



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



2016

Sustainable
Development Report

携手爱
Love
For
Health
健康



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Message from the CEO



Joining Hands for Love, and Repaying the Society with Gratitude

In face of the weak global economic recovery, China's economic downturn, and complex and changeable policies of the pharmaceutical and healthcare industry in 2016, China Resources Pharmaceutical Group Limited (CRPG) calmly dealt with various challenges, accelerated innovative development, actively promoted business transformation, and achieved steady growth of the turnover and operating profits with the care and support of the community.

Repaying the society with gratitude is an important cultural concept advocated by CRPG. While maintaining sustainable development, we actively fulfill our social responsibility with gratitude, promote the harmonious coexistence of all sectors of society, and seek for win-win development. We firmly believe that only those who are grateful have inner power and will spread positive energy.

We are grateful to start-up entrepreneurs. The hardships of starting business beside the Victoria Harbor of Hong Kong in 1938 and on Taihang Mountains in 1939, and the courage of those pioneering entrepreneurs, are inspiring us all the time.

We are grateful to our shareholders. Their support enables us to achieve value creation in the reform and opening-up period, and their tolerance and understanding inspire us to constantly improve our work.

We are grateful to our staff. Our achievements today result from the hard work of over 50,000 employees. They are bright stars in the night sky who light our way ahead.



We are grateful to our customers. They encourage us to never stop the pace of innovation, continuously improve product quality and service level, and contribute to the community. Their trust spurs us all along.

CRPG commits itself to the noble mission of guarding human health and enhancing quality of life. Let us join hands and contribute to the development of China's pharmaceutical and healthcare industry and improvement of human health.

Wang Chuncheng, CEO of CRPG

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Born for Love: Overview of CRPG

- About Us
- Corporate Structure
- Major Products, Services and Brands
- Major Events in 2016



About Us

China's **2nd** Largest Drug Manufacturer

China's **1st** Largest OTC Drug Manufacturer

China's **2nd** Largest Drug Distributor

China's **9th** Largest Retail Drugstore Network

CRPG (3320.HK) is a leading integrated healthcare company in China which deals with R&D, manufacturing, distribution and retail of medicines and nutraceutical products.

CRPG is China's 2nd largest drug manufacturer and 2nd largest drug distributor. The subsidiary companies include CR Pharmaceutical Commercial Group Co., Ltd., CR Sanjiu Medical & Pharmaceutical Co., Ltd. (000999.SZ), CR Double-Crane Pharmaceutical Co., Ltd (600062.SH), Dong-E-E-Jiao Pharmaceutical Co., Ltd. (000423.SZ), CR Zizhu Pharmaceutical Co., Ltd. and The National Institute of Pharmaceutical R&D Co., Ltd..

CRPG is one of China's drug manufacturers that owns the most complete drug product portfolio, as well as the largest OTC drug manufacturer in China. The company is involved in chemical drugs, TCM products, biologicals and dietary supplements. Its product mix covers a series of promising therapeutic fields, including the cardiovascular health, cold & cough treatment, anti-infection, reproductive health, the digestive tract, metabolism, dermatology and pediatrics.

We have produced a total of 505 medicinal products, and some of our production lines have passed US cGMP standards, EU GMP standards or WHO-PQ. Our brands, represented by "999", "Double-Crane", "Saiké", "Zizhu", "Dong-E-E-Jiao" and "Tianhe", are well known to customers. The brand advantage and quality assurance win us wide market acceptance.

