on the ecological planting standards of spatholobus.

#### Practicing sustainable agriculture

CR Sanjiu planted 300 hectares of wild chrysanthemums, 20 hectares of tripterygium, 0.67 hectares of alisma, and 3.33 hectares of radix tinosporae in Hubei base. On the basis of domestication, CR Sanjiu carries out research on cultivation and pest control simultaneously to establish a standardized planting technology system.

#### Building seed breeding and sprouts base

CR Sanjiu completed the construction of Phase I of "South China Traditional Chinese Medicinal Seed and Sprouts Base" in Yunfu City, Guangdong Province. A total of about 3 million plants of premium medicinal sprouts were bred throughout the year including evodia lepta, murraya paniculata, radix zanthoxyli, radix llicis asprellae, etc. forming more than 333.33 hectares of standardized planting base for Chinese herbal medicines. The base collected more than 100 varieties of germplasm which effectively protects the germplasm resources of Chinese herbal medicine in South China. CR Sanjiu carries out a series of wild resource surveys, germplasm resources and wild provenance conservation to ensure the source of seeds needed for industrialized planting.

## Environmental Culture Construction

We strengthen training, education and publicity on energy conservation, emission reduction and environmental protection by carrying out activities with diverse forms and rich content. In June 2018, we organized the "National Energy Conservation Publicity Week" and the "National Low Carbon Day" to allow employees to actively participate in energy-saving and low-carbon activities, so as to improve employees' awareness of energy conservation, low carbon and environmental protection.

#### CR Double-Crane

CR Double-Crane launched the "Energy Shortage Experience Day" campaign, which organized workshops and departments to turn off lighting for one day. It promoted green travel by organizing employees to commute by public transport or bicycle for one day.

#### Dong-E-E-Jiao

During the energy-saving publicity week, energy inspections were carried out in the construction site, office area, outdoor landscape, production workshop and other areas to effectively curb energy waste.

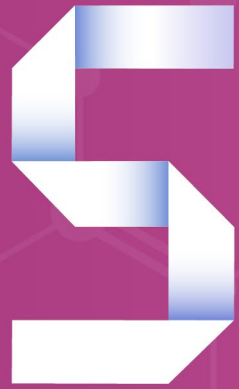
#### CR Inner Mongolia Pharmaceutical

A national "low-carbon day" campaign was carried out in cooperation with CR Power Northern Region, where a prize-winning quiz on low-carbon environmental knowledge was held to popularize knowledge on climate change.



CR Sanjiu South China Traditional Chinese Medicinal Seed and Sprouts Base



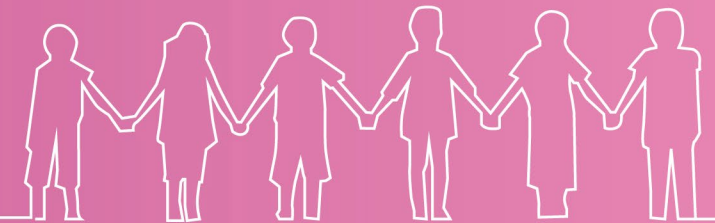
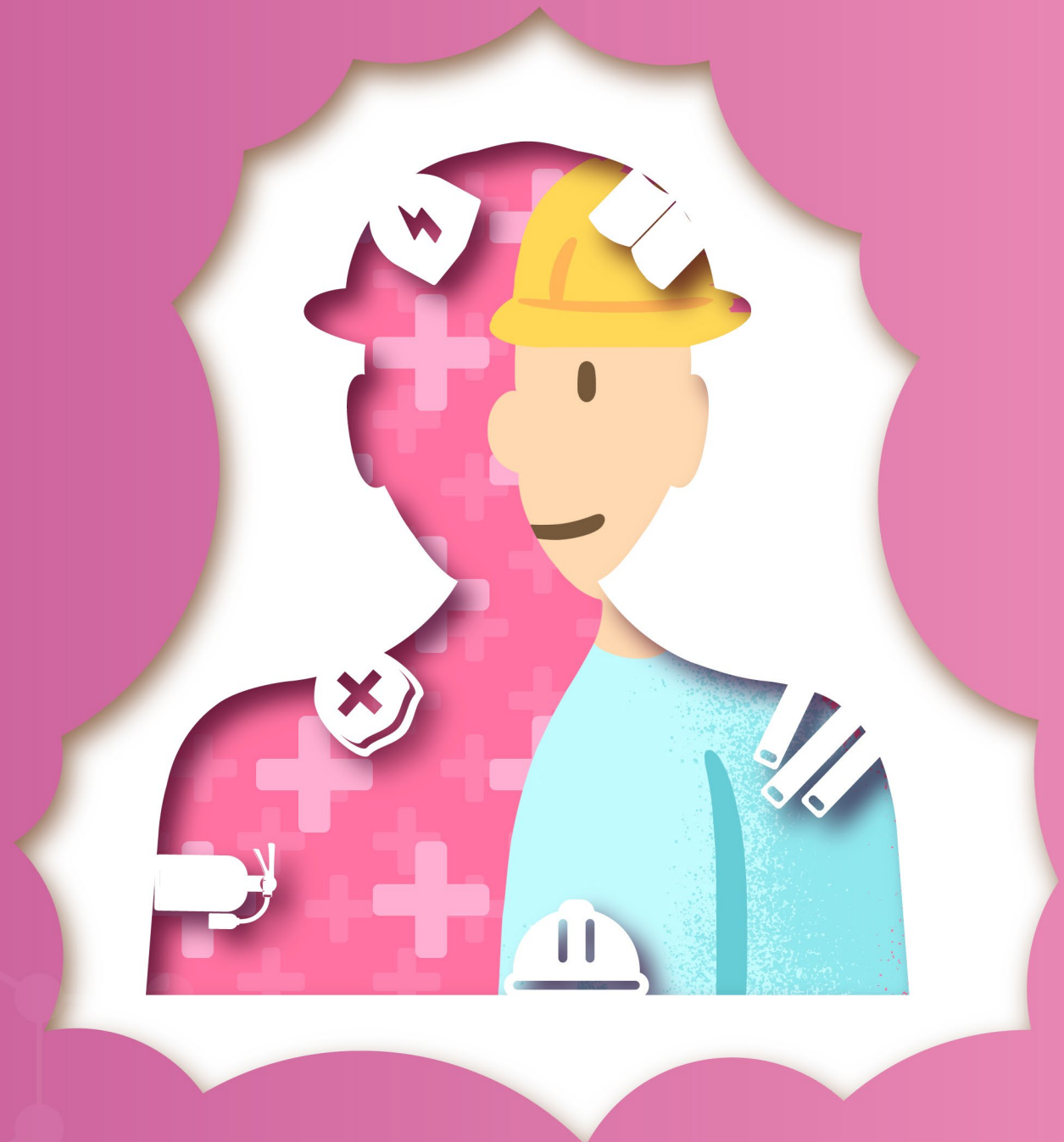
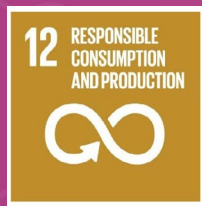


