



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

2017

Sustainable Development Report

携手
Love
For
Health
爱
为
健康

Love for Health

This is not a slogan, but an attitude that stems from CRPG's understanding, awareness and thinking on social responsibility. 2017 is a brand-new start for us. We will continue to spread love for health, create more and more changes for stakeholders including shareholders, employees, customers, the environment, partners, the society and the public with concerted efforts, and jointly welcome the arrival of a new era.



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Message from Executives

For China Resources Pharmaceutical Group Limited (CRPG), 2017 is a year full of opportunities and challenges. Facing the complicated and grim external environment, we have conscientiously studied and implemented the spirit of the 19th CPC National Congress under the strong leadership of the Party Central Committee with President Xi Jinping as the core. Upholding the responsibility concept of "Love for Health", we have actively fulfilled our political, economic, environmental and social responsibilities, and made positive contributions to the development of the healthcare industry in the new era and the improvement of people's health.

CEO 王利军

In the past year, we have firmly grasped the industry development trend and market demand, further clarified the path for strategic development, promoted the implementation of strategies. Meanwhile, we optimized resource allocation, and improved the efficiency of business management, realizing a new high in business revenue. We also accelerated innovation and transformation and established an innovation platform for cultivating R&D talents and providing inexhaustible drive for business development.

In the past year, starting from the establishment of a professional, passionate, practical and efficient human resources team, we have improved the training system for offering targeted training programs to promote talent development and realize self-fulfillment. We care about the daily life of employees and organized various forms of cultural activities to make the work of more than 50,000 employees more joyful.

In the past year, we continue to prioritize the guarantee of product quality safety and service for people's health. We have improved our quality management system, promoted product quality to guarantee medication safety of the people. Upholding the idea of "Customer first", we have established a sound customer service network to protect their private information and improve customer satisfaction.

In the past year, we adhered to green development and firmly followed a path of green, low-carbon and circular development. We integrated the concept of green development into the entire operation process to try to cut energy and resource consumption during operation and reduce environmental pollution. We also advocated a green and low-carbon lifestyle to contribute to building a Beautiful China and creating a better life.



In the past year, we established and improved the occupational health and safety management system, and strived to ensure work safety in accordance with the "noble mind, high standard" requirements. We carried out safety training, safety promotion and other activities to popularize safety knowledge, enhance the work safety ability and awareness of all employees and create a good safety culture.

In the past year, we have strengthened cooperation and exchanges with stakeholders such as the government, research institutes and enterprises, improved supplier management, and enhanced suppliers' ability of performing responsibilities for the healthy development of the industry. We organized and carried out targeted poverty alleviation work and promoted poverty alleviation through industry development to help farmers in poverty-stricken areas get rid of poverty and get better off.

2018 is the first full year for implementing the spirit of the 19th CPC National Congress, and the 40th anniversary of the reform and opening-up. It is a crucial year for securing a decisive victory in building a moderately prosperous society in all respects and for implementing the 13th Five-Year Plan. We will continue to adhere to the lofty mission of "being the guardian of human health and improving the quality of living". We will stay true to the mission and gather our strengths to make greater contributions to improving people's health and implementing the Healthy China Initiative together with all stakeholders!



About Us

China Resources Pharmaceutical Group Limited (CRPG) (Stock Code: 3320.HK) is a leading integrated pharmaceutical company in China which deals with R&D, manufacturing and marketing of medicines and nutraceutical products. We are the 5th largest drug manufacturer with business covering drug R&D, production and marketing. We are the 2nd largest drug distributor in China and operate a nationwide distribution network comprising 156 logistics centers across 27 provinces, municipalities and autonomous regions in China. We operate the ninth largest retail pharmacy network in China, which comprises 786 retail pharmacies under national or regional premium brand names such as "CR Care", "Yibao Quanxin Pharmacy", "Li'an Medicine Chain" and Tung Tak Tong".

CRPG is committed to the lofty mission of "be the guardian of human health and improve quality of living". With the historical opportunity created by the development and reform of China's pharmaceutical and healthcare industry, we actively arrange the core areas and links of the industrial chain, stick to innovation and development, give full play to the synergistic effect of the integrated business layout, optimize allocation of resources, 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.

Basic Information About China Resources Pharmaceutical Group Limited

Company Name: China Resources Pharmaceutical Group Limited

Time of Establishment: May 2007

Total Asset: HKD 160,754.1 million

Address of the Headquarters: 41/F, China Resources Building, No. 26 Harbor Road, Wan Chai, Hong Kong



Scan the QR Code to watch the promotional video of CRPG

Corporate Structure



Brand Overview



同德堂

999 速复康®

999 选灵®

999 优诺平®

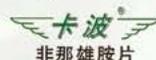
999 皮炎平®

999®
为爱专注 为家守护



顺峰 康霜®

顺峰 康王®



华润医药商业
CR Pharmaceutical Commercial



华润三九
CR Sanjiu

利复星[®] 奥复星[®]

伯司庄[®] 英凡舒



苏和[®] 一君[®] 护川

盈源[®] O号[®] 冠爽[®]



双鹤药业

复方阿胶浆



真颜



金毓婷[®] 毓婷



紫竹药业
ZIZHU PHARMACEUTICAL



华润双鹤
CR Double-Crane



华润紫竹
CR Zizhu



華潤堂
CRcare

Figures for 2017 >



Commitment for Love: Creating Excellent New Values

R&D investment
HKD

1,054.3 million

Newly-added R&D technology patents

49

Profit for the year
HKD

6,866.9 million

Revenue

172,532.2 million



Action for Love: Creating a Beautiful Life Together



Labor contract
signing rate

100 %

Total training hours

709,319 hours

Investment in assisting needy employees relief

HKD
1.83 ** million



Guarding for Love: Building a Healthy New Era

Percentage of customer
complaint handled

100 %

Quality training at the
company level

41 times

Per capita quality training time

40+ hours

Awards related
to quality

94





Sustainable Development for Love: Promoting New Ecological Civilization

SO₂ emissions* decreased
year-on-year

125.20 ton

CO₂ emissions* decreased
year-on-year

14,904.43 ton

Comprehensive energy
consumption* decreased
year-on-year

7,000 tons of standard coal

Total environment
protection investment
HKD

66.4596^{**} million



Escorting for Love: Building a New Harmonious Society



Safe production investment

HKD
68.17^{**} million

Number of full-time security
management staff

207

Safe training Coverage

100 %

Number of safety emergency drills

568 times



Sharing for Love: Starting a New Chapter of Development

Newly-added employees

8,956

Total charitable donations
HKD

8.099^{**} million

Total tax payment
HKD

6,848.99^{**} million

Number of times of volunteer service participated by all volunteers

1,893 person-times

Note: ① Indicators marked with "*" do not include statistics of CR Pharmaceutical Commercial and the drug research center.

② Data marked with "**" is converted into the functional currency of China Resources Pharmaceutical (HKD) using the exchange rate at the end of the corresponding year.

01



January

CR Sanjiu completed the acquisition of 65% equity interests in Jilin Sanjiu Jin Fu Kang Pharmaceutical Limited, a move set to further enhance CR Sanjiu's product line for anti-neoplastic drugs.

02



February

CR Pharmaceutical was included as a constituent stock of Hang Seng Composite LargeCap Index, Hang Seng Mainland Healthcare Index and Hang Seng Healthcare Index by Hang Seng Indexes Company Limited. At the same time, it became immediately eligible for southbound trading under Stock Connect Shanghai and Stock Connect Shenzhen.

Major Events of CRPG >



03



March

CR Pharmaceutical entered into a strategic cooperation agreement with The National Project Laboratory for Anti-Neoplastic Protein Therapeutics at Tsinghua University in respect of collaboration on research and development and industrialization of relevant products and technologies.

CR Pharmaceutical introduced "polyethylene glycol recombinant human endostatin", a candidate of long-acting anti-neoplastic molecule targeted drug under the National Class I New Drugs, through the acquisition of equity interests in Protgen Ltd..

CR Sanjiu formed a joint venture with Sanofi, the cooperation went well. In addition, the sales of the liver-protecting OTC drug under the global leading brand "Essentiale" went smoothly.

CR Pharmaceutical entered into an agreement for strategic cooperation with FUJIFILM Corporation in Japan, aiming at full-scale cooperation in areas such as biosimilar drugs, chemical drugs and equipment, Chinese medicines and healthcare products.

05



May

CR Pharmaceutical and Nankai University built the "Innovative Precision Medicine R&D Centre" according to the respective research and development advantages and resources as well as the needs of the two parties. The plaque unveiling ceremony was held in the Jinnan Campus of Nankai University.

06



June

CR Pharmaceutical was included in the FTSE Global Equity Index Series (Large Cap), FTSE All-World Index and FTSE Global AllCap Index.

08



August

CR Pharmaceutical and Omron Healthcare Co., Ltd entered into a strategic cooperation agreement to build a mutually beneficial and sustainable strategic partnership in medical equipment businesses and medical services.

09



September

CR Sanjiu completed the acquisition of 65% equity interests in Shandong Shenghai Health Products Co., Ltd. The acquisition would enable the swift replenishment of mainstream healthcare products in various types and categories by CR Sanjiu, accelerating the development of its healthcare business.

11



November

CR Pharmaceutical was included in the Morgan Stanley Capital International (MSCI) China Index, Hang Seng China-Affiliated Corporations Index and the Hang Seng China (Hong Kong-listed) 100 Index.

CR Pharmaceutical entered into an agreement with Reckitt Benckiser ("RB") for cooperation in commercial distribution of the healthcare product series of RB. The two parties agreed to advance their mutual beneficial strategic partnership.

12



December

CR Pharmaceutical entered into a strategic cooperation agreement with Xbrane Biopharma AB of Sweden for the joint development of Xlucane, a ranibizumab biosimilar.





Responsibility Management

Sustainable Development Strategy

As Healthy China Initiative is lifted to a national strategic level, CRPG seizes the historical opportunity created by the development and reform of China's pharmaceutical and healthcare industry, and actively arranges the core areas and links of the industrial chain. Driven by mergers and acquisitions, R&D and innovation, we optimize resource allocation,

promote business realignment and industrial upgrading, so as to continue to improve core competitiveness. We adhere to the responsibility concept of "Love for Health" and actively implement the core values of "honesty and trustworthiness, performance orientation, people foremost, and innovation and development" and the corporate spirit of "pragmatism,

professionalism, collaboration, and dedication". Bearing in mind the lofty mission of "being the guardian of human health and improving the quality of living", we endeavor to be the leader in China's pharmaceutical and healthcare industry and contribute to human health.





Social Responsibility Promotion

CRPG conducts social responsibility work in terms of concept integration, system construction, and practice guidance, and promotes the integration of social responsibility concepts into the management of subsidiaries.

Concept integration: Through a closed-loop management system combining business plan, performance evaluation and management improvement, we actively promote the integrated development of social responsibility with corporate operation and management, social responsibility and corporate culture, social responsibility reporting and practice between CRPG and the subsidiary companies.

System construction: We establish the Steering Committee on Corporate Culture and Social Responsibility, appoint the heads of social responsibility in all departments and subsidiary companies, establish a working mechanism that links the management with operational level staff and give full play to the initiative of all departments and subsidiary companies. CR Pharmaceutical Commercial, CR Sanjiu and CR Double-Crane establish corresponding CSR institutions in their subordinates to promote responsibility performance at the grassroots level.

Practice guidance: We gradually improve the *CRPG Social Responsibility Work Management Measures* and the social responsibility management key performance indexes, incorporate these key indexes into our business plans and performance contracts, and disclose responsibility performance practices in accordance with related standards. Based on their actual conditions, CRPG and its subsidiaries carry out various forms of social responsibility practices with corporate features.

Social Responsibility Honors



On January 13, 2017, CR Sanjiu won the "China Green-Benefit Enterprise:Green Responsibility Award" at the sixth World Economic and Environmental Conference.



On January 18, 2017, CR Double-Crane was awarded the "Five-Star Enterprise in the Chinese Industrial Corporations Sustainability Transition Assessment and Rating System".



On November 7, 2017, CRPG won a five-star evaluation at the China Social Responsibility 100 Forum and the press conference of *Corporate Social Responsibility Blue Book (2017)*, and ranked second in the social responsibility development index (2017) for corporations in the pharmaceutical industry.



On December 6, 2017, CR Double-Crane won the "Quality Management Award by the People's Government of Beijing".



On December 6, 2017, Dong-E-E-Jiao won the "2017 Social Responsibility Poverty Alleviation Award".

Stakeholder Communication

CRPG strengthens stakeholder management, innovates communication channels, enriches information disclosure content, and provides stakeholders with opportunities to participate in operation and management.

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

Management of Material Topics

CRPG fully considers industry characteristics and proactively identifies key social responsibility topics by integrating corporate development strategies and business plans. By doing this, we actively understand and respond to stakeholder expectations and demands, enhance the value of social responsibility work and achieve common development with stakeholders.







01

Commitment for Love: Creating Excellent New Values

Firmly committed to the idea of being responsible for shareholders, CRPG focuses on corporate growth while continuing to create new values. We keep strengthening operational capabilities, promoting lean management, improving management efficiency, raising professional skills, and exploring and innovating to provide a steady driving force for healthy and robust development.