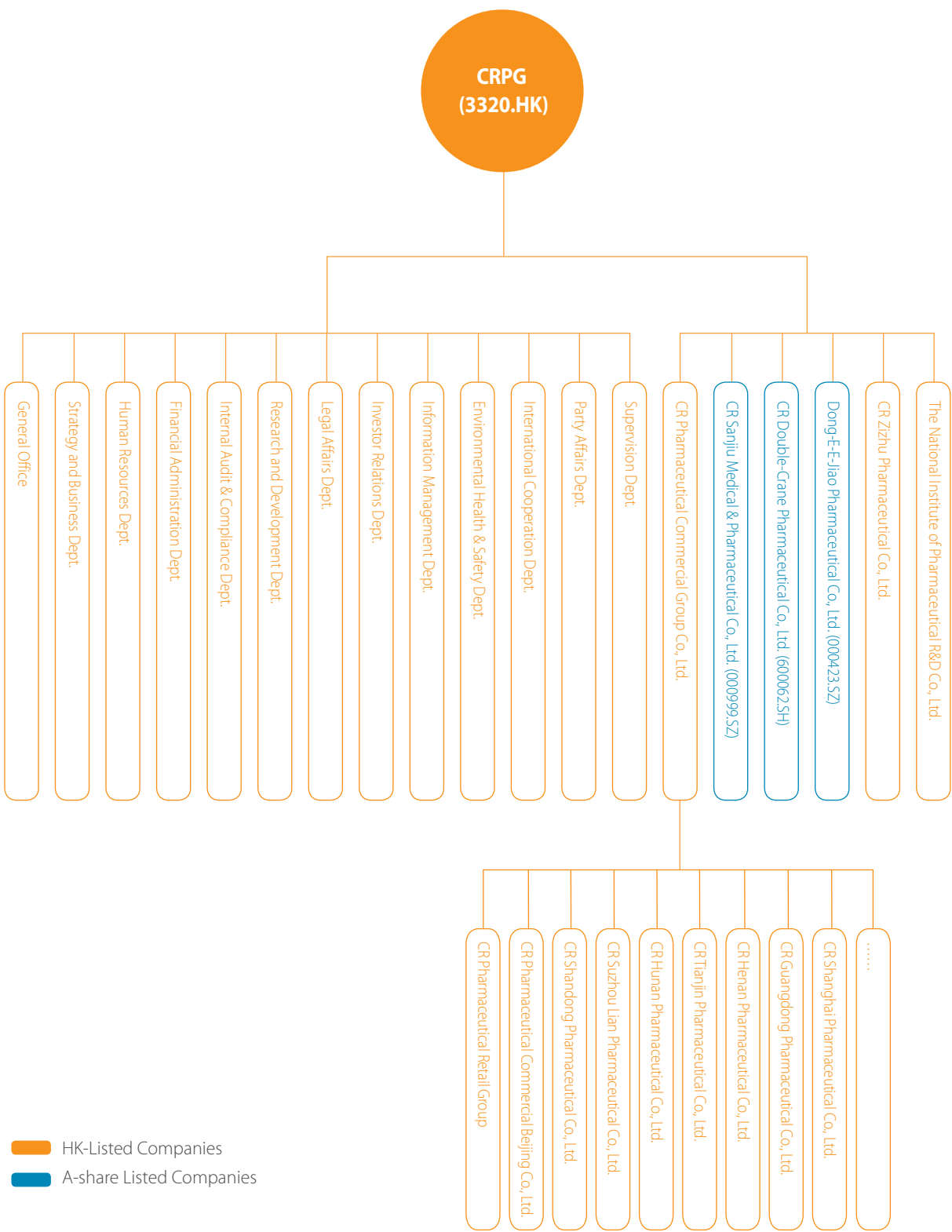
CRPG is a leading provider of pharmaceutical supply chain solutions in China. Benefiting from the nationwide network of advanced pharmaceutical distribution and retail platforms, CRPG provides highly specialized and efficient logistics, marketing and other innovative value-added services for nearly 10,000 upstream suppliers and nearly 70,000 downstream customers. Specialized

logistics management system is extended to hospitals to provide more efficient and convenient management solutions with lower cost. Relying on China's ninth largest retail drugstore network, and national and regional well-known retail brands like "CR Care", the high-value drug direct delivery model ensures that high-end special drugs of well-known multinationals can serve customers directly.