# Approach to Safety

## Devoting to Production Safety

Safety is of paramount importance to us. We continue to strengthen the construction of safety management system, improve the safety guarantee mechanism, and create a safety culture to ensure production safety.

This chapter responds to the following United Nations' Sustainable Development Goals





## Safety Management

There is no trivial matter when it comes to safety. Safety management is the lifeline of an enterprise. By improving the management system, we strengthen supervision and emergency management capabilities to effectively implement the main responsibility of production safety.

We strictly follow the relevant laws and regulations such as the *Safe Production Law of the People's Republic of China*, we formulated the *EHS Targets Management and Responsibility System* and *EHS Management System Establishment Regulations*, among others. We fulfill production responsibility earnestly by formulating safety management objectives at all levels, standardizing safety production behaviors, and addressing production accidents in a timely and normative manner, thereby forming a safety management system characterized by accident prevention, emergency response, accountability, and effective management.



Signing ceremony of the 2018 Responsibility Letter on EHS and Quality Management

## Security Risk Management

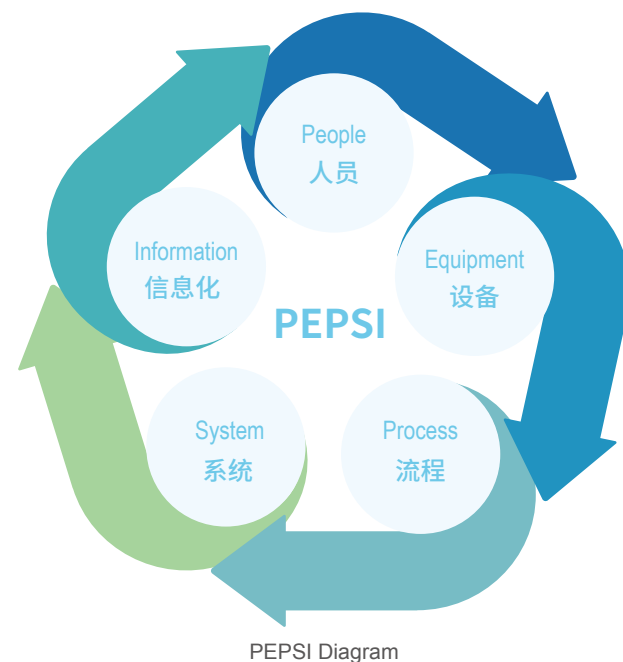
We continuously improve the EHS management system with risk management as the core. By strengthening the risk management concept, we promote the use of risk management methods by all affiliated enterprises to achieve comprehensive risk management from source to end and effectively reduce potential risks.

### Case

#### CRPG EHS Risk Management Information Project (PEPSI) Advances Steadily

In 2018, CRPG PEPSI Project completed the first phase of development and was put in pilot launch and implementation in CR Double-Crane, CR Sanjiu and other affiliated enterprises.

PEPSI aims to improve the effectiveness of first-line EHS management. It introduces the concept of risk management based on traditional EHS management, uses information tools to improve management efficiency, and explores a new EHS management model that introduces "risk + informationization" to promote EHS management integration and data sharing in terms of data standardization and consistency.



PEPSI Diagram

## Safety Guarantee

We implemented supervision and examination, strengthened emergency management and promoted occupational health to offer reliable guarantee for production and operation. In 2018, CR pharmaceutical constantly increased its input in safety production, totally investing 56.77 million yuan as safety funds all year, with year-on-year growth of 26.44%.

### Safety Supervision and Examination

We thoroughly implemented country's policy of "safety first, prevention prime" and attached importance to investigate safety production potential. We further regulated EHS supervision management and assessment work to ensure the achievement of expected target. For the sake of enhancing EHS supervision management on each link of production and operation, CR Pharmaceutical formulated "EHS supervision management and assessment system".