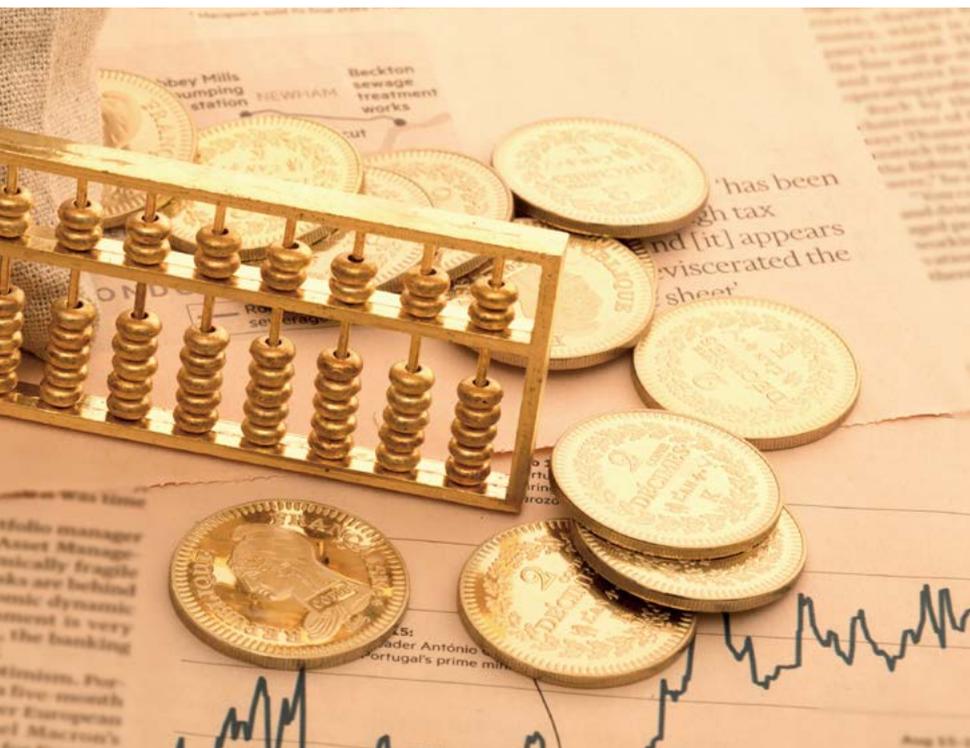
Strengthening Operation and Management

We make unremitting efforts to strengthen operation, management and risk control, promote lean management to increase efficiency, expand the sales network to promote continuous improvement of business performance, realize maintenance and appreciation of asset value, and maintain sustainable development.

Improving Profitability

Under the guidance of industry policies and oriented by the market demand, we steadily promoted the landing of all major strategies in the 13th Five-Year Plan. We strengthened core businesses, accelerated innovation and transformation, optimized business structure and built an excellent operation system, facilitating the overall performance to realize stable growth. In 2017, our operating income representing an increase of 10.1% year on year. Revenues from the three main business segments of pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail accounted for 15.3%, 82.2% and 2.5% respectively.

Index	Unit	2016	2017
Revenue	HKD million	156,705.2	172,532.2
Profit before tax	HKD million	8,042.7	8,582.3
Profit for the year	HKD million	5,968.1	6,866.9



Promoting Lean Management

We promote production efficiency through measures such as process optimization and integration, technological innovation, and industry intelligence upgrading, striving to reduce production costs, enhance the power of products, and thus realize targets of lean management.

Evaluating the operational excellence of the production system. We establish an index evaluation system for operation to rate all production units, and thus promote the continuous improvement of the production system. CR Double-Crane implemented more than 20 lean green belt projects which had effectively alleviated cost pressures of higher energy prices and environmental protection.

Promoting smart manufacturing. By creating a batch of digitalized production lines, we have initially established the foundation of smart production to enhance the upgrading of the manufacturing industry. In 2017, the intelligent manufacturing system of formula granules was approved as "applications of integrated standardization and new models" by the Ministry of Industry and Information Technology. E-Jiao Science and Technology Industrial Park received the subsidy for industrial transformation and upgrading in 2017.

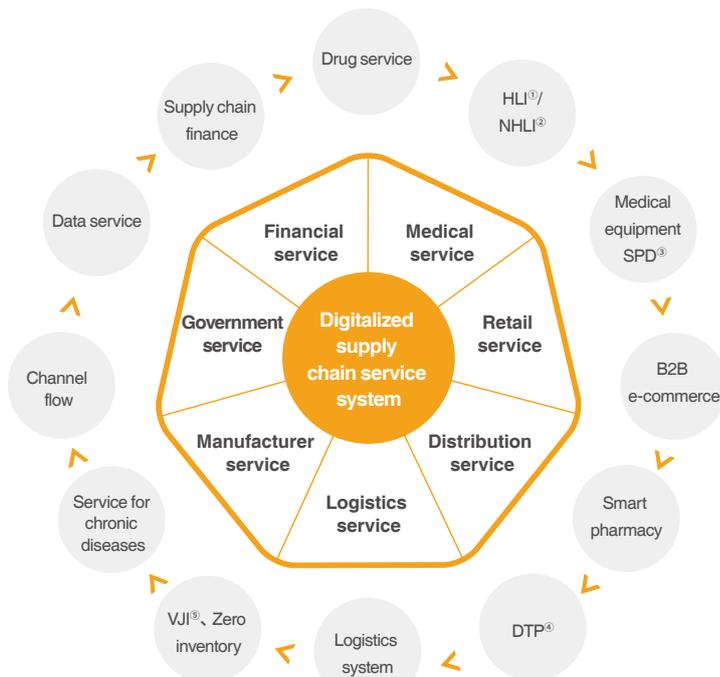
Expanding the Marketing Network

CRPG has made overall plans for all aspects of marketing to achieve complementary advantages among channels and terminals, which together can form a great support for the brand. We put focus on building an all-round marketing platform, improving the nationwide network of marketing channels, expanding the business of pharmacies in hospitals, and promoting innovative service models.

Making strategies of retail business. We boost business values through innovative services, and lead the innovation of the pharmaceutical retail industry, aiming to be the leader of future industry development and transformation. For OTC business, we drive the overall growth of the whole category, expand business areas and sales channels through the development of core products, so as to realize whole-pipeline operation of hospitals, primary-level units and sales units. We explore medical values, analyze competitive products and establish an expert network of prescription drugs to expand the business dimensions, strengthen pipeline risk control and whole-pipeline inventory management and continue to optimize pipeline terminals.

Innovating and optimizing the marketing model. We adopt multiple measures to explore more effective marketing methods, promote marketing integration, continue to optimize innovative marketing models, and create differentiated competitive edges. CR Double-Crane released prevention consensus, conducted clinical trials, subdivided patients and expanded indications to gain a greater say in this field and grab a larger market share, which helped increase both the sales volume and market share. Through precision marketing based on member information, Dong-E-E-Jiao expanded its potential consumer groups to e-commerce and social networking site users. It also developed member precision marketing businesses such as potential customer acquisition, channeling and conversion.

Developing digitalization and informatization. We built a digital platform to give play to existing advantages, improve increment attraction capacity, build a platform integrating internal and external resources, support ecological business operation and incubate variable businesses. We also construct a system combining "Internal Control Support" and "External Ecosystem Construction" through informatization.



Note: ①HLI: hospital logistics integration ②NHLI: network Hospital Logistics Intelligence
 ③SPD: supply, production and distribution ④DTP: direct to patient
 ⑤VJI: virtual joint inventory



Using the internet platform efficiently.

Based on the major internet platform "HuaRunTong" and the loyalty program, we manage customer resources and deeply explore customer value. At the same time, we try to innovate the sales model and build an ecosystem of pharmaceutical supply chain under the service idea of "Share together".

- CR Pharmaceutical Commercial Group actively explores e-commerce practices. It uses premium upstream and downstream resources and specification resources to build the B2B e-commerce platform "CR Pharmaceutical Online Mall" that can effectively develop the third-terminal (retail stores, clinics, etc.) market, expand company business and provide abundant specification resources as well as fast and efficient logistics and distribution services.



Improving Corporate Governance

In strict compliance with national laws and regulations, we continue to improve the governance structure, regulate responsibility fulfillment by the Board of Directors, strengthen integrity and compliance, establish and improve the strategic framework of comprehensive risk and advance anti-corruption and integrity building to achieve stable development.

Improving the Governance Structure

We highly value responsibility fulfillment in accordance with the law. In strict compliance with the *Hong Kong Companies Ordinance*, Listing Rules and related regulations of HKEX and related regulations formulated by regulatory institutions, we actively establish an effective governance structure for listed companies. The Board of Directors has established five Board Committees including the Audit Committee, the Nomination Committee, the Remuneration Committee, the Corporate Governance Committee, and the Executive Committee, and the Executive Committee that provide support and suggestions to decision-making bodies.

Responsibility fulfillment by the Board of Directors

In 2017, We convened nine meetings of the Board of Directors, three meetings of the Audit Committee, one meeting of the Nomination Committee, five meetings of the Remuneration Committee, one meeting of the Corporate Governance Committee and sixteen meetings of the Executive Committee.

Revising responsibilities and limitation on power

The Board of Directors revised the terms of reference of the Executive Committee to clarify its responsibilities and limitation on power and to improve the company's management capacity and mechanism.

Strengthening Investor Relations Management

We have established a good investor communication mechanism and broadened the information disclosure channel to maintain two-way interaction with investors and continue to enhance corporate transparency and credibility on the capital market.

Standardizing information disclosure. In strict compliance with the requirements of domestic and overseas listing, we provide real, reliable and timely information for shareholders and investors in a demand-oriented manner. We inform investors of the current status and development direction of the Company, so as to enhance the transparency corporate operation and management.

Protecting the legitimate rights and interests of small and medium shareholders. As a responsible listed company, we attach great importance to protecting the rights and interests of small and medium shareholders, and improve the quality and enhance the intensity of communication with small and medium shareholders through various communication channels.

Upholding Integrity and Compliance

In strict compliance with national laws and regulations, we formulate a series of management measures such as *CRPG Compliance Management System* as well as working procedures and management rules on integrity and compliance. We actively promote compliance training and build a compliance culture to ensure that corporate governance is carried out in compliance with related rules and in a proper order. We also strengthen supervision over investment conferences as well as bid invitation and inspection to control risks and strive to be compliant.

Compliance education

- Continuously offer compliance education in combination with audit projects and internal risk control projects, warn against crucial compliance risks via cases, and promote the integrity and compliance culture of CRPG
- Conduct internal control and compliance training in accordance with management demand and supervision requirements

Investment conferences

- Responsible personnel at the Audit and Compliance Department participate in the examination of investment projects and warn about risks in project process as a member of the investment preliminary evaluation committee
- Exert control over program compliance and data integrity during conferences on major issues

Bid invitation and inspection

- Notify and supervise risks during bid invitation and procurement, and conduct on-site supervision of the bid invitation and evaluation process
- Provide consulting service on compliance requirements put forward by other departments and participate in related conferences

▲ Case: CR Pharmaceutical Commercial conducts compliance education

In order to strengthen the awareness of legitimate and compliant operation and publicize the compliance culture, CR Pharmaceutical Commercial launched the compliance training themed "Upholding Compliance Ideas, Holding the Compliance Bottom Line" among 13 companies including CR Pharmaceutical Commercial (Jilin). The training publicized the importance and necessity of honest operation and holding the bottom line of compliance from four different perspectives, namely compliance management, external supervision, corporate norms and personal integrity, and disseminated compliance knowledge among employees. A total of 437 people participated in the compliance training.

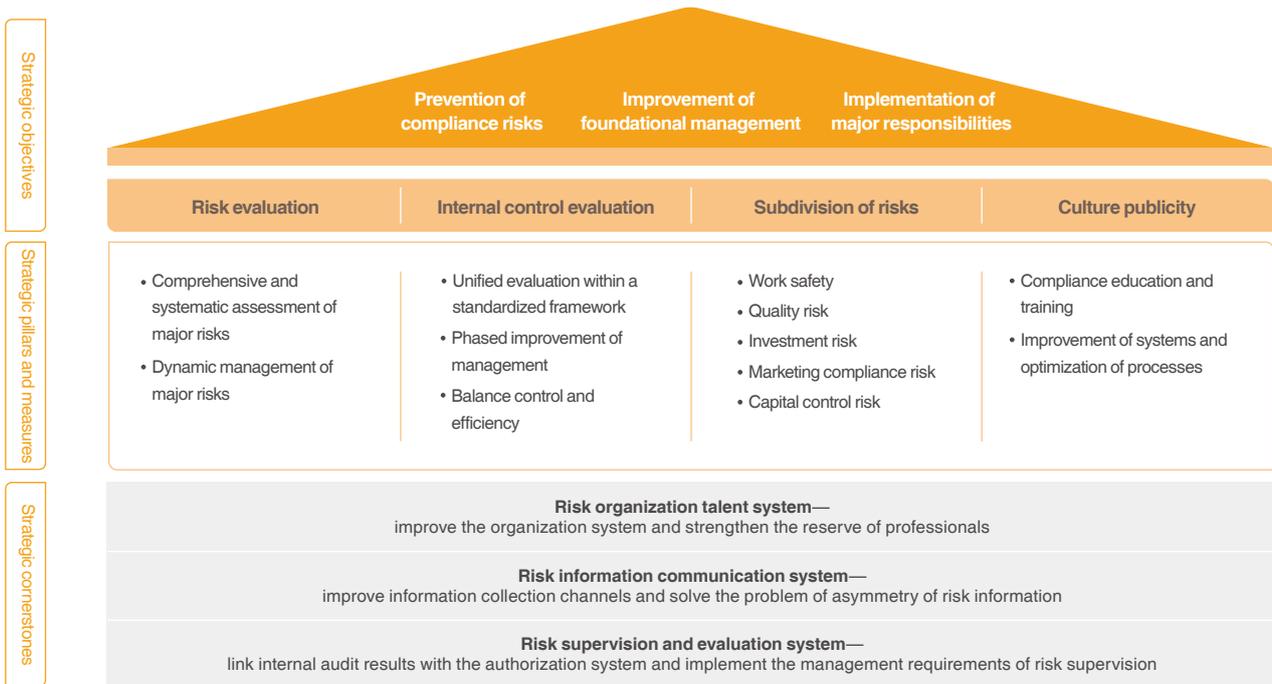
Overall Risk Management

We always adhere to the principle of prudent risk management. Faced with challenges of market changes and operational risks, we have established and improved the strategic framework of overall risks and carried out evaluation and internal audit of risks to promote sustainable and healthy development.