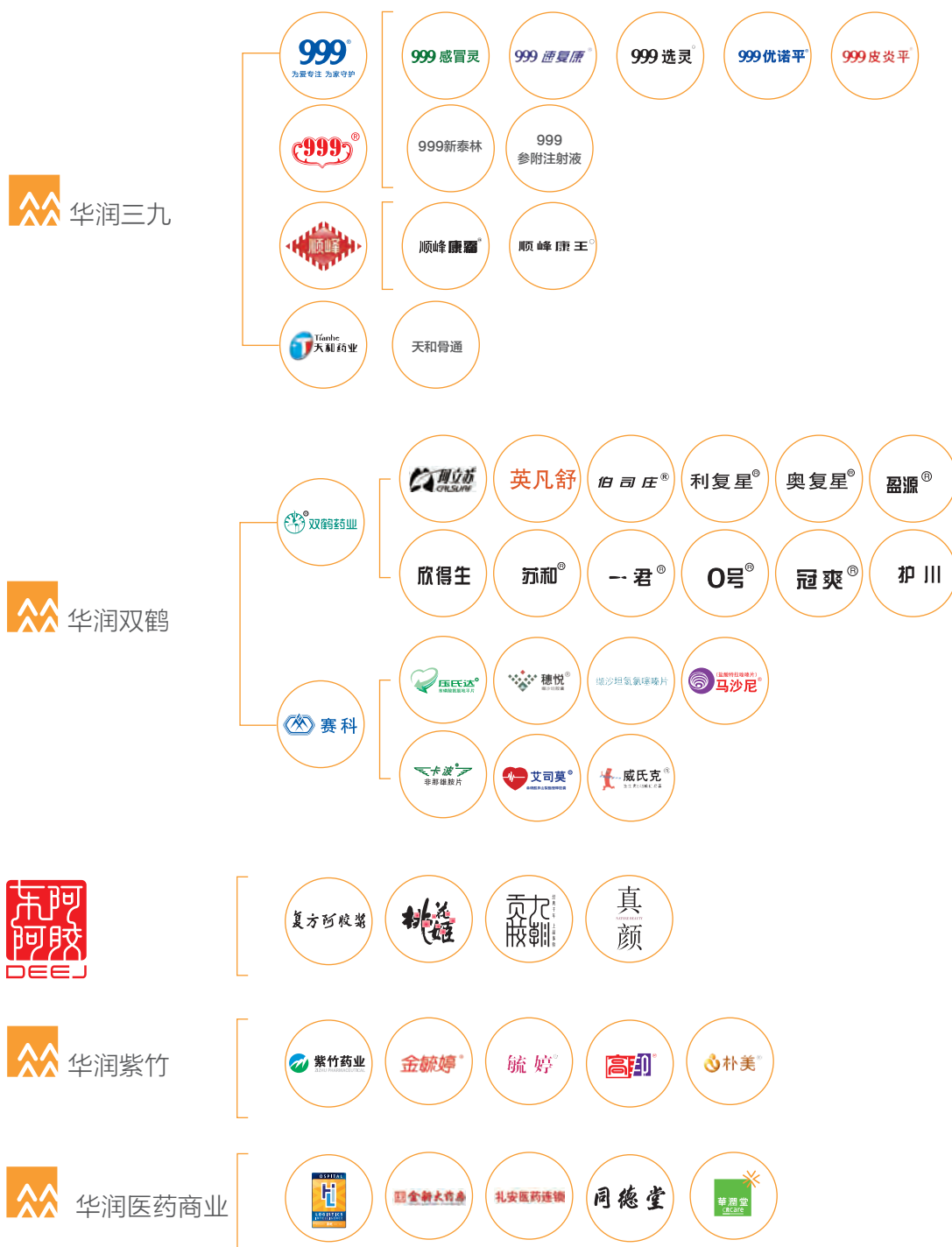
CRPG has made R&D the top priority and increased investment constantly. It owns two national engineering and technological research centers, two national enterprise technology centers and 15 provincial/municipal research centers, and establishes cooperative relations with leading pharmaceutical research institutions and universities. CRPG has more than 1,000 Chinese patents. Four projects have won the second prize of National Award for Science and Technology Progress, and 20 research projects have been included in the 11th Five-Year Plan, 12th Five-Year Plan or the Major Innovative Drugs Program by the National Health and Family Planning Commission of PRC.

CRPG is committed to the noble mission of "be the guardian of human health and improve quality of living". It seizes the historical opportunity created by the development and reform of China's pharmaceutical and healthcare industry, actively arranges the core areas and links of the industrial chain, sticks to innovation and development, gives full play to the synergistic effect of the integrated business layout, optimizes allocation of resources, strengthens international cooperation, promotes transformation and upgrading, and continuously enhances its core competitiveness, endeavoring to be the leader in China's pharmaceutical and healthcare industry.

Corporate Structure



Major Products, Services and Brands



Major Events in 2016



On March 4, CRPG held the 13th-Five-Year Plan Meeting & Work Meeting for 2016 in Beijing.



On May 16, CRPG and the National Center for Nanoscience and Technology signed the strategic cooperation agreement, and established the United Laboratory on the Druggability of Nano Materials to conduct cooperative R&D on nano drugs.



On July 27, CR Sanjiu published an announcement, planning to purchase 100% shares of Kunming Shenghuo Pharmaceutical Group held by six companies including Lanshi International Medical Investment Company.

March

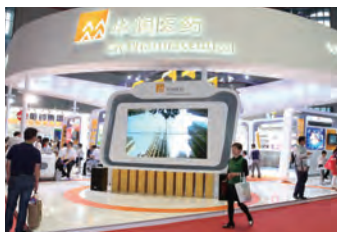
April

May

June

July

From April 18 to 20, CRPG and its subordinate business units attended the 75th PharmChina.



On June 3, CRPG signed the strategic cooperation agreement with WuXi AppTec for all-round cooperation on drug development.