We organized professional personnel of EHSQ to develop a joint inspection on the first-tier grassroots enterprise, EHS' management work situation. In 2018, by inspecting 47 enterprises and 51 business sites, we found out 1,051 EHS potential hazards. All of them were provided with special inspection reports and all inspected units immediately rectified problems found in the inspection, to assure "effective supervision, powerful control".



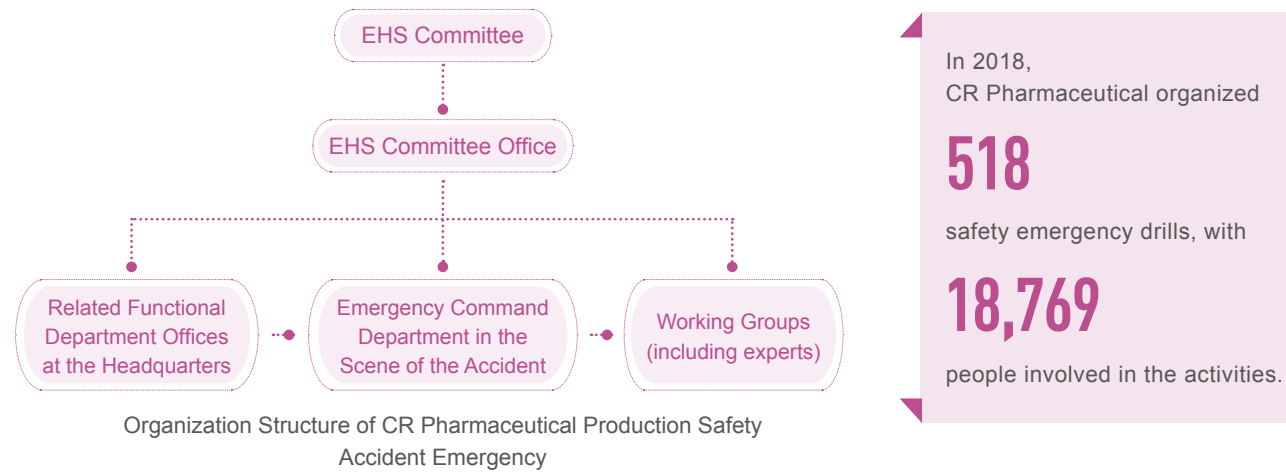
The Scene of Safety Inspection

### Emergency Management

CR Pharmaceutical abided by national laws and regulations as *Production Safety Law of the People's Republic of China*, *Emergency Handling Law of the People's Republic of China*, *State Production Safety Accident and Disaster Emergency Plan*, *Interim Measures of Emergency Management for Central Enterprises* and so on. At the same time, we formulated regulations as *EHSQ Accident Events Management Methods*, *Integrated Emergency Plan for Production Safety Accidents*, *EHS Accident Events Responsibility Investigation Methods*, etc, and systematically established emergency and accident handling process system.

According to accident events, we adopted tracking and notification mechanism and published them in time with their progress through EHSQ Briefing, forming a complete mechanism on accident events' reporting, tracking, handling and launching.





**Case** CR Pharmaceutical Carried Out a Fire Emergency Drill

On November 9<sup>th</sup> 2018, CR Pharmaceutical united with multi-departments and carried out a fire emergency drill during the 27<sup>th</sup> National Fire Awareness Day. The activity trained the fire emergency troop and tested the emergency supplies, providing employees with firsthand experience of fire escape, which tested the results of the fire emergency plan and effectively promoted fire emergency support capability.

The Scene of Fire Fighting Drill

### Occupational Health and Safety

We paid great attention to employees' occupational health and safety management and strictly followed *Law of PRC on Prevention and Control of Occupational Diseases*, to perfect related management system on occupational health and to guarantee employees' occupational health. In 2018, CR Pharmaceutical had 615 positions with occupational hazards, including 58 enterprises and 5,789 employees. In the period of report, there was no death incurred for working in CR Pharmaceutical, there were 130.5 lost days in total due to working injuries. No new occupational disease cases occurred.

CR Pharmaceutical occupational health protection measures:

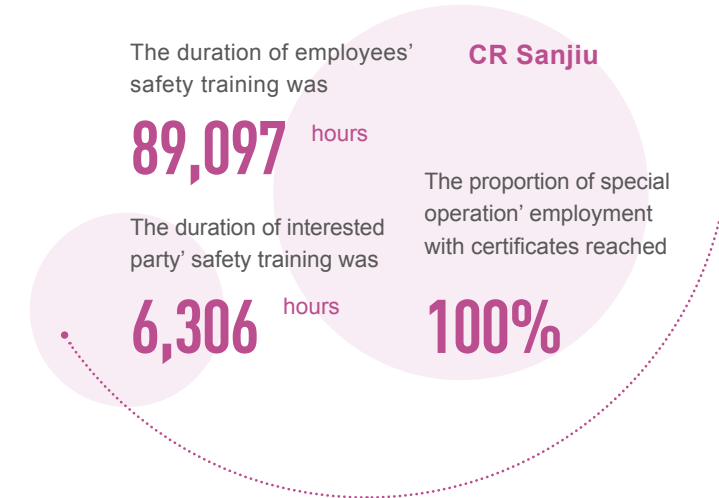
- To inspect and take control of occupational hazards factors existed in present workplace.
- To enhance management on prevention facilities and instruments, so as to ensure their effectiveness.
- Taking the characteristics of corporate occupational hazards into account, to set an overall planning on occupational hazards' prevention and supervision management, on occupational health training and on its popularization.
- Establishing the management system of occupational health archives, making overall plans for occupational disease prevention and guardianship management, occupational health training and publicity.
- To render employees occupational health examination and training courses at regular intervals, giving them health knowledge lectures and providing psychological assistance and support for employees in special industry. By which, employees enjoyed a safe and healthy working environment.