Risk evaluation. Each year, we select and evaluate ten major risks and decide plans for responding to the major risks. We also fully integrate daily management and risk management to ensure that major risks are foreseeable, controllable and under control. We monitor risks in operation and management, environment, society and public opinion, and constantly improve the mechanism of risk early warning, monitoring, reporting and inspection to effectively prevent and control risks.

Internal control assessment. We adopt internal control as a major measure to strengthen management, promote development and increase value. We uniformly revise internal control evaluation standards in accordance with the two major sectors, namely the industrial and commercial sectors, to ensure that internal controls comply with a unified management framework.

Protection of intellectual property rights. We focus on carrying out special self-inspections of software use and assisting in internal examination to prevent and control legal risks related to intellectual property rights. Through legal training on investment and M&A and other measures, we promote and implement legal work focuses of M&A projects. We carry out internal and external training and cross-departmental exchanges to form a systematic understanding about the protection of intellectual property rights of innovation results and to strengthen prevention and control of legal risks.

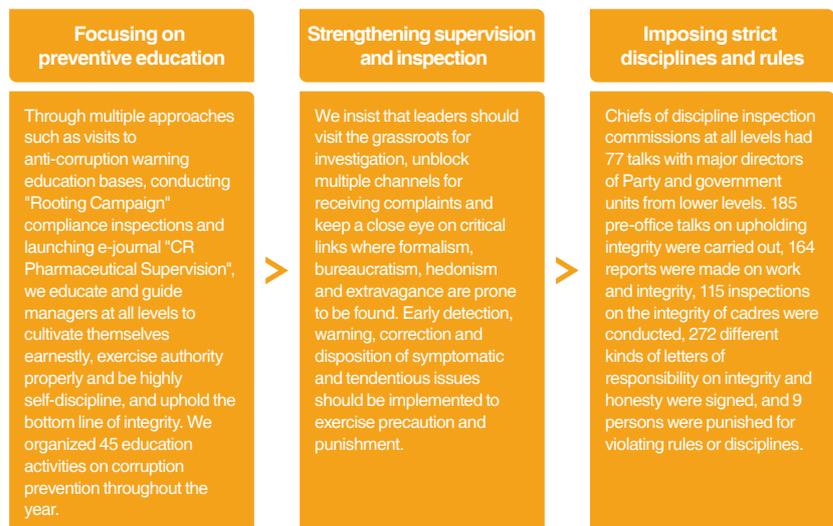


Risk management strategic framework



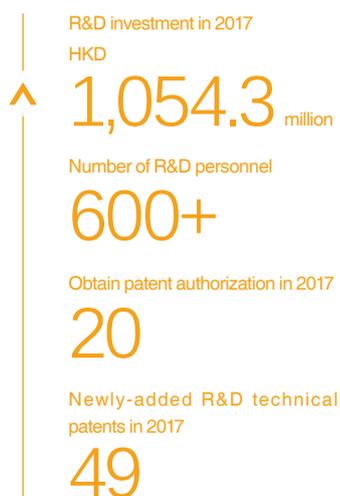
Promoting Anti-corruption and Upholding Integrity

We highlight prevention and guidance, strengthen the implementation of responsibilities and strictly abide by disciplines and rules. We have continuously enhanced anti-corruption education, and strictly implemented *CRPG Party Style and Clean Governance Construction Responsibility System Implementation Rules*, *CRPG Discipline Inspection and Supervision Working Management Measures* and other regulations. We took the lead to sign the *Letter of Commitment Against Commercial Bribery* with suppliers to eliminate a series of unfair competition actions such as commercial bribery. Sales representatives are strictly supervised, managed and trained, and we signed *Letter of Responsibility for Sales Persons* with them to maintain the excellent environment and order of competition in the medicine circulation market. In 2017, there was no incident of corruption.



Innovation-driven Development

We adhere to the concept of innovation. Based on management and institutional innovation, we attach key importance to technology and product innovation, so as to provide a continuous source of driving force to the stable development of CRPG. We have built an innovation platform and increased investment in innovation to continue enhancing our competitiveness through internal reform. In 2017, the project "Research and Development of the New Drug NIP292 for Treating Idiopathic Pulmonary Fibrosis with ROCK" was selected one of the National Major Projects for "Significant New Drugs Development".



Value Innovation and R&D

We always regard independent innovation as the core competitiveness of corporate development. We strive to enhance our core competitiveness by establishing a sound innovation system, increasing investment in R&D, creating an efficient R&D platform for small-molecule chemical innovative drugs, traditional Chinese medicine, biological drugs, and generic drugs, further enhancing our product R&D capabilities, and bringing new products to the market. We had a total of 223 projects under research throughout the year, increasing 10% over the last year.

Building an innovation platform

Through multiple ways including strategic alliance, project cooperation and joint venture construction, we carry out innovative researches in a diversified manner to continue to enhance our R&D capacity. In 2017, we set up the joint laboratory for anti-tumor protein drugs with the School of Life Sciences, Tsinghua University, co-established the Nankai-CRPG Innovative R&D Center for Precision Drugs with the College of Pharmacy, Nankai University, signed the strategic cooperation agreement with Fujifilm to negotiate on the foundation of a joint laboratory.

Building a talent team

We continued to strengthen the R&D team and established the professional ranking sequence for R&D personnel. We resumed the postdoctoral workstation and recruited and trained postdoctoral researchers. We also set up practice bases of talent education in cooperation with Nankai University and Shenyang Pharmaceutical University to further improve the capacity of scientific researchers. In 2017, we recruited 19 new members for our drug research center.

Transforming R&D achievements

Beijing Pharmaceutical Group completed the R&D project on Class 2 new drug Paclitaxel (NEXIL) and signed an agreement of transferring the technology of Class 3.1 new drug safinamide for the treatment of Parkinson's disease. In 2017, two of our products received clinical approvals issued by CFDA and four received production approvals issued by CFDA.

Case: CR Double-Crane conducts independent R&D on pediatric product "Calsurf"

In recent years, CR Double-Crane has intensified R&D on pediatric drugs year by year. Calf Pulmonary Surfactant for Injection (Calsurf), a pulmonary surfactant, was co-developed by CR Double-crane and Capital Institute of Pediatrics for curing neonatal respiratory distress syndrome (RDS). According to clinical reports, Calsurf is as safe and effective in clinical treatment as imported preparations and performs even better in the improvement of some indicators. Calsurf is more economical as it is used in smaller and fewer doses. The successful development of Calsurf broke the monopoly of imported drugs in the treatment of RDS and greatly reduced the neonatal mortality rate for RDS in China.



Deepening Corporate Reform

We enhance our competitiveness in the industry by constantly restructuring business. We analyze each business sector's capacity in creating added value, and by combining the development strategy, we highlight our business strengths and make them greater. For businesses where we have no competitive advantages, we make timely adjustment and withdraw in an orderly manner.

Business integration

Through M&As and cooperation, we fill business blanks, expand business areas, improve competitiveness, achieve extensive development and greatly promote the achievement of strategic performance goals.

Business loss reduction

We initiate the disposal of ineffective assets and equity, set up a special team for reducing losses, formulate plans for reducing losses, strengthen the streamlining of money-losing enterprises, and increase efforts to remove enterprises running at loss due to poor operation.

Coordinated development

We establish a normalized coordination mechanism to promote complementarity of industrial and commercial resources, expand coordination areas and promote collaborative work comprehensively, formulate a coordination evaluation mechanism to evaluate coordination from coordination ratio, growth and innovation.

▲ Case: CR Sanjiu and Sanofi founded a joint venture

To implement the company's development strategy, give full play to its core advantages and continuously enrich its product lines, CR Sanjiu partners with Sanofi, the world's second-largest manufacturer of OTC drugs, established CR Sanjiu & Sanofi Healthcare Company which will focus initially on pediatric and gynecological OTC products and build China's largest manufacturing base of pediatric and gynecological drugs. At the same time, CR Sanjiu smoothly took over Essentiale, the global leading brand of OTC drugs for liver protection. Expected growth was achieved in the hospital market and retail market.





02

Action for Love: Creating a Beautiful Life Together

CRPG has long upheld the human-oriented principle, respects the value of each employee and protects their basic rights and interests. By improving the talent echelon building platform, we aim to create a high-quality talent team and a good atmosphere for talent cultivation. We also care for employees' lives and vigorously promote corporate culture to enhance employee cohesion.



Protecting the Rights and Interests of Employees

Labor contract signing rate in 2017

100 %

Physical examination coverage in 2017

100 %

Average paid annual leave per employee

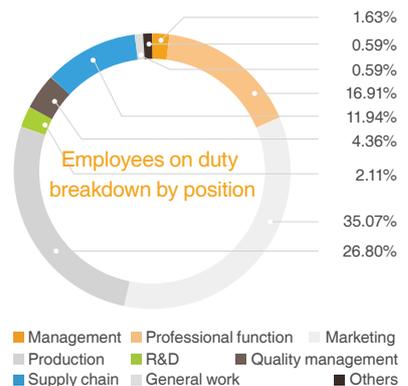
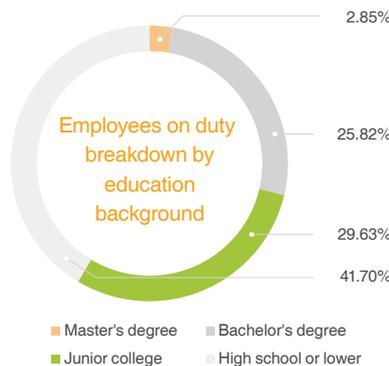
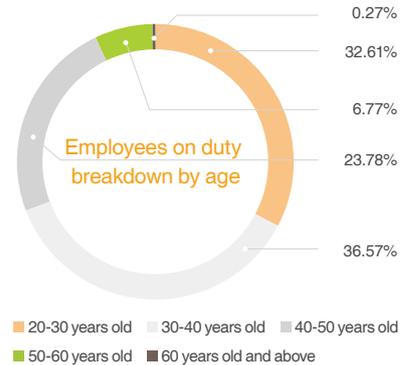
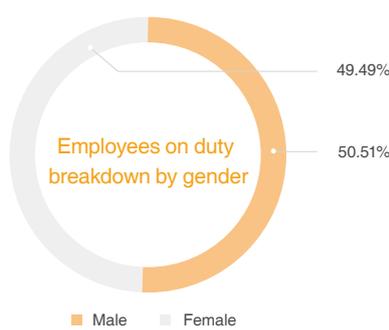
10 day

Employee turnover rate in 2017

16.16 %

Note: Specifically, the employee turnover rate in 20-30 years old, 30-40 years old, 40-50 years old, 50-60 years old, 60 years old and above was 25.53% , 14.92%, 7.86%, 5.66% and 20.03% respectively.

CRPG fully respects and upholds the international covenant for human rights and labor standards signed by the Chinese government, conforms to the laws and regulations relevant to employment, such as the *Labor Contract Law of the People's Republic of China*. We adhere to equal employment and forbid child labor and forced labor. The Company has formulated and implemented the *CRPG Labor Contract Management Measures* to protect employees' rights to equal employment and is dedicated to creating a diversified and inclusive working culture for employees. In 2017, there were 55,594 employees in total, with 54,563 on duty.



Strengthening democratic management. We uphold and improve the democratic corporate management system with the Workers' Congress as the basic form, and effectively protect employees' rights to know, participate, and supervise as well as other basic rights and interests. By the end of 2017, the labor union coverage had reached 93% and 84% of employees had been enrolled. Subsidiaries help employees understand and participate in corporate management by selecting outstanding employee representatives to attend managers' work meetings, setting up the general manager's day, proposing reasonable suggestions, etc.

Improving remuneration and welfare. We establish and improve the management system of remuneration, welfare, attendance and leave, and adhere to the ability-based and performance-oriented remuneration to stimulate employees' initiative and creativity. We pay monthly remuneration in full and ensure that female and male employees get equal pay for equal work. In strict compliance with *CRPG Leave and Attendance Management Measures* and *CRPG Remuneration and Welfare Management Measures*, all employees enjoy paid annual leave of days stipulated in national regulations. We set up supplementary medical insurance and organize annual physical examinations to safeguard the physical and mental health of employees. In 2017, the social security coverage rate was 100%.

Promoting Employee Development

We continuously improve the three-dimensional and multi-level training system, actively build talent development channels and provide strong protection for employee development by establishing the leadership quality model and improving the selection mechanism.