On June 27, CR Zizhu signed the strategic cooperation agreement with Uni-Bio Science Group, and obtained the exclusive distribution and promotion rights of Uni-Bio's GeneSoft.





On Sep. 9, CRPG held the signing ceremony of the R&D strategic cooperation agreement with College of Pharmacy Nankai University, and established the strategic partnership with the College officially.



On Nov. 30, CRPG signed the strategic cooperation agreement with Hefei Tianmai Biotechnology Development Co., Ltd. to conduct in-depth cooperation on recombinant human insulin and develop insulin recombinant protein technology and series products.

August

September

October

November

December

On Aug. 8, CRPG held the 2016 Mid-Year Work Meeting of Managers in Beijing, which was themed by cohesion, creativity and development.

On Aug. 23, CR Saike signed the agreement with Pfizer on the Nitrostat (Nitroglycerin Sublingual Tablets) Project, and became the exclusive selling agent of Nitrostat on mainland China.

On Oct. 28, CRPG was listed on the Main Board of the Hong Kong Stock Exchange with stock code 3320 HK.



On Dec. 2, CR Sanjiu signed the strategic cooperation agreement with Sanofi to expand the customer healthcare market.

On Dec. 12, CRPG signed the cooperative development agreement with WuXi AppTec to work on two innovative drugs for diseases of the respiratory system and blood system.

Major Events in 2016

>>> Honors

Jan. 8

The project "New TCM Quality Control Technology Based on Active Substances and Its Applications in TCM Raw Materials and Safflower Injections" declared by CR Sanjiu (Ya'an) and Peking University, and the project "Research and Industrialization of Crystallization and Purification Technologies of High-End Medicinal Products" declared by CR Jiuxin and the CAE team led by Professor Wang Jingkang, won the second prize of National Award for Science and Technology Progress in 2015.

June 22

In the World Brand Summit held by the World Brand Lab, "Dong-E-E-Jiao" was selected as "China's 500 Most Valuable Brands" for the ninth time.

July 24

According to statistics of China National Pharmaceutical Industry Information Center, CRPG ranked 2nd in "Top 100 Pharmaceutical Enterprises in China 2015".

The Ministry of Commerce of PRC published Statistical Analysis Report of the Drug Circulation Industry in 2015. According to its main business income statistics of pharmaceutical enterprises, CR Pharmaceutical Commercial Group maintained the second position in the "Top 100 Pharmaceutical Commercial Company List".

June 3

CRPG was awarded "Demonstration Enterprises of Safety Culture Construction in Beijing" by Beijing Administration of Work Safety.

June 28

At the award ceremony of China's most valuable listed companies in the 10th Cross-Border Investment and M&A Summit 2016, CR Sanjiu was awarded "China's 100 Most Valuable Listed Companies" for the second time.

Aug. 20

Aug. 22

On the "Healthy China – Brands 2016" series lists, three products of CR Sanjiu, "999 Ganmaoling", "999 Piyanping" and "999 Pediatric Cold and Cough Medicine" were included.

Nov. 8

Dong-E-E-Jiao was awarded the Top Partner of National Brand Program, thus gaining valuable advertisement resources that had the most influence, widest coverage and best transmissibility.

Nov. 18

On the 13 Annual Self-Treatment Conference of China, CR Sanjiu and Dong-E-E-Jiao ranked 1st and 3rd respectively on "China's Top OTC Drug Manufacturers".

Dec. 28

Dong-E-E-Jiao was awarded No. 1 of the Chinese Brand of the Year 2016 (Health care products).

CRPG ranked first on the Social Responsibility Development Index of the Pharmaceutical Industry released by CASS for two consecutive years.

Oct. 30

CRPG ranked 2nd on "China's Top 10 Pharmaceutical Groups 2016".

Nov. 15

CR Double-Crane was awarded China Securities Golden Bauhinia Award as the best investor relation management company.

Nov. 23



Setting off for Love: Special Topic of Responsibility

- Integrity and Compliance
- Innovative Development



Integrity and Compliance

Systems have been streamlined from 206 to **141** items

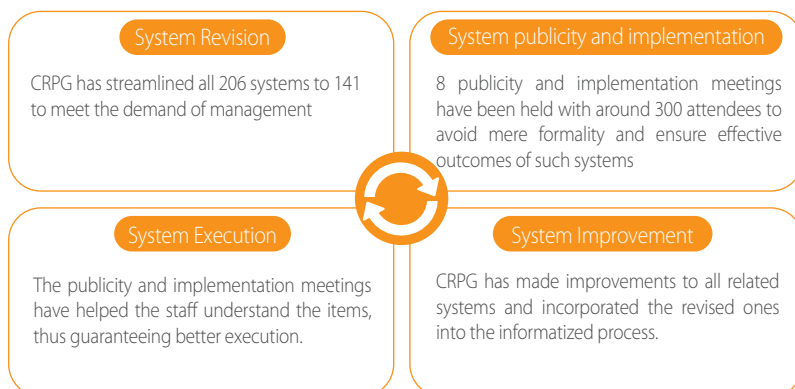
8 publicity meetings on various systems have been held