### Safety Culture

We kept strengthening safety culture construction and encouraged employees to have a "high realm, high standard" safety concept. Through measures such as safety training and education, simulated experience activity, safety publicity, etc, we intensified employees' safety awareness and their prevention and handling ability on accidents, strengthening basic safety management, to offer solid guarantee for stable production.

#### Safety Training and Education

In order to enhance the safety awareness of employees and related party, we designed corresponding safety training education content based on the features of employees' working positions. The training content mainly contained popularization of related laws and regulations, production safety knowledge education for departments and workshops, positions' SOP, required knowledge and skills and so on, to help employees and related party master safety knowledge and skills all the way.



#### Safety Production Month Activities

During the 17<sup>th</sup> "Safety Production Month" nationwide, CR Pharmaceutical and its subordinate enterprise carried a series of safety month topic activities to form a solid idea of "life prime, safety development". By safety production education and publicity and culture construction activity, it aimed to promote safety culture construction of grassroots team and build a safety culture atmosphere involved all people.

We closely focused on the theme of "safety responsibility, implementation first", posting propaganda, culture publicity panel and safety culture slogans. To popularize safety commonsense by award-winning quiz. Employees were asked to watch videos of 2018 Warning Record of "Safety Month" Accidents and Three Vital Illegal Behaviors--Three Illegal Accidents, to exert a profound influence on employees' safety awareness.

**Case** CR Zizhu Applies New Media Tools to Strengthen Safety Exchange

Employees of CR Zizhu applied telephones to shoot various potential safety hazards found in their jobs, uploading to "taking photos of potential safety hazards" wechat group and supervising the timely rectification and reform.

The Wechat Group of "Taking Photos of potential Safety Hazards"

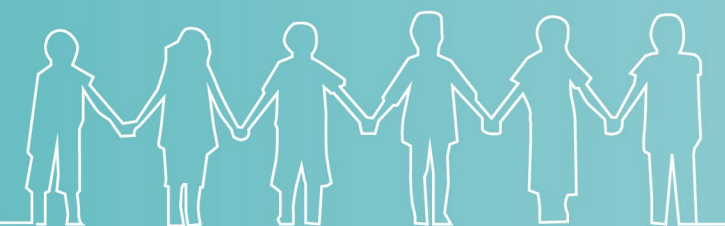


# 6

## Win-Win Outcome Caring for People's Livelihood

In the process of development, we developed cooperation with all interested parties in breadth and depth. With its own responsibility management model, the Company actively urged the growth of suppliers and realized mutual benefit with cooperative partners. For the harmony and unity of corporate value and social value, we positively responded to our country's development strategy with a heart for human's well-being.

This chapter responds to the following United Nations' Sustainable Development Goals



## Win-Win Cooperation

We constantly intensified our communication and exchange with all interested parties and actively broadened cooperative field and innovative cooperation method in terms of product research, market exploitation, extension of industrial chain, etc, to achieve resource sharing and complementary advantages, co-creating and sharing development results.

### Cooperation with government

We kept up with national programme and political direction. Through investigating and visiting, signing agreement, implementing strategies, etc, we helped to improve the masses' healthy level.

### Communication with media

Highlighted performance in announcements, important foreign cooperation, newly-added significant indicators and so on were regarded as major contents. We helped the public to understand corporate development trends by continuing publicity of corporate message through media.

### Integration and recombination

We merged projects as Protgen Ltd. and Angde Biotech, to improve research and innovation ability and to enrich products' combination. CR Double-Crane purchased Xiangzhong Medical, by which perfected medicine industry line in the field of nervous centralis, pain-killing, etc, and thus brought consumers better medicine and service.

### International cooperation

CR Pharmaceutical actively promoted international industry and technology exchange and the layout of global cooperation network. We signed over 30 pieces of strategic cooperation contracts with numerous of international enterprises in 2018, including Novartis Sandoz (Switzerland), Xavier University(USA), Takeda Pharmaceutical(Japan), Medichem (Spain) and so on, enhancing the international competitiveness.

### Case

#### CR Pharmaceutical Attached a Strategic Cooperative Framework Agreement with Jiangxi Provincial Government

On May 17<sup>th</sup> 2018, CR Pharmaceutical and CR Health respectively attached strategic cooperative agreement with Jiangxi provincial SASAC in the field of massive health. We integrated bilateral resources, thus forming a long-term and stable strategic relationship and cooperative mechanism. As a part of the strategic cooperation, China Resources Pharmaceutical Group Limited purchased or subscribed 51% or even more stock rights of Jiangzhong Group in cash or assets way. The strategic cooperation would further enrich the product group of CR Pharmaceutical and fulfill its industrial distribution in Jiangxi province, which were beneficial to the development of massive health industry in Jiangxi province.



CR Pharmaceutical Attached a Strategic Cooperative Framework Agreement with Jiangxi Provincial SASAC

### Case

#### CR Pharmaceutical Commercial developed cooperation with Geli Biology

On June 26<sup>th</sup> 2018, CR Pharmaceutical Commercial and Ascletris reached a strategic cooperative agreement on the marketing of new drugs for Hepatitis C. Both sides would form a full-scale strategic cooperation from the aspects of commercial distribution channel, terminal service and so on, to constantly speed up the construction of industrial chain of new drugs for Hepatitis C.