Establishing a Multi-level Training System

CRPG develops an employee training system that focuses on the strategic theme according to the different development stages of employees to ensure reliable talents supply for business development. We establish three talent training modules covering new employee training, professional competence improvement and manager development, and provide new employees and potential key talents with the "New Employee

Training" program. Employees in functional departments of finance, human resources and governmental affairs and those in business departments of procurement, retail and production are provided with the "Ability Enhancement for Professionals" program, and managers of different levels are provided with "Leadership Development for Managers" and "CRPG Pilot" programs.



Case: Phase III of the "CRPG Pilot" launched

Launched in 2015, the "CRPG Pilot" Program is a leadership development project for key managers in the pharmaceutical industry, business sector, and key managers of functional management at the headquarters. Phase III program still targets training managers from functional departments and those in key industrial and commercial positions of the headquarters. Compared with Phase II program, Phase III program has younger members and more intensified training for directors of regional companies. Phase III program included promoting the integration of the managers' teams, improving managers' Party spirit, enhancing the consistency of overall strategies, strengthening internal knowledge collection and disseminating management experience into the curriculum design, so as to strengthen cultural consistency, team integration and work collaboration. The program aims to cultivate a group of managers qualified for the future strategic development of CRPG.

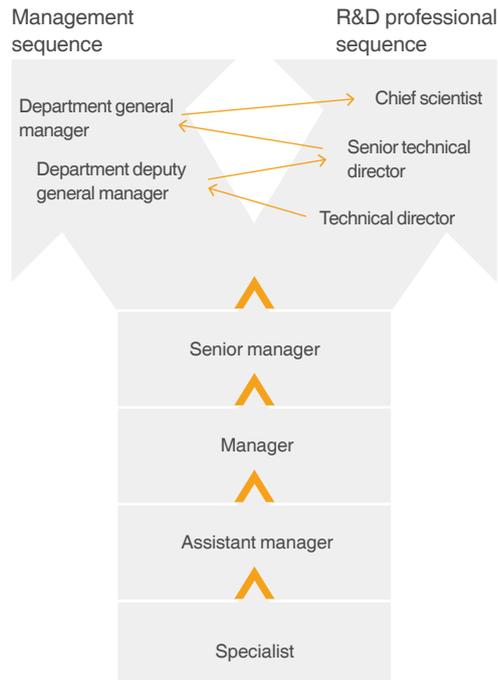


Launching ceremony of Phase III of the "CRPG Pilot" Program



Unblocking Talent Development Channels

To attract and retain professionals, we have established dual channels in management and R&D professional sequence to continuously expand the space for career development of professionals, which plays a critical role in talent attraction and retention.

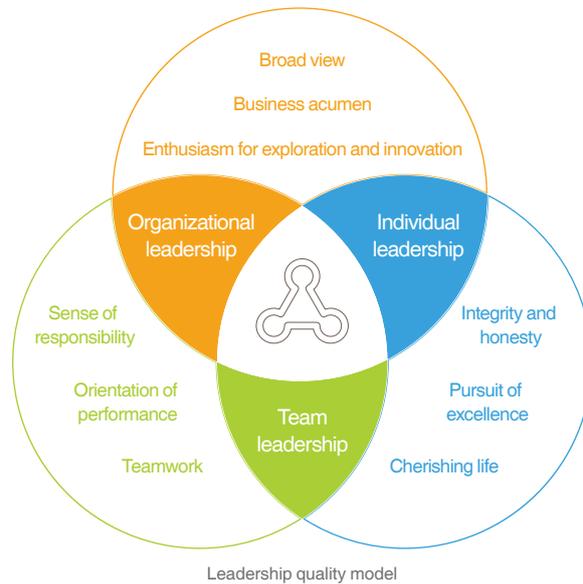


Career development channels for professionals



Strengthening the Team of Managers

Developing the leadership quality model.The CRPG leadership quality model details leadership quality requirements and categorizes them in different industries. It facilitates the construction of the talent team by introducing the *Curriculum Series on Excellent Leadership* of China Resources University and offering leadership training courses.



Under the leadership of CRPG, affiliated companies launched leadership programs with their distinctive features and took leadership development as an important course for manager cultivation.

- CR Pharmaceutical Commercial introduced the "Elite Program" to guide affiliates to carry out various forms of trainings and exchange programs for medium and high-level employees.
- CR Sanjiu launched leadership development programs including "Flying Leadership Program", "Taking-off Program", "Wings Program" and "New Managers Training Camp".
- CE Double-Crane trained the new director through the four-month "Crane's Wings" leadership program.
- Dong-E-E-Jiao designed and implemented the training class program for new OTC managers, covering 20 courses in the three modules of business ability, management ability and general ability.
- CR Zizhu set up and operated the "Star of Hope" training class for sales managers.

Improving the manager selection and employment mechanism.To continuously improve the manager selection and employment mechanism, we have formulated the *CRPG Manager Selection and Appointment Management Measures (Interim)* to promote systematic, standardized and institutionalized work. We expand our vision and channel for employee selection and appointment in combination with the corporate reality and take different selection approaches according to different situations.



Caring for Employees' Lives

Investment in needy employee relief in 2017
 HKD
1.83^{**}
 million

We care about the lives of our employees and organize colorful cultural activities to help employees adjust their physical and mental conditions and strike a balance between work and rest. In 2017, we organized 682 thematic cultural events.

Visiting employees	Caring for female employees	Caring for needy employees
 <p>Visit frontline employees remaining on duty during festivals, needy employees and model employees. Send greetings on festivals and send coolness to employees on hot days</p>	 <p>Continuously carrying out mutual assistance among on-the-job female employees with special diseases; providing convenience to pregnant employees; setting up "Mommy's Loving Room" for breastfeeding employees</p>	 <p>Setting up a charity fund to care for employees and implementing the <i>CRPG Charitable Fund Management Measures</i> to form a long-term working mechanism to care for needy employees</p>

Case: "Tribute to Classics, Joy in CRPG" lecture on traditional culture

At the "Tribute to Classics, Joy in CRPG" lecture on traditional culture, CRPG invited experts to lecture on the love for the family and the nation, honesty and trustworthiness and the correct view of justice and benefit. And preliminary activities including all-staff reading, writing competition and classics recitation were performed, followed by a commendation ceremony. Holding serial activities like this helped promote the splendid traditional Chinese culture, nourish the corporate culture and employees' virtues and qualities.



Reciting classics

Case: Employees' Badminton Competition

More than 160 players of 17 teams from affiliated companies of CRPG participated in the CRPG Employees' Badminton Competition in Beijing under the theme "Badminton Dream in CRPG". After two days of fierce competition, Dong-E-E-Jiao team won the championship. During the game, players displayed the spirit of unity, fearlessness of hardships and the courage to forge ahead.



CRPG Employees' Badminton Competition

Case: CR Pharmaceutical Commercial held Employees' Arts Festival

Over 800 cadres and employees from CR Pharmaceutical Commercial and its subsidiaries gathered at Beijing Nationality Culture Palace Theatre for the Employees' Arts Festival themed "Love for CRPG, Dream of Arts". The festival promoted CRPG's pharmaceutical culture and showed the style of the company and employees. The festival collected more than 100 works of calligraphy, photography, painting and handicraft from employees throughout the company. More than 50 were displayed and well received by all employees.



Employees' Arts Festival of CR Pharmaceutical Commercial





03

Guarding for Love: Building a Healthy New Era

CRPG is dedicated to becoming a global enterprise trusted and loved by the public. We continue to improve the quality through enhancing the all-round lifecycle quality management system. We value the voices of customers and continuously exceed customers' expectations to create excellent values.



Ensuring Product Quality

We highly value product quality and have always taken the quality of products and services as our priority. In strict compliance with related national laws and regulations and international norms, we manage ourselves with the *CRPG Quality Management System*. By strengthening quality auditing and controlling risks, we manage to continuously improve quality management, endeavoring to provide the public with safe and effective products.

Improving the Quality Management System

By establishing and improving quality management systems of all levels and urging affiliated companies to develop quality management ideas and strategies and set up objectives conforming to corporate development demand, we gradually standardize the quality management system and create a model of "quality control along the whole industry chain". We implement advanced ideas in the whole industry chain of drug production, operation, control and product release, storage and transportation to bring high-quality products to customers.



Case: Dong-E-E-Jiao won the Gold Award for Quality Control

At the 42th International Convention on Quality Control Circles (ICQCC), Dong-E-E-Jiao won the Gold Award for Quality Control. Honored as the "Quality Olympics" in the quality control industry, ICQCC is the highest platform for launching quality control activities. Dong-E-E-Jiao submitted the project "Study on the Method for Simultaneous Detection of Microelements in Donkey-Hide Gelatin" which involves departments of quality, R&D, management and so on, pulls wisdom of the group together. Participation in this event helps Dong-E-E-Jiao continuously improve its quality standards and bring more economic benefits to the enterprise and the society.



Gold Award for Quality Control

Case: CR Pharmaceutical Commercial passed ISO 9001 certification

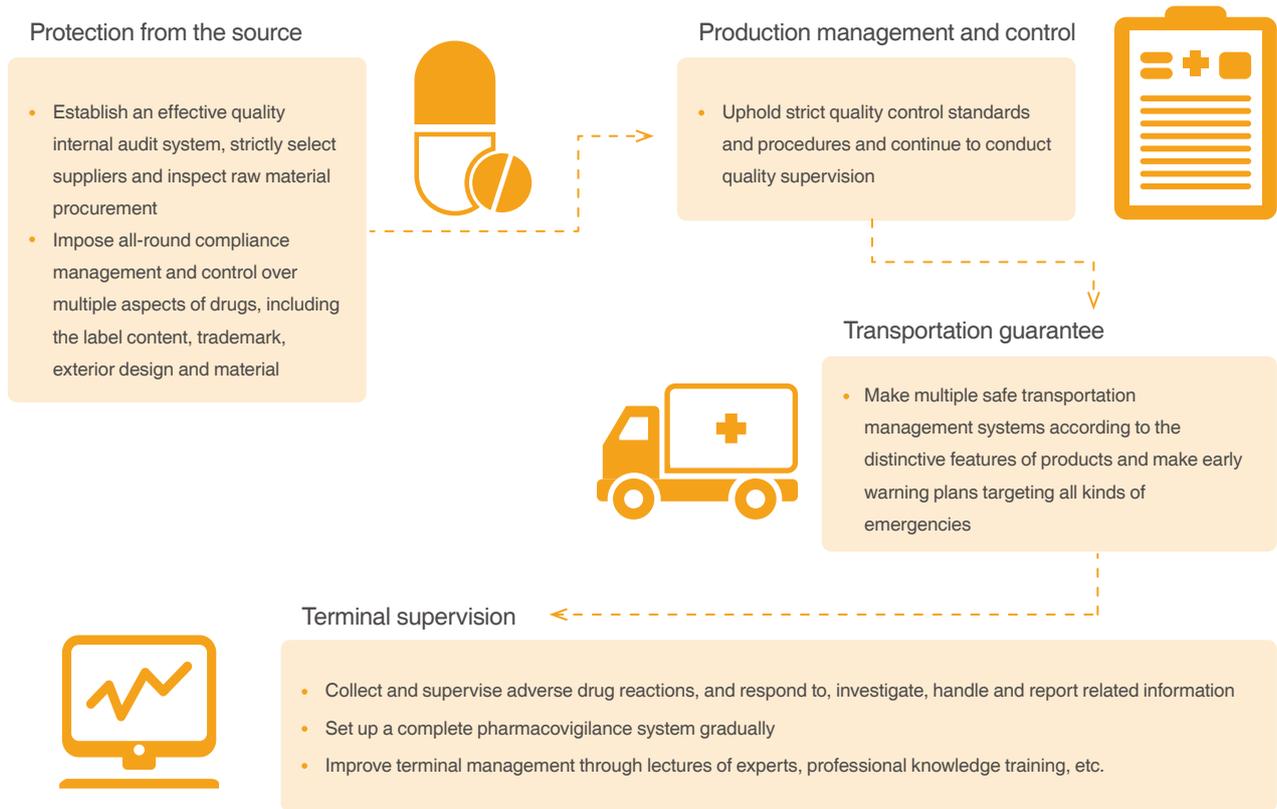
CR Pharmaceutical Commercial successfully passed ISO 9001 certification and was awarded the "Quality Management System Certification ISO 9001: 2015", "Environmental Management System Certification GB/T 24001-2016/ISO 14001:2015" and "Occupational Health and Safety Management Systems Certification GB/T 28001-2011", taking an important step forward in the improvement of quality management, environmental management and occupational health and safety management.



Certifications of CR Pharmaceutical Commercial

Realizing Whole-Process Management

We strictly control the quality of drugs during the whole process, and have improved product quality assurance mechanisms. We studied factors that may cause quality risks in every link of the industry chain, and created a medicine industrial chain which is safe and produces medicine with excellent quality and obvious curative effect. We established a quality rewarding and punishing system, incorporated quality into performance evaluation, used customer satisfaction as an approach for measuring operational effectiveness and performance of the quality management system. We collected information about product safety or quality through multiple ways to improve products, services and the quality management system.



Conducting Quality Training

We advocate continuous improvement of quality and have formulated different levels of *Employee Quality Training Programs* to improve employees' competence and quality through professional training, special project activities, project development, lean management, etc., so as to keep improving quality management systems at all levels.



Protecting the Rights and Interests of Customers

Customer is one of the most important stakeholders. We uphold the idea of "Customer first" and protect the rights and interests of customers by regularly disclosing economic, social and environmental information to ensure the public's right to know. We create a variety of channels to closely communicate with customers, and strive to meet the diverse needs of the public by providing safer drugs and services of higher quality.