The number of people attending the meetings has reached **300** person-times

>>> Improving systems and procedures

To build a strategically-managed headquarter and serve the needs of going public, CRPG has reviewed, revised and publicized its systems according to the principles of "abidance by law, compliance and high efficiency", in order to ensure effective implementation of all systems.

Principles of system revision: full coverage of key functions, a unified structure, style and format, concise content, high operability, and participation of all departments along the whole process.



>>> Intensifying audit and supervision

CRPG focuses on the theme of strategic management and regularly carries out risk assessment and internal control evaluation. It sets earlier compliance deadlines to meet audit and supervision requirements and integrates all

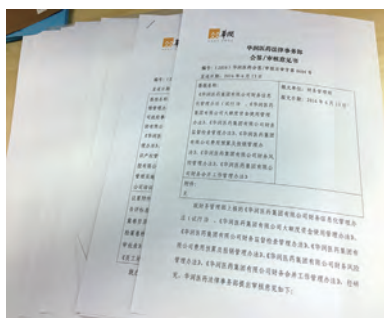
resources to carry out various audit programs, helping the company to better control the management risks, patch the loopholes and form a strong supervision power to raise the corporate management level.



The company carried out internal control and risk management activities in 2016. In choosing the testing range, the company considered the already covered range in PN21 internal audit, and the 2016 audit and supervision work. It also used the intermediary agencies' experience to organize trainings and hold educational programs on related compliance requirements.

The company focuses on in-process supervision to ensure compliance. It attaches great importance to pre-investment review, proposal consultation, bidding supervision and other compliance issues. Through pre-intervention, process participation and post-tracking, the company is able to give full place to the audit in supervising and guiding business management.

Legal risk prevention



CRPG stresses on legal work in corporate management. It gives full play to risk prevention and prediction capabilities of legal work and guarantee the company's compliance development.

The company develops the legal management manual to standardize all processes. It has refined the requirements and operating procedures. The manual is divided into five parts so as to illustrate the guiding role of legal work in real-life operations.

The company reviews all legal dispute cases to enhance the management capacity. Through analyzing cases involving industrial and commercial enterprises in the last three years, the

company summarizes reasons and loopholes in management to identify major legal risk points.

The company builds a legal risk control database of investment projects. It summarizes the legal risk identification and control experiences, sets up the legal risk control database, develops contract template and guidance of legal work.

It makes great efforts in building a legal culture and raising legal awareness of its staff. It organizes all kinds of legal trainings to spread the intellectual property protection knowledge and compliance governance regulations. In this way, the company can improve its capability in related legal affairs.



Legal knowledge training site

Enhancing clean system building

CRPG builds a clean and responsibility system and establishes rules and regulations to intensify prevention education and implement the "Four Forms" of supervision and discipline, to encourage early and preventative supervision, strict discipline, and build a clean culture with integrity and justice.

Ensuring clean responsibility at various levels. It has signed Letters of Responsibility to Implement Party Discipline and Clean Governance with all business units to make sure that tasks are broken down and are to be implemented at various levels.

Intensify supervision and inspection. The company focuses on key points and intensifies supervision and inspection in key periods so that it can strictly implement the Eight-Point regulation of the CPC Central Committee and stand against the four undesirable work styles: formalism, bureaucratism, hedonism and extravagance. The company makes researches and inspections on 12 enterprises including the subsidiary first-level business units and some provincial companies to urge and guide them to implement clean responsibility.



Diversified education programs on clean business. The company organizes activities like clean administration courses, rules and regulations study, annual trainings for managers, anti-corruption alarming education, etc.



Practicing strict disciplines. In 2016, the number of responsible leaders of CRPG subsidiaries attending CPC party talks reached 412 person-times, responsible leaders attending talks before taking office reached 133 person-times and number of leaders giving work reports totaled 261 person-times.



>>> Strengthening political construction



CRPG adheres to the principles of "different levels, key points and wide coverage", earnestly practices "Two Studies, One Action" and educates the staff to act under scientific guidance. These have enhanced political thoughts and insights and laid a solid foundation for corporate development.