Genowo developed by Ascletris is an effective drug for the treatment of Hepatitis C. After the bilateral corporation, the advantages of distribution system and network layout that CR Pharmaceutical Commercial owned nation wide could be fully practiced. Therefore, patients with Hepatitis C could have easy access to the new drugs and they could conveniently purchase high quality drugs with a lower price by reducing the cost.



CR Pharmaceutical Commercial Attached a Strategic Cooperative Agreement with Ascletris

## Responsible Supplement Chain

We insisted on the purchasing principle of justice, openness and fairness to defend suppliers' rights and interests. Meanwhile, in order to vigorously drive suppliers to fulfill their responsibility and realize mutual development interests, we integrated social responsibility concept and requirement into purchasing process from overall aspects.



## Regulating Supplier Management

We were determined to avoid illegal trading behaviors that violated commercial morality and marketing rules, which also affected fair competition. We strictly abided by *Bidding and Purchasing Management System* and related enforcement regulations. When working with suppliers, we followed the concept of win-win integrity. Through a standardized and normalized purchasing procedure, we aimed to guarantee suppliers' legal rights and efficiently guard a justified and fair trading environment.

CR Pharmaceutical actively built a long-term mutual benefit cooperative relationship with its suppliers, preferentially purchasing and using local suppliers' products, protecting them and leading economic development of community.

We developed *Qualified Suppliers List* and assess and communicate with supplier on products, service for clients, internal management, social responsibility and so on. With high standard and requirement, we urged suppliers to improve their overall management level and their growth.

The rate of fulfilling economic contracts in 2018 reached 100%

### Prior to Procurement

Suppliers signed *Annual Distribution Agreement* and *Quality Assurance Agreement*, to clarify quality responsibility between the buyers and the sellers on the reporting, inspection and recalling of drugs' side effect.

### During Procurement

To carry out assessment management on suppliers in the whole process from pre-sale to after sale and to regularly implement on-site audit.

### After Procurement

Corresponding corporate qualifications were treated as basic data in drugs' management activities. All visual orders could be maintained, updated and managed once authorized.



### Case

#### CR Pharmaceutical Commercial Cooperated with Bank to Improve Online Financial service service Service Business of Supply Chain

In October 2018, CR Pharmaceutical Commercial respectively signed online financial cooperative agreement of supply chain with CMBC and Webank. It aimed to provide online settlement and online financial service for retail pharmacies, commercial companies and basic medical institutions based on the technologies as big data, face recognition, artificial intelligence and so on, so as to efficiently serve upstream and downstream clients, decrease circulation cost and elevate efficiency of supply chain.

## Responsible Procurement

We informed suppliers with environmental protection requirements and procedures timely and made their environment management in accordance with ours. Besides, we delivered values of environmental protection and sustainable development, and developed training and exchange on social responsibility for suppliers with irregular intervals. We strived for the enhancement of suppliers' social responsibility awareness, the mutual commitment of social responsibility with partners and the construction of a reliable supply chain.

### Dong-E-E-Jiao

By bringing related requirements as quality, environment and occupational health into contract terms, we demanded that suppliers' original materials, production process and their products should strictly meet the corresponding need of occupational health, environmental protection and safety, regulated by the national and local governments and the industry.

### CR Zizhu

In the process of choosing suppliers, we paid attention to their quality, environment and occupational health qualification, as well as on-site audit to major suppliers. In 2018, the proportion of CR Zizhu's suppliers who passed safety system certification on quality, environment and occupational health reached 31.5%.

### Case

#### CR Pharmaceutical Commercial Merged Environmental Protection Concept into Logistics Management to Forge Green Medical Logistics Systems

In 2018, CR Pharmaceutical Commercial forged a green logistics system by constructing green warehouses and enhancing intensive production of logistics.

#### Jiangsu Subsidiary of CR Pharmaceutical Commercial

- The company installed LED light equipment in logistics warehouses and selected intelligent variable frequency logistics and storage facilities, which largely reduced energy consumption in production.
- The company formulated correlated management system on the electricity of logistics equipment, requiring employees to switch off electric facilities timely after work and turn off light immediately. It applied inductive model to the lighting equipment in aisles and changing rooms.
- The company chose purely electric vehicles as regular buses and to install charging piles in logistics center.

#### Hubei Medicine Subsidiary of CR Pharmaceutical Commercial

- The company integrated logistics resources by combining three warehouses into one. Re-location system of resources among multi-owners under one organization realized the transfer of property without moving entity and reduced the waste on transition.
- The company gave priority to choose the revamping schemes, materials and facilities with quality of low-energy consumption, environmentally friendly and recyclable. Collected rainwater and reclaimed water are prioritized in firefighting.



## Serving Society

While creating economic interests, we implemented national strategic requirements in practical action, enthusiastically developing public beneficial business and actively carrying out volunteer service activities.

## Involved in Regional Construction

We actively responded to national appealing and practiced central enterprises' duty. By merging corporate development into national strategic arrangement, we positively took part in new regions' development and construction and carried out national strategy in practice, trying to be a solid and reliable force for the improvement.

In April 2017, China established Xiong'an New Area. CR Pharmaceutical and its subordinate enterprise actively joined the construction of the region. Based on its general program, combining with industrial situation in Beijing-Tianjin-Hebei regions, CR Pharmaceutical devoted its strength to the construction of the region with high quality and high standard.

In 2018, China released Development Layout Plan in Big Bay Area of Guangdong, Hong Kong and Macau. Owing to its own industrial features, CR Pharmaceutical organized and formulated business development program as internal medicine, traditional Chinese medicine and OTC, business circulation and retail stores, to make clear its industrial development direction, medium and long term target and measures on the implementation of strategy, thus promoting the Big Bay Area's economic development.