Improving the Customer Service Network

We establish an service network integrating R&D, procurement, production, marketing and after-sales, which, in combination with the existing customer service management system, effectively improves the service quality.

- CR Double-Crane set up a customer service team with professional production and sales personnel to handle customer complaints.
- Based on the customer service center, Dong-E-E-Jiao provided services for internal and external customers through multiple ways including hotlines, the internet and direct-sale stores, so as to improve its communication network with customers.
- CR Henan Pharmaceutical has been insisted on first-aid drug storage for 17 years, multi-departments coordination and responsible procurement to ensure the safety of drug storage and distribution. It appoints specialists to answer emergency lines 24/7 to ensure first-time response to emergencies. It regularly expands the varieties of items in storage in the emergency detoxification center. At the end of 2017, 67 emergency drug regulations have been reserved.

Case: CR Henan Pharmaceutical helped gave first aid treatment to children that ate rodenticide by mistake

Three children were sent to Handan First Hospital in Hebei Province for eating rodenticide by mistake and were in urgent need of the first-aid detoxication drug acetamide injection. The hospital contacted the purchaser of CR Henan Pharmaceutical right away. After receiving the call, CR Henan Pharmaceutical initiated the emergency procedure immediately. The person in charge of emergency drugs rushed to the hospital with 75 injections and successfully saved the lives of the children. It took three hours and 27 minutes from receiving the phone call to delivering the drugs to the hospital 300 kilometers away, and CR Henan Pharmaceutical played a crucial role in saving precious lives.

感谢信

尊敬的华润河南医药有限公司全体员工：

你们好，我是河北邯郸曲周县的一个普通的母亲，我家两名孩子于晚饭后误食鼠药“天禄王”，在医疗条件有限且无有效药品救治时查找到贵公司有救命药品，并向贵公司求助。

贵公司员工王江丰及其同事不辞辛劳连夜送药，在凌晨两点及时将药品送到医院，使我儿女及时用药，保住了性命，你们不仅救了我的儿女性命，更使我们一家得以团圆，你们是我们全家的恩人，我们全家一定会记住你们的大恩大德，语言万语不足以表达我们的感谢之情，希望贵公司全体员工身体健康，好人一生平安！

此致
敬礼

王希梅
2017年3月24日

Mothers of these children extended thanks to CR Henan Pharmaceutical



Improving the Emergency Response Mechanism

We established an emergency management system to guide and standardize emergency handling and response procedures, and improve the ability of handling emergencies. We also set up a product recall management system and carry out regular recall drills at home and abroad to ensure the effectiveness of the system, eliminate defective products' threats to public safety and ensure the medication safety of patients.

Customer Satisfaction Survey

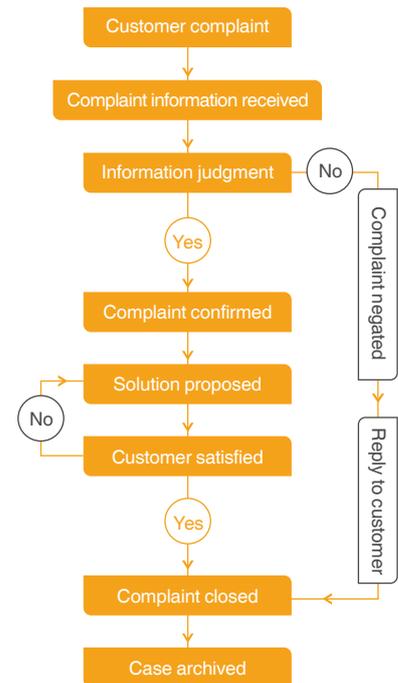
We set up a feedback mechanism of regular surveys on customer satisfaction. By randomly distributing questionnaires, interviewing by telephone and conducting on-site investigations, we got to know customers' opinions and suggestions on our products and services. We analyzed customer satisfaction and reported specific problems and suggestions on product quality, safety and after-sales services to related departments for implementation and rectification. We analyzed the reasons behind the changes in the trend of customer satisfaction indicators and reported them to the management to guide decision-making.

Protecting Customers' Privacy

We have formed an information security system that covers the security of personnel, terminals, the information system and the network. We released the latest information security systems and adjustments to the information security organization. In terms of customer information protection, we continue to deploy anti-virus clients every year, sort out and record accounts in the database and application of the business system, and make local backup storage and offsite storage of data and application files to provide customers with all-round information protection.

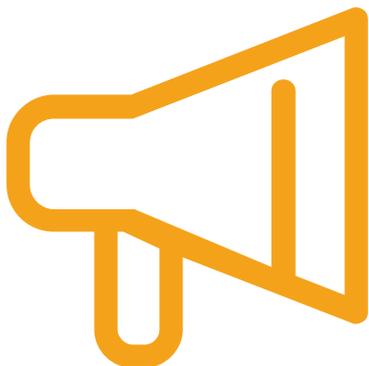
Responding to Customer Complaints

We formulated customer complaint handling procedures and systems to record relevant information in a timely manner, identify the root causes of problems quickly and adopt effective measures to handle and respond to complaints.



Customer Complaint Disposal Procedure





Carrying out Accountable Marketing

We deliver the right information to stakeholders through various channels such as lectures of experts, training on laws and regulations, and dissemination of product information to guarantee the interests of customers. At the same time, we focus on improving the accessibility of drugs and medical services to provide more professional and reliable medical services to the public. We also innovate communication modes and enrich consumption experience to satisfy the growing needs of all parties.

Innovating for Patients

We thoroughly analyze the status quo of the market, continue to make innovations of targeted products and provide diversified and innovative medical solutions to satisfy the medication demands of patients of different in consumption levels, ages, genders and physical conditions.

Popularizing Pharmaceutical Knowledge

We actively use multimedia publicity, on-site expert consultation and other forms to carry out training on reasonable drug use and popularization activities on drug safety knowledge to effectively prevent accidents.

▲ Case: CR Zizhu carried out "Zizhu Campus Campaign on Youth Health"

CR Zizhu held the 2017 serial activities "Zizhu Campus Campaign on Youth Health" themed "Meet with Fate, Be Brave to Love" in 50 universities of 10 cities including Wuhan, Nanjing, Guangzhou and Shanghai. The campaign aimed to care for the physical and mental health of university students and popularize knowledge about reproductive health. A total of about 25,000 people participated in the event, and more than 12,500 attended lectures on adolescent reproductive health.



Site of the "Zizhu Campus Campaign on Youth Health"

Passing on Positive Energy

By integrating media resources, social hotspots and scientific and technological measures, we innovated and explored more effective communication modes, enriched consumption experience, and fully enhanced the frequency of and enthusiasm for communication and exchange with customers.

Case: CR Sanjiu released a short film on Thanksgiving Day titled "There is always someone secretly in love with you"

CR Sanjiu takes "999 Ganmaoling" as the main product. We not only pay special attention to protecting people's physical health, but also focus on people's mental health. The latest short film released on Thanksgiving Day was based on real stories, in which five inversive stories were linked by an online Q&A session. The film conveyed warmth and positive energy to people in cold weather.



Scan the QR code to watch the film

Case: Dong-E-E-Jiao held the 11th Winter Solstice Donkey-Hide Gelatin Cultural Festival

The 11th Winter Solstice Donkey-Hide Gelatin Cultural Festival was successfully held in Dong'e County, Shandong Province. Dong-E-E-Jiao held a water-collection ceremony at midnight on winter solstice, displayed the key production process of donkey-hide gelatin and the rich cultural meaning it encompasses. The company set up the Award of Contribution to Production, Education and Research to reward and extend thanks to experts who have made great contributions to the innovative development of the donkey-hide gelatin industry. The festival also popularized the functions of donkey-hide gelatin and helped improve people's health.



Launching ceremony of 11th Winter Solstice Donkey-hide Gelatin Cultural Festival





P04

Sustainable Development for Love: Promoting New Ecological Civilization

Lucid waters and lush mountains are invaluable assets. Promoting ecological civilization is a strategy crucial for the development of the Chinese nation in the next millennium. CRPG actively takes our responsibility to protect the environment by promoting green development and green lifestyle, and cooperating with stakeholders to achieve harmony between human and nature, thus contributing to building a Beautiful China.





Strengthening Environment Management

Upholding green development and following the *Environmental Protection Law of the People's Republic of China*, we have formulated and implemented relevant environmental management policies such as the *EHS Targets Management and Responsibility System of CRPG*, *EHS Management System Establishment Regulations of CRPG*, and *CRPG Comprehensive Contingency Plan for Emergencies*. We continuously promote the development of environmental management systems, aiming to maximize the resource utilization efficiency and minimize the impact on environment with advanced management methods and technologies.

Case: CR Sanjiu won the "China Green-Benefit Enterprise Award: Green Responsibility Award"

Attaching much importance to ecological development and environmental protection, CR Sanjiu implements the national environmental protection concepts, and lays a solid foundation for environmental protection. Adhering to the idea of "Environmental protection creates value", CR Sanjiu takes the impact on environment and resources into account, and carries out resource conservation and environmental protection throughout its operation and management, which become a part of corporate development. CR Sanjiu's performance in resource conservation and environmental protection has been recognized by the society. On January 13, 2017, CR Sanjiu attended the "Annual Summit on Green and Low-Carbon Transformational Development of 2016 and the Sixth International Carbon-Value Award", organized by the World Economic and Environmental Conference Committee. CR Sanjiu won the "China Green-Benefit Enterprise Award: Green Responsibility Award".



Annual Summit on Green and Low-Carbon Transformational Development of 2016



Certificate of "China Green-Benefit Enterprise Award: Green Responsibility Award"

Promoting Green Operation

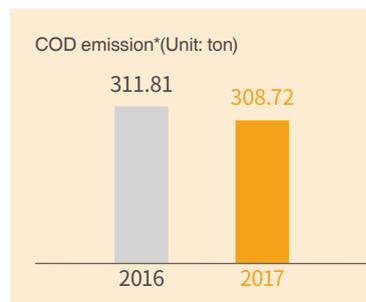
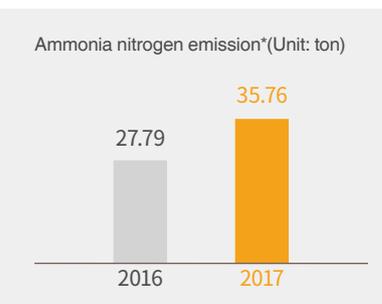
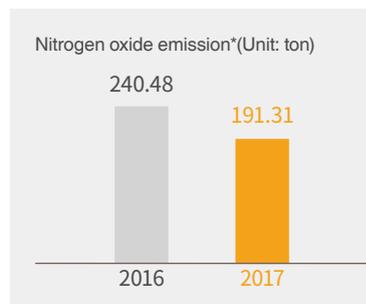
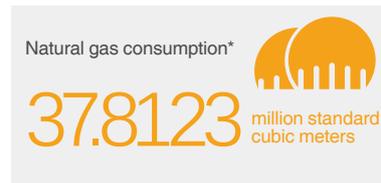
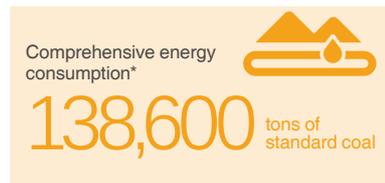
We promote the organic integration of environmental protection and efficient resource utilization, and carry out green development throughout the production process. Advocating energy saving and low-carbon intensive development, we endeavor to improve energy efficiency, and provide green products and services with low-carbon and environmentally friendly production.

Promoting Energy Conservation and Emission Reduction

By optimizing the energy utilization structure, improving the production process and fostering energy-saving technology development and upgrading, we strive to improve energy efficiency and solve problems related to energy utilization and waste emission in production. In 2017, comprehensive energy consumption per RMB 10,000 of output value* decreased by 18.27% year on year and comprehensive energy consumption per RMB 10,000 of value* added decreased by 20.95% year on year.

Optimizing the energy utilization structure.
 We have carried out the coal-to-gas project among subsidiaries. By the end of 2017, only two subsidiaries of CRPG still used the coal-fired boilers. Enterprises in Beijing-Tianjin-Hebei such as CR Zizhu have made ultra-low nitrogen combustion transformation of the natural gas boilers.

Promoting the use of energy-saving technologies. We have done researches on energy saving projects, and applied energy-saving technologies to accelerate technological development, such as the photovoltaic power generation technology, permanent magnet motors, magnetic levitation air conditioner, water storage air conditioner and so on. We also guided the subsidiaries to adopt advanced energy-saving technologies and promote green development.





Case: Dong-E-E-Jiao established the energy management information system

With advanced technologies such as the internet, big data and cloud computing, Dong-E-E-Jiao established the energy management information system to collect, analyze and manage statistics about comprehensive energy consumption, and conduct real time monitoring of energy consumption. By doing this, the company can get the latest information about energy consumption, explore the potential of energy conservation, and improve energy management and efficiency, thus achieving low-carbon and green development.

Case: CR Nine Stars carried out volatile organic compounds(VOCs) treatment

In compliance with requirements of national policies, CR Nine Stars took measures to treat VOCs. The company adopted advanced adsorption materials in China including honeycomb activated carbon and highly reactive noble metal catalyst and waste gas cleaning equipment, and set up VOCs treatment facilities in production bases in Shenzhen, Shanghai and Benxi. For example, the VOCs concentration decreased from 14.1 mg per cubic meter to 0.73 mg per cubic meter after the treatment. If there is 30,000 cubic meters of wind each year, 2,647 kg VOCs can be reduced per year.