The company also organizes managers, outstanding staff of Party work, Party members and to-be Party members to visit the site of the Gutian Conference, Yangjialing of Yan'an and Xibaipo revolutionary shrine for experiencing and learning. Through Party lectures, discussions and exchanges, the staff have firmed up convictions and got stimulated to undertake more responsibilities.



Case

Double-Crane won the award of "Abiding by the Contract and Keeping Good Faith" for good enterprises.

Double-Crane won the award of "Abiding by the Contract and Keeping Good Faith" 2014-2015 granted by the State Administration for Industry and Commerce, which was the second time for it to get the award. This award aims to promote the corporate good faith, standardize contractual behavior, and guide companies to be trustworthy and law-abiding. Double-Crane's winning the award again has fully demonstrated that this company has been widely reorganized by customers in contractual management, integrity and reputation.



Case

Dong-E-E-Jiao won the "Star of Integrity"

On August 16, 2016, the "Star of Integrity" release was held in Beijing by the Publicity Department of the Communist Party of China and the Office of Central Commission for Guiding Ethic and Cultural Progress. Only five enterprises across China won the "Star of Integrity" and Dong-E-E-Jiao was the only one getting the award in Shandong province.



Innovative Development

26 products with CFDA Clinical Trial Approval License.

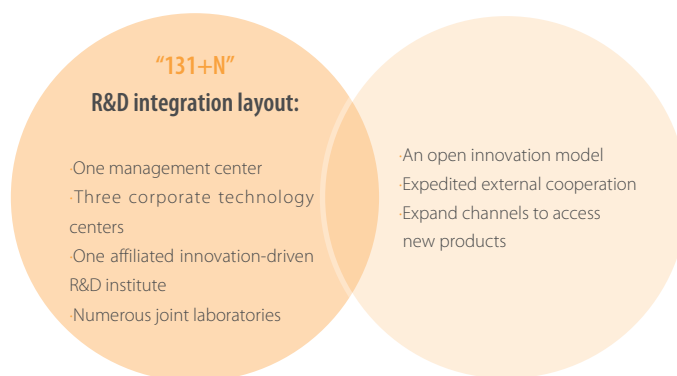
2 products with Production Licenses from CFDA.

44 patents for R&D technologies

730 million HKD for Research & development input.

>>> Improving R&D strategic plans

In 2016, CRPG worked out the China Resources Pharmaceutical Group Product Development Strategies of 2016 based on new changes in healthcare policies and priorities for industrial innovation, as well as the overall business strategies of the company. At the same time, the company continued with promoting research and development integration. To achieve that, it used various ways to promote cooperation and communication among all R&D platforms and build a cross-platform team to speed up developing new medicines.



>>> Increasing project storage

In 2016, CRPG actively extended its product lines in advantageous areas and started R&D of products in new areas. It gradually transformed its strategy from generics to the combination of generics and originators. In 2016, 26 products got CFDA Clinical Trial Approval Letters, 2 products got CFDA production licenses and another 1 product got approved by FDA for its ANDA supplementary application.

>>> Accelerating product introduction

CRPG focuses on introducing products to accommodate its short, medium and long-term strategies. It strengthens cooperation with domestic and foreign leading enterprises and scientific research institutions. In 2016, the company introduced seven products with clinical and market values, including three class I new drugs. Multiple class I new drugs are now placed under important cooperative negotiations.

>>> Increasing R&D input

In 2016, CRPG made an input of 730 million HKD, which accounted for 2.9% of the pharmaceutical business revenue.

>>> Conducting consistency evaluation

CRPG has always been following the policy changes. It has proactively conducted consistency evaluation, submitted dossiers for reference drugs, started pilot scale experiment and optimized manufacturing process. After system evaluation and screening, more than 40 chemical drugs have been targeted for consistency evaluation and five projects acquired funding of Beijing municipal government.





Case

The Succinic Acid Sumatriptan Nasal Spray of the National Institute of Pharmaceutical R&D Co., Ltd. got approved of clinical trials by CFDA.

The Succinic Acid Sumatriptan Nasal Spray is a product developed by National Institute of Pharmaceutical R&D Co., Ltd. under CRPG. It has officially got the approval license for Drug Clinical Trial by CFDA.

The Nasal Spray is one of the products in "Industrialized Development of Innovative Formulations", a program of major project "Beijing Pharmaceutical Group Industry-University-Research Alliance" subordinate to the national "11th Five-Year Plan". It falls under class 3.3 of chemical drugs.

Compared to oral tablets, subcutaneous injection and other drugs, the Spray is a new anti-migraine drug that is more convenient, quicker to alleviate headache and more reliable, with less side effects and an advanced design concept. According to IMS, it reaped 785 million US dollars' revenue around the world in 2015, and it is expected to get 600 to 700 million dollars of market share after the new dosage form is launched.