## Support of Targeted Poverty Alleviation

CR Pharmaceutical utilized its industry advantages to offer power to the victory in anti-poverty war. By health and poverty alleviation programs as medicine and instruments donation, physical examination and free clinic and so on, we aimed to promote basic medical health service and security benefits for poor people; by industry poverty alleviation as establishing Chinese traditional medicine base, developing poverty alleviation with donkeys, etc, we helped local farmers and herdsmen increase income and helped poor families get out of poverty.

Case

CR Pharmaceutical Commercial Carried Out the Torch Relay Activity of "Healthcare to Support Poverty Alleviation in China"



"Healthcare to support Poverty Alleviation in China" Activity

In Jun 2018, CR Pharmaceutical Commercial allied with China Primary Health Care Foundation and carried out torch relay activity of "Healthcare to Support Poverty Alleviation in China", improving basic medical and health service standards for people in poor regions.

The activity included three parts:

- The torch of CR Pharmaceutical Commercial covered 80 sites in 27 provinces (cities, regions) and passed in sequence, mainly through poverty-stricken counties, regions in deep poverty and revolution targeted areas.
- When arriving in a site, CR Pharmaceutical Commercial with local departments in charge, medical organizations and upstream manufacturers developed activities as medical instrument donation, special contribution, free clinic by experts, training for rural doctors, safe medication knowledge publicity, visiting the poor and listening to their problems and so on.
- To built a social responsibility brand through the activities as drug delivery, guarantee and commitments, educational societies for patients, pilot benevolence stations and so on.

The accumulated money and goods donated in the activities were 4.8 million yuan, involving 35,000 participants and 19,000 beneficiaries.

In the coming two years, CR Pharmaceutical Commercial will continue exercising the activities, so as to assist poor people in promoting health by practice and be the main force for the harmonious development of poor families and society.

Case

Dong-E-E-Jiao Supported Poverty Alleviation with Its Model of Raising Donkeys

Dong-E-E-Jiao utilized its industrial advantages. With a cooperative pattern of agriculture industrialization of "Dong-E-E-Jiao +government +leading enterprise +cooperative +base", it creatively put forward the industrial model of "assist poverty with donkeys" to get rid of poverty, which was designated as pilot model of targeted poverty alleviation by Poverty Alleviation Office of the State Council and was generalized.

Up to 2018, Dong-E-E-Jiao took National Black Donkeys' Breeding Center as the core through its cycle development on living donkeys and its pulling of full industry chain, investing 43.659 million yuan and getting 75,300 poor people out of poverty. In the future, Dong-E-E-Jiao will take its own advantages and continue its targeted poverty alleviation work to help more poor people to "live a fairly well-off life by breeding donkeys".

At the beginning of "poverty alleviation with donkeys", I thought that "everyone could have a donkey, with which plough worked and vehicles driven to market, but I have never thought it could make money"! Therefore I doubted donkey industry. Dong-E-E-Jiao rendered us initial capital at the start and customized a set of "nanny-style" model to raise donkeys, solving related problems in the whole process. After years, we really threw away "the poverty hat" by holding donkey and lived an abundant life.



Visiting Those Poor Families Who Breed Baby Donkeys

Enthusiasm in Public Service

We actively devoted ourselves to philanthropy, building a platform for charity and participation in public service in depth. We formulated *Donation Management Regulations* and founded external donation management committee to regulate the principle, direction and scale of outward donation. We advocated communication and exchange with community actively, promoted local employment and implemented CR pharmaceutical people's responsibility concept of "joining hand with love for health", to contribute corporate love and energy to community development. Meanwhile, we devoted to make use of the trait of medical business and its own strengths. By carrying out activities like community medicine service, caring for women and so on, universal health standard had been lifted.

The charitable donation all year was

**2,239.72** million yuan

People engaged in voluntary activities all year were

**2,120**

CR Sanjiu established "sunshine club charitable funds" and developed public benefit activities like benevolent study assistance. Up to 2018, it accumulatively donated

**284,074.3** yuan

passing on positive energy to society in practical action.

Community communication

By attaching importance to the communication and exchange between enterprises and community and developing activities to investigate suggestions for community regularly, we could get to know community residents' suggestions and appeals.

Promoting employment

We cared for vulnerable groups and vigorously promoted local employment. CR Sanjiu formed school-enterprise cooperation model, receiving more than 10 disabled students as employees and helping them adapt to society and earn their own living.

Volunteer service

We positively organized volunteer service troops and carried out activities like voluntary blood donation, afforestation, etc., to contribute corporate strength to community development.



## Case

## CR Pharmaceutical Commercial Launched "Run-YAO Action" Public Service Activity

In 2018, CR Pharmaceutical Commercial with the theme of "Run-YAO Action" realized its social responsibility through five programs containing recycling overdue drugs, training grassroots medical workers, providing home-based care service, offering free clinic and free medicine and health education. 16,599 people directly benefited from it.



The Scene of "Run-YAO Action"

## Case

## CR Double-Crane Carried Out Voluntary Activity of "on the Field of Hope"

Since 2017, CR Double-Crane has organized charitable activities in Jinzhai County, Anhui Province for two consecutive years, including free clinic, visiting poor families and so on. It also donated books and stationary for students in Jinzhai Hope Primary School.