CR Jiangsu Pharmaceutical logistics center rooftop distributed photovoltaic power generation project



CR Zizhu ultra-low nitrogen burner transformation of the natural gas boilers

Promoting Pollution Prevention and Control

We actively promote pollution prevention and control by strengthening monitoring and inspection, and making sure that the discharge of waste meets relevant regulations and standards. By applying advanced environmental protection technologies, upgrading environmental protection facilities and enhancing operation maintenance management, we continuously reduce the pollution of solid waste and waste water, and strive to treat the waste harmlessly, reduce waste emissions and promote recycling, thus reducing the burden on environment.

Solid waste.We extract useful substance from the solid waste and use it in production. CR Sanjiu's traditional Chinese medicine residue recycling project ferments the residue to organic fertilizer after the extraction, which can be used in the production base of Chinese medicinal materials. Dong-E-E-Jiao processes fodder or supplements for donkeys with the nutriments and bio activator in the residue, thus achieving recycling and effective use of the waste.

Effluents.With advanced technology and equipment, we promote recycling of waste water. CR Sanjiu adopted the "IC anaerobic reaction" technology to treat effluents after the alcohol precipitation process.CR Zizhu recycled and purified the menstruum from effluents through distillation or rectification. Once the recycled menstruum meets the industrial and corporate standards as well as requirements of customers, it is allowed to be sold as by-product.



Type	Treatment
Hazardous waste	After sorting collection, hazardous waste is delivered to the qualified third party for treatment.
Non-hazardous waste	Relevant standards haven't been established, the waste generated from all the subsidiaries is different, and the third parties have not treated and measured the waste in the same way. As a result, there is no accurate statistics about the amount of non-hazardous waste. We expect to make statistics of the recycling and treatment of non-hazardous waste for monitoring and management in the future.



The menstruum recovery device of CR Zizhu



CR Sanjiu use treated waste water to keep fish for water quality monitoring

Sustainable Utilization of Resources

We make full use of available resources properly and efficiently, and promote the recycling of resources so as to ensure sustainability and meet the needs of present and future generations for resources.

Total water consumption decreased year-on-year
 ▲ 15.12 %

Note on the packaging material consumption for products: Because of the numerous products covering multiple sectors, and lack of a uniform standard for packaging material, no accurate data about packaging material consumption can be collected. We will set up a unified packaging material data measurement system to monitor the packaging material consumption in the future.

Water resources. We have improved water conservation management and water consumption measurement, upgraded water-saving technologies and promoted the recycling of industrial waste water, thus promoting the reuse of water resources. CR Double-Crane launched an energy-saving project focusing on recycling of resources and circular economy. Major manufacturers of transfusions have carried out the recycling project of sterile water and RO concentrate in a comprehensive manner. Dong-E-E-Jiao recycles the waste water with sewage disposal facilities. 80% of the reclaimed water is used for the landscape lake or plants in the industrial park.

Packaging material. We encourage less use of plastic foam and composite material when making the packaging design. We use packaging material as less as possible if we can satisfy the needs of the market and production. As for logistics, we promote the establishment of unified standards for packaging design to reduce the inventory of packaging material. The size of the packaging box is designed according to the size of pallets and goods allocation, so as to reduce the logistics costs and improve production efficiency.



Dong-E-E-Jiao landscape lake

Protecting Biodiversity

Biodiversity, which is the material basis for human beings, is of paramount importance. As one of the largest pharmaceutical manufacturer, we are dedicated to the cultivation of endangered medicinal plants by developing bases to promote the diversity and industrial development of traditional Chinese medicinal materials.

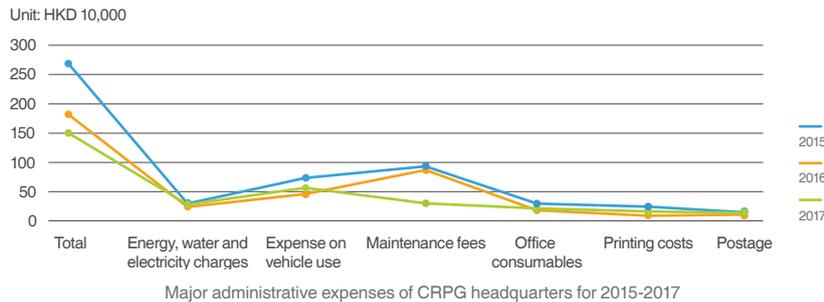
▲ Case: CR Sanjiu established the "National Seeds and Sprouts Base" to cultivate endangered medical plants

CR Sanjiu, together with Sichuan Academy of Chinese Medicines and Ya'an municipal people's government, established the Seeds and Sprouts Main Base of Traditional Chinese Medicines for National Essential Drugs in Ya'an, Sichuan province (hereafter referred as the "National Seeds and Sprouts Base"). The base was located in Lianping village of Beijiao town in Ya'an city, Sichuan province, with an area of 222 mu and 27 kinds of medical plants.

The "National Seeds and Sprouts Base" aims to protect the germplasm resources of medical plants in southwestern China, do research on breeding for plants with breeding difficulty and promote the breeding of new varieties, thus protecting the diversity of medical plants. In the project, the "National Seeds and Sprouts Base" has preserved 53 kinds of germplasm resources of medical plants in southwestern China, promoted the breeding of 7 new varieties, and conducted research on breeding techniques for 6 kinds of plants with breeding difficulty. We have also formulated 31 technical regulations and 26 quality standards for seeds and sprouts, and enhanced the protection of endangered medical plants with advanced technology.

Advocating a Low-Carbon Lifestyle

While promoting the idea of "Energy saving as a lifestyle and resource conservation as a virtue", we released the Proposal on Carrying out the Activity Themed "Everyone Saves Energy and Resources", so as to encourage employees to start from details such as saving every piece of paper, every drop of water and every degree of electricity and build up their awareness of environmental protection. We promote paperless office through IT application, hold video conferences as much as possible, and conduct delicacy management of office administrative costs. We also promote the use of energy-saving facilities such as CFLs and water-saving taps to reduce energy consumption.



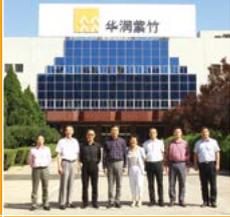
- For the National Energy Efficiency Promotion Week and the National Low-carbon Day, CR Sanjiu carried out publicity and education activities, quizzes and experience exchanges to spread the importance of environmental protection and energy saving knowledge in daily life.
- CR Double-Crane carried out the activity themed "Energy Shortage Experience Day". On this day the lights in public places of the workshops and departments were turned off and employees were not allowed to drive private cars.
- Dong-E-E-Jiao encouraged employees to publish articles on energy saving and low-carbon lifestyle on the internal website, and broadcast news about the theme of the National Energy Efficiency Promotion Week in the morning, afternoon and evening.
- CR Zizhu carried out publicity activities with banners and LEDs panels in the MMC office building, workshops, technical quality department and R&D center.



Exhibition area and cheering point of 2017 China Resources · Shenzhen Nanshan Half Marathon co-organized by CRPG



10-Kilometer Brick Walk Activity organized by CR Pharmaceutical Commercial



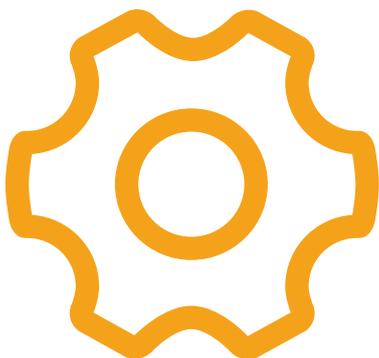


05

Escorting for Love: Building a New Harmonious Society

While upholding the principle of safe development and carrying forward the idea that puts safety and life first, CRPG improves its occupational health and safety management system, creates an atmosphere of safety culture, and comprehensively enhances work safety, aiming to be an enterprise with inherent safety and lay a solid foundation for building a harmonious society.





Strengthening Safety Management

In strict compliance with *CRPG Comprehensive Contingency Plan for Safe Production Accidents*, we considering characteristics of the pharmaceutical industry and focusing on the regulations, requirements and major risks of the industry to improve the occupational health and safety management system and promote occupational health and safety management in the subsidiaries to enhance its actual performance.

System Development

We have promoted subsidiaries to work out detailed plans for major risks in occupational health and safety management based on their own actual conditions. We have signed *2017 Responsibility Letter on EHS and Quality Management* with the heads of the subsidiaries to make sure the responsibility is clearly assigned and the work is earnestly carried out each year.



Signing ceremony of the *2017 Responsibility Letter on EHS and Quality Management*

Supervision

We have conducted inspections on 81 sites of subsidiaries, identified 970 hidden risks and offered 43 suggestions. We organized special safety inspections of projects under construction, including 5 business logistics projects and 4 industrial projects as well as the renovation project of Anhuaqiao building in the headquarters. Through the inspections, we supervised the rectifications of the projects.



Inspection on work safety in medicine production in CR Shanghai Pharmaceutical

Emergency Management

We keep on promoting the establishment of the contingency system as well as the compilation and revision of contingency plans. We have compiled special contingency plans and on-site handling plans according to different risks to enhance their relevance and operability. We have also built corresponding rescue teams, prepared rescue materials in strict accordance with the plans through enhanced management and the collaboration between internal and external contingency rescue efforts. In addition, we regularly carry out drills and training projects on such contingency plans to improve the competence of rescue teams.



Dong-E-E-Jiao organizes a fire drill



Risk Management

We have classified the risks to identify major risks. We have created the risk map to lay a solid foundation for risk management operations, introduced the idea of risk management and improved management efficiency with IT tools. We have also launched a research project on work safety risk management to explore a new management model that focuses on "risk + information technology".

Case: Conducting the research project on work safety risk management

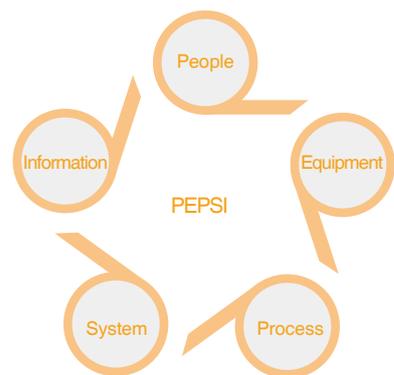
In April 2017, CRPG launched a research project on work safety risk management. Following the requirements of "noble mind, high standard" and the methods of "five hases principles", and based on the advanced theories of risk management, we have established a system operational model focusing on core elements including risks, resources, barriers, rules, standards and tasks. Through researches of operations and discussions on information technology, we adopt advanced technologies such as the public cloud platform and give priority to the development of the mobile system to meet the requirements of operations of major enterprises. The 1.0 version of the PEPSI system was completed in the beginning of 2018, and was put into trial operation with functions of snapshot, risk identification and approval process of hazardous operation in Shenyang Sanjiu.



Splash screen of the PEPSI system



Working interface of the PEPSI system



Occupational Health Management

We attach great importance to occupational health. While formulating occupational health indicators, occupational health special work requirements and programs, we have always carried out special inspections and assessments focusing on occupational health. We have designed a special checklist suitable for the occupational health management needs of pharmaceutical companies, carried out inspection activities, and incorporated the results into EHS performance evaluation.

Establishing files for posts with occupational hazards

We have established files for employees on duty with occupational hazards and hired qualified organizations to carry out targeted hazards monitoring every year, so as to ensure that all factors related to such hazards are within the standard range and the information is disclosed in a timely manner. According to requirements, occupational health examinations for posts with occupational hazards should be carried out before and after employment, as well as after retirement or transfer, and an occupational health file should be established for each of the employees concerned.

Carrying out occupational health special inspections

We conducted occupational health special inspections irregularly focusing on workplace hazard detection, occupational health examinations and establishment of occupational health files, use and storage of dangerous chemicals, operation of safety facilities, wearing of labor protection gears, implementation of safety procedures, safety education and training, organization of safety meetings, etc.

Setting up warning signs of occupational hazards

Affiliated companies set up corresponding Chinese warning signs at entrances to workplaces, remarkable points of operation locations of positions, equipment, material (product) packaging, and storage sites that might generate or be affected by occupational hazards.

Hazardous Chemicals Management

Strictly following national laws and regulations, we enhance the internal safety management of hazardous chemicals in accordance with relevant standards. We promote full life cycle management and intensify the security and environmental protection in all links including the purchase, transport, storage, use, and obsolescence of highly toxic chemicals, thus putting related risks under proper control. Meanwhile, We carry out emergence drills to enhance employees' ability of managing chemical related accidents.

Accident Management

We have strictly followed the "Principle of Four Musts": the cause of the accident must be found; the personnel accountable for the accident must be held accountable; the personnel accountable and the public must be educated; rectification measures must be implemented. We establish and improve the accidents document to carefully analyze the technical and management flaws behind the accident, implement rectification measures, investigate accountabilities, and carry out accident warning publicity activities to avoid similar accidents in the future.



Devoting to Work Safety

With the "noble mind, high standard" requirements and the "problem-oriented and result-oriented" work principle, we focus on system operation, and adopt the "five actions and five promotions" approach to strive to create a work safety atmosphere. In 2017, there was one work safety accident at ordinary level causing one death, and one traffic accident at ordinary level in which one person was seriously injured.



Case: Keep the alarm bell ringing

Though we attached great significance to work safety, an accident still unfortunately happened in 2017. On May 4, an employee of CR Sanjiu fell and died while repairing the leaking chimney of the boiler room. CR Sanjiu learned the lessons from the accident and put forward considerate plans to prevent similar accidents from happening.