Case

CR Double-Crane Pharmaceutical Co., Ltd. and CR Zizhu Pharmaceutical Co., Ltd. were listed into Beijing's first batch of G20 industrial leading enterprises during the "13th Five-Year Plan".

Beijing Science and Technology Commission announced the first batch of G20 industrial leading enterprises during the "13th Five-Year Plan". CR Double-Crane CR Zizhu were listed into the "G20 Industrial Leading Enterprises" and CR Saiké the "G20 Reserve Enterprises". The "G20 Industrial Leading Enterprises" award requires that the company's major business is consistent with the industry's high-tech development direction and that it has advantages in the R&D capability, scientific research management team, innovative product reserve, market share and the enterprise scale merit. The company also needs to be on the domestic leading level in the industry and has an outstanding comprehensive competitiveness.



Case

Subsidiary enterprises of CRPG obtained two patents in China.

Subsidiary enterprises of CRPG has received certificates of two patents issued by the State Intellectual Property Office, which is "the method for synthesizing acetylated resveratrol" (Patent No. ZL 2015 1 0008806.X) of Zhejiang New Saiké and "the method for preparing gemcitabine hydrochloride" (Patent No. ZL 201310132357.0) of the National Institute of Pharmaceutical R&D Co., Ltd.





Endeavoring for Love, Responsibility Management

- Responsibility Strategy
- Responsibility Culture
- Responsibility Governance
- Responsibility Promotion and Integration
- Responsibility Communication
- Responsibility Capability and Performance



Responsibility Strategy

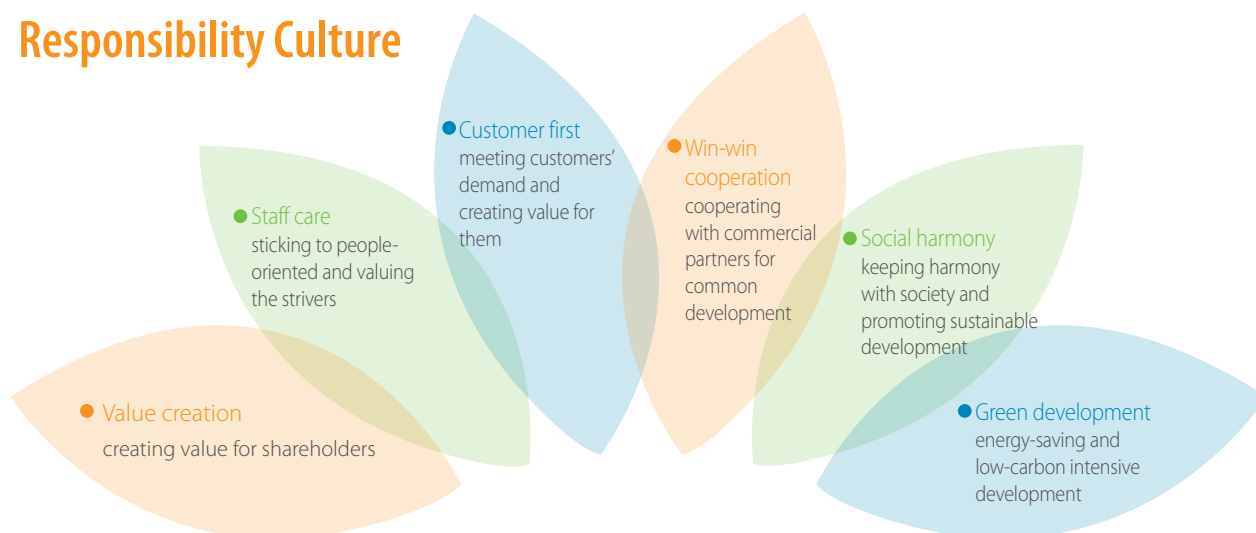
In corporate operation and management, CRPG has always been practicing the core values of "Integrity First, Performance Driven, Human Oriented and Innovation Constantly". It values the corporate spirits of "Pragmatism, Professionalization, Synergy and Dedication". With the mission of "be the guardian of human health and improve quality of living", the company is committed to leading China's pharmaceutical and healthcare industry and contributing to human's health.

Mission: Be the guardian of human health and improve quality of living

Vision: Be a leading pharmaceutical company in China



Responsibility Culture



Responsibility Governance

>>>> Organizational system

CRPG has established a Social Responsibility Committee and the General office is in charge of execution of the management of CSR. All departments of the Headquarter are required to designate responsible leaders above deputy head level to take charge of social responsibility work related to their departmental functions.