In 2018, CR Double-Crane expanded the scale of charitable activities to the Ningxia Hui Autonomous Region. We carried out three phases "on the field of hope" activities in CR Hope Town of Ningxia Haiyuan, with public lectures, free clinics, donation, topic photography, care for children's education, etc.



Books and Stationery Donation for Hope Primary School

## Case

## CR Zizhu Organized Women Health Care Activity of "Walking for Love, Never Stopping"

In May 2018, CR Zizhu together with China Red Cross developed caring for women's health activity of "walking for love, never stopping", which was embodied in the form of "public donations + healthy hiking + knowledge popularization". It widely spread the life concept of women health and cared for women's health in practical action. More than 40,000 pieces donations of medical instruments for women's health, the activity also carried out offline healthy running activity that was interesting and valuable. The concept of women health diffused deeply in society in the form of public benefit, reflected corporate humanistic care.



"Walking for Love, Never Stopping" Activity Organized by CR Zizhu

# Outlook for 2019

Looking into 2019, CRPG will continue to uphold the noble mission of "guarding human health and enhancing quality of life" and strive to achieve the corporate vision of "being the leader of China's pharmaceutical and healthcare industry".

## Grasping development opportunities to build core strengths

Based on the development and transformation opportunities of China's pharmaceutical and healthcare industry, we will actively explore the core areas and core links of the industry chain and promote industrial upgrading and progress. We will continue to promote R&D and innovation in terms of management and technology, enhance core competitiveness, and provide high-quality products to the public.

## Taking people-oriented approach to create a harmonious organizational atmosphere

We will adhere to the talent development concept of "respecting human value, developing human potential, and sublimating human mind" to create a first-class workforce, a harmonious, healthy, open and inclusive work environment for employees to achieve self-worth.

## Adhering to low-carbon development to build green mountains and clear waters

We will actively fulfill our environmental protection responsibilities by meeting various requirements on energy conservation and emission reduction to ensure compliance of pollutant emissions. We will widely apply clean production technologies and increase the use of clean energy. By promoting resource conservation and recycling, we will help build a resource-saving and environmentally-friendly society.

## Contributing to social welfare with compassion

We will assume the responsibility as a centrally-administered enterprise and give play to our own advantages to contribute to poverty alleviation by healthcare and industry development. We will devote to public welfare undertakings and volunteer services to improve the basic medical and health level in poverty-stricken areas and spread love and warmth across the society.

## Key Performance Indicators

Social responsibility index	Unit	2018	2017	2016
<b>Economic responsibility</b>				
Revenue	HK\$ 1M	189,689.1	172,532.2	156,705.2
Total assets	HK\$ 1M	176,244.49	160,754.1	133,985.5
Net assets	HK\$ 1M	60,529.06	63,137.2	54,301.9
Total profit	HK\$ 1M	9,242.76	8,582.3	8,042.7
Net profit	HK\$ 1M	7,632.61	6,866.9	5,968.1
Net profit attributable to the owners of the parent company	HK\$ 1M	4,037.89	3,483.0	2,821.4
R&D investment	HK\$ 1M	1,454.8	1,054.2	725.7
Number of R&D personnel		600+	600+	618
Number of persons punished for violation of disciplines		11	9	4
<b>Employee Responsibility</b>				
Number of employees		59,163	55,594	54,233
Female management proportion %	%	25.8	26.7	26.8
Labor contract signing rate	%	100	100	100
Social insurance coverage	%	100	100	100
Occupational health examination rate	%	100	100	100
Employee training coverage	%	100	100	94
Average training hours per employee	hours	47.8	13	40
Occupational diseases occurrence		0	0	0
Investment in needy employee relief	10k yuan	193	152.4	83.4
<b>Customer and Partner Responsibility</b>				
Percentage of customer complaint handled	%	100	100	100
Responsible procurement ratio	%	100	100	100
<b>Environment responsibility</b>				
Total environment protection investment	10k RMB	7,062.46	5,534.61	5,710.68

Social responsibility index	Unit	2018	2017	2016
Comprehensive energy consumption*	10k tons of standard coal	14.97	13.86	14.56
Comprehensive energy consumption per RMB 10,000 of output value*	tons of standard coal/RMB 10,000	0.0585	0.0612	0.0725
Coal consumption*	tons	1.45	3.07	—
Petrol consumption*	tons	139.56	192.47	—
Diesel consumption*	tons	178.34	255.00	—
Natural gas consumption*	10k standard m <sup>3</sup>	4,756.93	3,781.23	—
Power consumption*	10MWh	31,281.30	29,645.60	—
Heat consumption*	GJ	484,970.06	645,265.56	—
Biomass fuel consumption*	tons	19,069.92	808.63	—
Fresh water consumption*	tons	6,736,046.00	8,510,712.23	6,976,191.5
Reclaimed water consumption*	tons	48,352.86	146,045.00	398,630.2
Recycled water consumption*	tons	28,983,593.00	35,660,566.66	40,583,659.7
Fresh water consumption per RMB 10,000 of output value*	Tons/RMB 10,000	2.513	3.657	3.472
Nitrogen oxide emission*	tons	144.42	191.31	240.48
SO2 emission*	tons	94.14	130.55	255.75
Ammonia nitrogen emission*	tons	38.54	35.76	27.79
COD emission*	tons	589.38	308.72	311.81
CO2 emission*	tons	541,956.86	513,058.29	527,962.72
Generation of hazardous waste*	tons	1,794.60	1,986.30	1,070.01
<b>Safety Responsibility</b>				
Number of work-related fatalities		0	1	0
Lost days due to work injury	days	130.5	176.25	—
Safe production investment	RMB 10,000	5762	5,677	4,490
Total hours of safety training	People· hours	197,778.03	212,356.7	—
Safe training coverage	%	100	100	100
<b>Community Responsibility</b>				
Total tax payment	HK\$ 1million	7,422.7	6,582.5	5,582.5
Number of newly-added employees		13,995	8,956	2,204
Total charitable donations	RMB 10,000	2,239.72	674.5	1190.9
Number of volunteer service participated by all volunteers		2,120	1,893	—

Note:

The statistics of all indicators with the "\*" mark in the report do not include the China Resources Pharmaceutical Commercial and Pharmaceutical Research Center.