Problems revealed	Improvement measures
Improper management of occasional operations (operations that are not conducted regularly) and lack of control over operational risks	For occasional operations that are highly risky, study and formulate related systems to clarify operation procedures and plans, and thus control operational risks
Insufficient safety awareness and safety skills of operators, and lack of training before working aloft	Enhance work safety training, formulate a safety culture with mid and long-term plans, gradually refine and publicize the safety culture to deepen employees' awareness of the safety concept

Deepening the Safety Culture

We will continue to develop the safety culture and encourage subsidiaries to strictly implement the requirements for safety training and safety promotion at three different levels. By organizing safety training and safety publicity activities, we promote the creation of a good atmosphere for safety culture and raise employees' safety awareness.

Organizing Safety Training

We established and improved the safety training plan, developed safety training courses and launched safety training among employees and other stakeholders, endeavoring to enhance the work safety awareness of stakeholders.

Coverage of safety training in 2017

100 %

Total hours of safety training in 2017

212,356.7 person · hour

Total hours of stakeholder training in 2017

10,759.8 person · hour

Total number of full-time safety management staff

207

Total number of certified safety engineers

55

Case: CR Sanjiu organized safety training

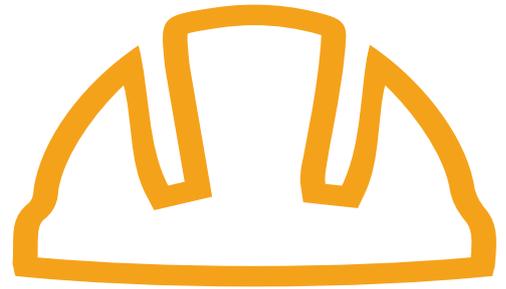
In order to disseminate work safety knowledge and raise employees' awareness of work safety, the subsidiary CR Sanjiu (Nanchang) organized the whole staff to learn the Corporate Safety Training Courseware in July 2017 to fully understand the importance of safety management, the status quo of safety management of the company, work safety rules and regulations, work safety cases, etc. After the training, an examination was organized to evaluate the learning outcome of trainees, the result of which showed good effect of the training.



Work safety training of CR Sanjiu (Nanchang)



Work safety training among stakeholders organized by CR Double-Crane Anhui company



Safety Publicity Activities

We organized safety knowledge competitions, produced safety warning videos and promotional posters, and organized various forms of work safety activities to promote the combination of work safety with corporate culture, and to create an atmosphere of safety culture.

Case: CR Zizhu launched the "A Safety Letter" activity

In order to further improve employees' safety awareness, firmly uphold the people-oriented principle, and give full play to the affection between family members, the chairman of CR Zizhu wrote a safety letter to family members of employees and passed professional safety knowledge and safety management methods of the company to all of them. The letter encourages family members to supervise employees to learn about safety knowledge and practice work safety, so as to further improve employees' work safety capacity, promote the continuous implementation, innovation and development of safety work.



The letter of CR Zizhu to the families of employees



Posters made by employees of CR Double-Crane Limin company





06

Sharing for Love: Starting a New Chapter of Development

CRPG strives to create a bright and promising future for stakeholders through continuous business success. Upholding win-win cooperation, CRPG leads peer enterprises and the industry to make rapid progress through exchanges and cooperation, and promotes process and technological innovation with standardized management, thus developing an efficient and responsible supply chain. To build a harmonious society, CRPG supports local economy with actions and participates in public welfare activities, which promotes shared and sustainable development of the society as well as the establishment of a community with a shared future.



Conducting Win-win Cooperation



Through our development, we have been forging ahead with our partners while constantly enhancing cooperation with stakeholders such as the government, research institutions, financial institutions and enterprises. We adhere to business ethics, contribute our business acumen and share our experience, through which we create a good business environment and embark on a new stage of win-win cooperation. In the meantime, with the rapid development of the pharmaceutical industry, we develop more innovative service modes such as supply hub and e-commerce, further carry out information tracking and researches on certain topics, and actively participate in the formulation of industry standards and policies. At the same time, we continuously explore solutions to overcome obstacles for industry development, share and exchange experience in this field, and promote the progress of the industry.

Cooperation with government	Attaching much importance to the role of government in the pharmaceutical industry, we have promoted a harmonious relation with the government through multiple ways such as conducting investigation and interviews, participating in activities and signing strategic cooperation agreements. We actively offer our opinions or suggestions on major policies, aiming to contribute to local economic development.
Cooperation with research institutions	With the long-term cooperation mechanism among industries, universities and research institutes, we have established an innovative strategic alliance with over 20 leading research institutions to cultivate top talents in high-grade, precision and advanced industries. We have cooperated in five new R&D projects to promote the development in anti-tumor, biological medicine and traditional Chinese medicine fields.
Cooperation with financial institutions	We have maintained good communication with wealth management organizations and promoted close cooperation in project recommendation, international research and business consulting.
Cooperation with enterprises	We have fostered close cooperation with domestic and international enterprises in a series of comprehensive projects that cover multiple fields and benefit multiple parties, thus maximizing the benefits for stakeholders.
International cooperation	An international platform and mechanism has taken shape, and by expanding international cooperation, we further improve long-term cooperation with many international enterprises. We have signed strategic agreements to promote cooperation in anti-tumor, respiratory system drugs, immunology, as well as medical apparatus and instruments field.

▲ Case: CR Gosun signed the licensing agreement with Basilea on the technology of the fifth-generation cephalosporin antibiotic

CR Gosun signed the cooperation agreement with Basilea and got the exclusive license for the development, production and commercial use of the fifth-generation cephalosporin antibiotic-ceftobiprole medocartil in mainland of China, Hong Kong and Macau. Ceftobiprole medocartil has a broader spectrum antimicrobial activity and can be used to cope with antibiotic-resistant bacteria in clinical treatment. The introduction of ceftobiprole medocartil is of great help to ease the pain and treat the disease of patients especially those with serious bacterial infection.



CR Gosun signing the licensing agreement with Basilea

Case: Subsidiaries participated in 2017 Annual Meeting of China's Pharmaceutical Retailing Industry

The 2017 Annual Meeting of China's Pharmaceutical Retailing Industry was hosted by Dong-E-E-Jiao, CR Sanjiu and CR Zizhu. Themed "New Retail · New Function · New Value—Reconstructing the New Ecosystem of Drug Retailing", the meeting further discussed and explained major concerns in the industry. CR Pharmaceutical Commercial Group, Dong-E-E-Jiao, CR Sanjiu and CR Zizhu gave speeches or joined in discussions about CRPG's exploration in the characteristics and innovation of retail business as well as its idea of wholesale and retail business integration to promot innovations in the industry.

Building a Responsible Supply Chain

Strictly following the *CRPG Tendering and Procurement Management System* and relevant rules, we strengthen the management of suppliers' responsibility with strict quality standards and promote policies and systems for responsible procurement, striving to build a responsible supply chain. At the same time, we protect the basic rights and interests of suppliers, help them grow better, improve the overall responsibility fulfillment capability of the supply chain and promote the sense of value identity.

Ensuring compliance

- We have improved the tendering and procurement management system, and revised it as the external situation, the actual situation of the company and internal requirements change.
- We strictly carry out the bidding documents. All bidders must comply the Sunshine Declaration. Staff who participate in the bid assessment should sign Clean Conduct Rules. The audit and supervision departments should participate in the bid opening, bid assessment and bid supervision in case of black case work.
- We set out to build a database of qualified suppliers and carry out the supplier evaluation so as to conduct supplier management throughout the pre-sales to after-sales process, and thus provide strong control over project quality and customer satisfaction.
- We have established the purchasing risk management mechanism to carry out internal control and risk identification regularly. Strictly controlling the access of suppliers and examining the qualification of enterprises, we regularly conduct on-site audits and evaluation, so as to make sure the raw materials that we purchase are of high quality and thus ensure the quality of products.

Providing guidance and support

- We promote the development of responsible culture, and foster win-win cooperation with suppliers. We not only raise their awareness of social responsibility, but also share advanced operation ideas and lead them to fulfill social responsibility, so as to provide safe and reliable products of high quality for customers.
- We provide production and technical guidance, and do a good job in technical services, promotion of business modes and experience sharing, so as to better standardize our operations. For some suppliers, we give on-site technical guidance and share information with them to ensure the product quality and improve our overall competitiveness.

Achieving win-win cooperation

- We adopt an incentive policy for major suppliers to promote strategic cooperation and build close strategic partnership.



Building a Harmonious Community

In response to the call of the government, we take actions to promote the development of the pharmaceutical industry. To better understand our impact on local communities, we strengthen communication with communities to learn about and respond to their expectations and demands. We also participate in targeted poverty alleviation activities and improve the development capacity of communities, thus promoting local economic and social development. We engage in public welfare with our professional advantages, encouraged and supported employees to take part in those activities and make contributions to the society with love and actions.



Undertaking Responsibilities Required by the Government

Responding to national policies, we earnestly carry out the *Healthy China 2030 Planning Outline* and take actions to promote the development of the pharmaceutical industry. At the same time, we also make due contributions in tax payment and job opportunities.

▲ Case: CR Double-Crane launched the "Hypertension Control Station" project in counties facing the hypertension problem

To solve the hypertension problem in counties and promote the implementation of hierarchical medical system, CR Double-Crane launched the "Hypertension Control Station" project in counties facing the hypertension problem. Together with Chinese Hypertension League and by developing the "Hypertension Control Station", we explored an integrated, comprehensive and high-quality treatment model with the basic requirements of "balanced diet, moderate exercise, quitting smoking and drinking less alcohol, and keeping equilibrium" and core requirements of "standard treatment and rational drug use", so as to improve the control of hypertension. The "Hypertension Control Station" project used information technology properly, and resorted to remote instruction and visits of experts, so as to provide remote training and remote accurate blood pressure control services. In this way, the Internet Plus technology is properly applied in hypertension prevention and control for improving the treatment and management of hypertension in medical institutions at the country level.

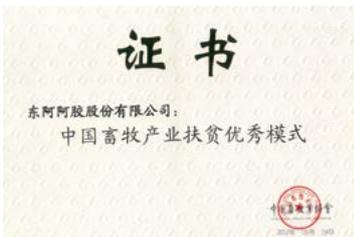


The launching ceremony of the "Hypertension Control Station" project in counties facing the hypertension problem

Promoting Targeted Poverty Alleviation

Focusing on targeted poverty alleviation, we promote the hard battle against poverty systematically by carrying out infrastructure construction and educational training, increasing the incomes of disadvantaged groups in poverty-stricken regions, and fostering local development of production and education, so as to make contributions to building a moderately prosperous society in all respects.

- CR Sanjiu adopts multiple modes in the medical plant base in Ya'an', Sichuan, such as "the Company + Branches", "the Company + Cooperatives", "the Company + the Village Committee and Farmers" as well as "Land Leasing for the Cultivation of Medical Plants", which promotes the restructuring of agricultural industry and labor force in rural area and improves the incomes of farmers.
- Dong-E-E-Jiao helped people in poverty by promoting development of the whole industry chain. It put forward the development mode for the whole industry chain and the "donkey meat and gelatin" strategy and promoted the restructuring of the breeding industry in poverty-stricken regions. By developing the upstream donkey industry and actively aligning relevant poverty alleviation policies, Dong-E-E-Jiao helped more farmers get rid of poverty and become better off, and promoted the development of agriculture, rural areas, and rural people. In 2017, Dong-E-E-Jiao's donkey breeding mode for targeted poverty alleviation was awarded the certificate of "Excellent Mode of Poverty Alleviation in Animal Husbandry Industry of China".



Certificate of "Excellent Mode of Poverty Alleviation in Animal Husbandry Industry of China"

Case: CR Sanjiu drives local economic development through the "National Seeds And Sprouts Base" project

CR Sanjiu "National Seeds And Sprouts Base" project fully taps into the ample resources of medical plants of Ya'an in Sichuan to drive local economy the development of traditional Chinese medicinal materials. Meanwhile, by integrating harmoniously with local tourism resources and rich medical plants of Ya'an, the project has built Ya'an into a typical TCM (traditional Chinese medicine) city focusing on resource protection, health tourism, healthcare, and medical internship, further promoting the goal of building Ya'an into an international regional ecological city.

Case: Dong-E-E-Jiao built the Donkey Hope Village

Dong-E-E-Jiao invested HKD 3.6024** million to build Houxinglongdi Village into a new countryside and Dong-E-E-Jiao Donkey Hope Village, which was in Lindong Town of Bairin Left Banner in Chifeng City. The village became a teaching base of Renmin University of China. Dong-E-E-Jiao also invested HKD 18.012** million to establish the Dong-E-E-Jiao Bairin Left Banner Donkey Breeding Poverty Alleviation Foundation, so as to encourage the farmers to breed donkeys, help 274 households of the village get rid of poverty and become better off, which has set a good example in poverty alleviation through industry development in Inner Mongolia.



Dong-E-E-Jiao Donkey Hope Village

"Dong-E-E-Jiao brings us hope by building the Hope Village, to which we will always be grateful! The most significant thing that we can do for Dong-E-E-Jiao and the Chinese people is to explore the best development mode of donkey industry in the countryside!"

—Tao Zhifu, the Director of Houxinglongdi Village Committee

Actively Participating in Public Welfare Activities

We have formulated the *CRPG Donation Management Measures*, encouraged subsidiaries to organize charitable activities by giving full play to their strengths in business, professionalism, funds and human resources, and contributed to the society through making donations. Meanwhile we gradually improve the volunteer service organizational structure to provide volunteer services at different levels. In 2017, we established the CR Pharmaceutical Commercial Group volunteer service team and CR Double-Crane youth volunteer service team.