## Index of China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)

Contents		Corresponding indexes of China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)
Title	Sub title	
Messages from Executives		P2.1-P2.2, P3.1-P3.2
About us		P4.1-P4.4, A3
Responsibility Management		G1.1-G1.2, G2.2-G2.3, G3.1-G3.3, G4.1-G4.3, G5.1-G5.2, G6.1-G6.2, A3
Business Philosophy: Seeking Development with Sincerity	Operational Excellence	S1.3-S1.4, M1.6-M1.8
	Governance Structure	M1.1-M1.2
	Compliance Operation	M1.3-M1.7, M3.1, M3.3, S1.1-S1.2
Consolidating Foundation: Making Medicine with Craftsmanship	Innovation and R&D	M2.4-M2.7, M2.10, M3.5-M3.6
	Drug safety	M2.2-M2.3, M2.8, M2.17
	Customer Service	G6.2, M2.1, M2.9, M2.13-M2.16, M2.18
People First: Seeking Happiness within Unity	Employees' Rights and Interests	S2.1-S2.10, S2.20, S4.2
	Employee Development	S2.14-S2.16
	Care for Employees	S2.17-S2.19
Environmental Protection: Protecting the Environment with Kindness in Our Heart	Environmental Management	E1.1
	Green Emissions	E2.12-E2.19
	Resource Conservation	E1.7, E1.9, E2.1-E2.11, E2.20-E2.21, E2.24-E2.25, E3.1-E3.2
	Ecological Conservation	E1.2-E1.3, E1.5, E1.8, E3.3-E3.4, E3.6

Contents		Corresponding indexes of China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)
Title	Sub title	
Approach to Safety: Devoting to Production Safety	Safety Management	S3.1
	Safety Guarantee	S2.11-S2.13, S3.2, S3.5-S3.7
	Safety Culture	S3.3-S3.4
Win-Win Outcome: Caring for People's Livelihood	Win-Win Cooperation	M3.4
	Responsible Supplement Chain	E1.6, E2.22, M3.7-M3.8, M3.10-M3.11, M3.14, S4.4
	Serving Society	S4.1, S4.5-S4.14
Outlook for 2019		A1
Key Performance Indicators		A2
CASS Rating		A4
Index of China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)		A5
About This Report		P1.1-P1.3, P2.1
Feedback		A6

## HKEx ESG General Disclosures and KPIs

Disclosures and KPIs		Response
<b>Environmental</b>		
<b>A1: Emissions</b>		
General Disclosure		P46
A1.1	The types of emissions and respective emissions data	P47
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P50
A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P48
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P48
A1.5	Description of measures to mitigate emissions and results achieved.	P51-53
A1.6	Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.	P48
<b>A2: Use of Resources</b>		
General Disclosure		P49
A2.1	Direct and indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P50
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P47
A2.3	Description of energy use efficiency initiatives and results achieved.	P49-53
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P51
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	P52
<b>A3: The Environment and Natural Resources</b>		
General Disclosure		P54
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P54
<b>Social</b>		
<b>Employment and Labor Practices</b>		
<b>B1: Employment</b>		
General Disclosure		P38
B1.1	Total workforce by gender, employment type, age group and geographical region.	P38
B1.2	Employee turnover rate by gender, age group and geographical region.	P38
<b>B2: Health and Safety</b>		
General Disclosure		P58
B2.1	Number and rate of work-related fatalities.	P60
B2.2	Lost days due to work injury.	P60
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P60

Disclosures and KPIs		Response
<b>B3: Development and Training</b>		
General Disclosure		P39
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P40
B3.2	The average training hours completed per employee by gender and employee category.	P40
<b>B4: Labor Standards</b>		
General Disclosure		P38
B4.1	Description of measures to review employment practices to avoid child and forced labor.	P38
B4.2	Description of steps taken to eliminate such practices when discovered.	/
<b>Operating Practices</b>		
<b>B5: Supply Chain Management</b>		
General Disclosure		P66
B5.1	Number of suppliers by geographical region.	/
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P66
<b>B6: Product Responsibility</b>		
General Disclosure		P29
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	/
B6.2	Number of products and service related complaints received and how they are dealt with.	P32
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P27
B6.4	Description of quality assurance process and recall procedures.	P30
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P34
<b>B7: Anticorruption</b>		
General Disclosure		P22
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P22
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P22
<b>Community</b>		
<b>B8: Community Investment</b>		
General Disclosure		P69
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P69
B8.2	Resources contributed (e.g. money or time) to the focus area.	P69







**华润医药集团有限公司**  
**China Resources Pharmaceutical Group Limited**

China Resources Pharmaceutical Group Limited

Mailing address: Building 7, Courtyard 2, North Third Ring Middle Road,  
Chaoyang District, Beijing

Post Code: 100120

Telephone: 010-57985000

Fax: 010-57985200

Website: [pub@crpharm.com](mailto:pub@crpharm.com)