Case: CR Pharmaceutical Commercial provided drug assistance for cancer patients

CR Pharmaceutical Commercial pays close attention to public health and spares no efforts in promoting public welfare. It has undertaken ten charity projects of five foundations such as the China Charity Federation and the Cancer Foundation of China, for which the company provided special space, selected eight employees, and donated more than a dozen kinds of drugs for cancer patients such as the Sorafenib Tosylate and Herceptin. In 2017, we have totally distributed 798,00 boxes of drugs with a total value of HKD 1.128** billion for 403,00 persons. By the end of 2017, we had accumulatively provided drugs worth over HKD 3.602** billion for over 150,000 persons.



An employee giving prescriptions for patients

Case: CR Double-Crane organized the "Trips of Core Hospital Brands"

CR Double-Crane organized the "Trips of Core Hospital Brands". It invited over a hundred experts from core hospitals together with the volunteer team of CR Double-Crane to take a trip to CR Town in Jinzhai County of Lu'an City, Anhui Province. Volunteers donated books and stationery to students of the Hope Primary School, bringing love and warmth to children in the poverty stricken mountainous area. Experts organized a free clinic for local villagers, leftover children and popularized medical knowledge.



Case: Dong-E-E-Jiao launched the Compound Donkey-skin Gelatin Oral Liquid "520 Mini Marathon"

The Compound Donkey-skin Gelatin Oral Liquid "520 Mini Marathon" was launched in Qingdao with the theme of 520 (representing "I love you" in Chinese) and called on everyone to face their lives with a happy, healthy and caring attitude. At the opening ceremony, the organizing committee of donated all the registration fees to Shandong Charity Federation for public welfare undertakings and Dong-E-E-Jiao donated 1,200 boxes of the Compound Donkey-skin Gelatin Oral Liquid for the activities. Through the activity, modern white-collar workers were encouraged to pay attention to sub-health symptoms, including dizziness, insomnia, fatigue, etc.



Site of the Compound Donkey-skin Gelatin Oral Liquid "520 Mini Marathon"

Case: CR Shanxi Pharmaceutical set up "Loving Rest Stop for Sanitation Workers"

CR Shanxi Pharmaceutical set up "Loving Rest Stop for Sanitation Workers" to provide free hot water, mobile phone charging and other basic service, as well as common medical supplies and related basic emergency assistance for sanitation workers. The "Loving Rest Stop for Sanitation Workers" has not only built a good brand image for CRPG, but also created a warm atmosphere of caring sanitation workers in the society.



An employee measuring blood pressure for a sanitation worker

"I am in charge of cleaning the roads nearby. I felt unwell just now and went here to take a break when I saw the slogan in the door. You are so kind to build the rest stop, which really brings warmth to me."

——A sanitation worker

Outlook

We look forward to the future in the new era. The year 2018 is a brand-new start for us. Standing at a new historical point, we will continue to uphold the mission and vision of "guarding human health and enhancing quality of life", and create a better life with all walks of life.

Furthering innovation and transformation to create economic value together.

With favorable policies, we will flexibly use our wisdom which is of strategic value, make innovations and seek transformations. We will constantly optimize resource allocation in the core fields and links of the pharmaceutical industry chain, promote industrial transformation and upgrading, and strengthen the control over upstream and downstream resources. We will also optimize our product and business structure, accelerate the development of international business, and strive to achieve sustainable development of high standard, high efficiency and high quality.

Adhering to people-oriented development to create a better life together. With the guideline of "establishing platforms, developing core businesses, spreading concepts and creating values", we will strengthen the publicity and application of the leadership competence model, hire more advanced R&D talents, and develop a competitive and united talent team for the development of CPRG. We will also participate in public welfare activities to share our achievements and make contributions to the whole society.

Promoting green development to build ecological civilization. We will carry out green development, continuously improve the environmental management system, promote conservation and recycling of resources, and reduce consumption of materials and energy, striving to build a resource saving and environmentally friendly enterprise. We will continuously take actions to prevent air pollution, strengthen waste treatment, and focus on solving severe environmental problems, thus achieving harmony between human and nature.





Key Performance Indicators

	Index	Unit	2016	2017
Economic responsibility	Revenue	HKD million	156,705.2	172,532.2
	Asset	HKD million	133,985.5	160,754.1
	Equity	HKD million	54,301.9	63,137.2
	Profit before tax	HKD million	8,042.7	8,582.3
	Profit for the year	HKD million	5,968.1	8,866.9
	Net profit attributable to the owners of the parent company	HKD million	2,821.4	3,483.0
	Capital expenditure	HKD million	1,982.3	2,005.6
	Debt Asset ratio	%	59.5	60.7
	Return on asset	%	4.6	4.7
	Return on equity	%	9.4	8.8
	Rate of the preservation and increment of the value of state-owned assets	%	178.51	108.96
	R&D investment	HKD million	725.7	1,054.3
	Number of R&D personnel	person	618	600+
	Obtain patent authorization		44	20
	Newly-added R&D technology patents		44	49
	Major innovation awards		2	1
	Number of strategic cooperation agreements signed		32	26
Number of persons punished for violation of disciplines	person	4	9	
Employee responsibility	Number of employees	person	54,233	55,594
	Female manager proportion	%	26.8	26.7
	Labor contract signing rate	%	100	100
	Social insurance coverage	%	100	100
	Occupational health examination rate	%	100	100
	Average paid annual leave per employee	day	10	10
	Employee training coverage	%	94	100
	Average training hours per employee	hour	40	13
	Staff turnover rate	%	19.79	16.16
	Occupational diseases founded	case	0	0
	Needy employees visited	household	498	829
	Children of employees receiving education subsidies	person-time	6	162
	Total education subsidies for children of employees	HKD 10,000	1.40**	31.52**
	Employees with diseases receiving assistance	person-time	15	347
	Investment in assisting employees with diseases	HKD 10,000	9.05**	77.82**
Investment in needy employee relief	HKD 10,000	96.98**	183.00**	
Customer and partner responsibility	Awards related to quality		—	94
	Percentage of customer complaint handled	%	100	100
	Quality training at the company level	time	—	41
	Average quality training hours per employee	hour	—	40+
	Responsible procurement ratio	%	100	100

	Index	Unit	2016	2017
Environmental responsibility	Total environment protection investment	HKD million	66.4083**	66.4596**
	Output value/operating revenue energy saving amount*	10,000 tons of standard coal	-2.995	-2.587
	Comprehensive energy consumption*	10,000 tons of standard coal	14.56	13.86
	Comprehensive energy consumption per RMB 10,000 of output value*	tons of standard coal/ HKD 10,000	0.0624**	0.0510**
	Comprehensive energy consumption per RMB 10,000 of value added*	tons of standard coal/ HKD 10,000	0.1093**	0.0864**
	Coal consumption*	ton	—	3.07
	Petrol consumption*	ton	—	192.47
	Diesel consumption*	ton	—	255.00
	Natural gas consumption*	million standard cubic meters	—	37.8123
	Power consumption*	10,000 kWh	—	29,645.60
	Heat consumption*	million kJ	—	645,265.56
	Biomass fuel consumption*	ton	—	808.63
	Total water consumption*	ton	48,976,888.4	41,570,918.23
	Fresh water consumption*	ton	6,976,191.5	8,510,712.23
	Reclaimed water consumption*	ton	398,630.2	146,045.00
	Recycled water consumption*	ton	40,583,659.7	35,660,566.66
	Fresh water consumption per RMB 10,000 of output value*	ton / HKD 10,000	2.9859**	3.0455**
	Nitrogen oxide emission*	ton	240.48	191.31
	SO ₂ emission*	ton	255.75	130.55
	Ammonia nitrogen emission*	ton	27.79	35.76
	COD emission*	ton	311.81	308.72
	CO ₂ emission*	ton	527,962.72	513,058.29
Generation of hazardous waste*	ton	1,070.01	1,986.30	
Safety production responsibility	Number of safety emergency drills	time	355	568
	Number of participants of safety emergency drills	person	21,058	20,268
	Number of accidents at ordinary level and above	time	0	2
	Number of work-related fatalities	person	0	1
	Lost days due to work injury	day	—	176.25
	Safe production investment	HKD million	52.21**	68.17**
	Total hours of safety training	person · hour	—	212,356.7
	Total hours of stakeholder training	person · hour	—	10,759.8
	Safe training coverage	%	100	100
	Number of full-time security management staff	person	200	207
	Number of certified security engineers	person	53	55
Community responsibility	Total tax payment	HKD million	5,550.80**	6,848.99**
	Newly-added employees	person	2,204	8,956
	Total charitable donations	HKD million	14.3	8.099**
	Number of times of volunteer service participated by all volunteers	person-time	—	1,893

Index of Indicators

Key areas, levels, general disclosures, and key performance indicators		Disclosure location
A. Environment		
A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	P44-P45
KPI A1.1	The types of emissions and respective emissions data.	P45
KPI A1.2	Greenhouse gas emissions in total and where appropriate,intensity.	P45
KPI A1.3	Total hazardous waste produced and, where appropriate,intensity.	P47
KPI A1.4	Total non-hazardous waste produced and, where appropriate,intensity.	Not yet counted, has been explained in P47.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P44-P46
KPI A1.6	Description of how hazardous wastes and non-hazardous wastes are handled, reduction initiatives and results achieved.	P47
A2: Use of resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P48
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	P45
KPI A2.2	Water consumption in total and intensity.	P69
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P48
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose,water efficiency initiatives and results achieved.	P48
KPI A2.5	Total packaging material used for finished products,and if applicable,with reference to per unit produced.	Not yet counted, has been explained in P38.
A3: The environmental and naturalresources		
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P49
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P49
B. Society		
Employment and Labor Practices		
B1: Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal,recruitment and promotion,working hours, rest periods,equal opportunity, diversity, antidiscrimination,and other benefits and welfare.	P28
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P28
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P28
B2: Health and safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P52-P55
KPI B2.1	Number and rate of work-related fatalities.	P55
KPI B2.2	Lost days due to work injury.	P69
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P54
B3: Development and training		
General disclosure	Policies on improving employees'knowledge and skills for discharging duties at work. Description of training activities.	P29, P37
KPI B3.1	The percentage of employees trained by gender and employee category.	Not yet counted.
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not yet counted.

Key areas, levels, general disclosures, and key performance indicators		Disclosure location
B4: Labour standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	P28
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P28
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P28
Operating practices		
B5: Supply chain management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	P61
KPI B5.1	Number of suppliers by geographical region.	Not yet counted.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P61
B6: Product responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P36
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not yet counted.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P39
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P22
KPI B6.4	Description of quality assurance process and recall procedures.	P36-P37
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P39
B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P23
KPI 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.	P23
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P23
Community		
B8: Community investment		
General disclosure	community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P62-P65
KPI B8.1	Focus areas of contribution.	P62-P65
KPI B8.2	Resources contributed to the focus area.	P62-P65

About This Report

This is the 5th Annual Sustainable Development Report published by China Resources Pharmaceutical Group Limited. The last report was published in June 2017. Besides, three listed companies under CRPG have compiled their separate social responsibility reports.

Duration

January 1-December 31, 2017, and some contents may extend beyond this duration when necessary.

Publication Cycle

This is an annual report.

Report Scope

This report includes China Resources Pharmaceutical Group Limited and its subordinate companies with independent management.

Compilation Reference

This report follows the Guideline on Environment, Society and Governance Reporting Guide of Hong Kong Exchanges and Clearing Limited, the Sustainability Reporting Guidelines (GRI Standards) of the Global Reporting Initiative, Guideline for Central Enterprises to Fulfill Social Responsibilities by SASAC of the State Council, China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0) by Chinese Academy of Social Sciences, CR Corporate Citizenship Construction Guide, and CRPG Social Responsibility Work Management Measures.

Data Sources

All data in this report come from internal documents or the information statistics system.

Language of the Report

This report is published in three languages: simplified Chinese, traditional Chinese, and English. If there is any inconsistency or ambiguity between the three versions, the simplified Chinese version shall prevail.

Abbreviations

For convenience and readability, "China Resources Pharmaceutical Group Limited" in the Report may be referred to as "CRPG" or "We".

Reliability Assurance

We promise that the report is free of any fraud, misleading representations or major omissions. And we are responsible for its reality, accuracy and integrity.

Compilation Process



Report Access

This report is available in both paper and electronic versions. To read or download the report, please visit <http://www.crpharm.com/shzr/shzrbg/>.

Feedback

Dear readers:

Thank you for reading this report. In order to constantly advance our corporate responsibility work, we are eager to listen to your valuable opinions and suggestions. Please give your valuable opinions on our work and report in your busy schedule.

1. What do you think of the report?

Excellent Good Satisfactory Poor Very Poor

2. Do you think this report can demonstrate our huge influence on the economy, society and environment?

Yes General No

3. Do you think the disclosure of information, data, and indicators in this report is clear, accurate and complete?

Yes General No

4. What do you think of the report in terms of format?

Excellent Good Satisfactory Poor Very Poor

5. What do you think of the report in terms of readability?

Excellent Good Satisfactory Poor Very Poor

6. If you have any advice or suggestions about the sustainable development report, please write down here:

Please fill in the following contact information if you find it convenient:

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Organization: _____ Address: _____

Postcode: _____ E-mail: _____

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