The business units of CRPG define the leaders and execution departments of social responsibility work. CR Sanjiu, CR Double-Crane and CR Pharmaceutical Commercial and other business units extend their social responsibility management to frontier divisions and set up working offices in subsidiaries to promote responsibility fulfillment at the primary level.



>>>> Institutional system

According to the requirements of China Resources Group, CRPG has revised the Social Responsibility Work Management Measures. It has also formulated the social responsibility management key performance index after referring to the industry characteristics, Guidelines for Corporate Social Responsibility Report (Version 3.0) of Pharmaceutical Industry and the requirements of HKEX.

Responsibility Promotion and Integration

CRPG is concerned with the interests of stakeholders and understands their demands through a variety of channels. In line with its development strategies and business plans, the company selects annual substantive CSR issues, integrates relevant CSR index into its business plans and staff performance to promote implementation of CSR. Through a cycle management system combining business plan, performance evaluation and management improvement, the company can promote the integrated development of social responsibility and corporate operation, social responsibility and corporate culture, social responsibility reporting and practice.



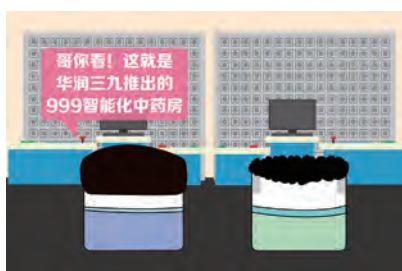
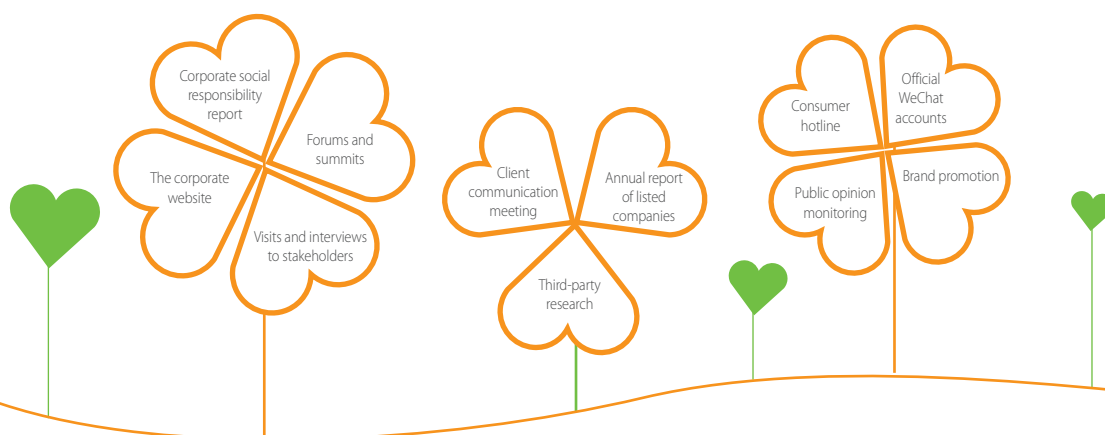
Case

CR Double-Crane promotes integrated development.

CR Double-Crane has incorporated social responsibility management into its overall strategic plan and has organized specialized people to make strategic review on the social responsibility work experience in the "13th Five-Year Plan". They reflected on their problems and proposed the future working plans so that they could explore a typical social responsibility management model for CR Double-Crane, thus achieving the integration of corporate development strategy, culture and social responsibility. Internally, it set up a four-in-one social responsibility management system to make the management regular; externally, it strengthened the communication with peer enterprises specially on social responsibility work. It also attended the "2016 Corporate Social Responsibility Report Conference of China's Industrial Enterprises" and introduced its social responsibility report to more than a hundred enterprises on the business achievements and social responsibility work, which was highly praised by the attendees.

Responsibility communication

CRPG's stakeholders include the government, shareholders, employees, partners, clients and society. We strengthen communication, understand all stakeholders' demand and actively deliver our response through various channels and methods.



Responsibility capability and performance

CRPG takes initiative to guide the development of social responsibility management system in subsidiary enterprises and encourage them to fulfill their social responsibility. It requires them to issue the CSR reports and listen to public opinions.

CR Pharmaceutical Commercial Group, CR Sanjiu, CR Double-Crane and Dong-E-E-Jiao all set up a relatively sound social responsibility management system, formulate the related regulations and independently issue their own CSR reports.

On October 30, 2016, after ranking top in 2015, CRPG continued to rank the first in the corporate social responsibility development index of the pharmaceutical and healthcare industry.

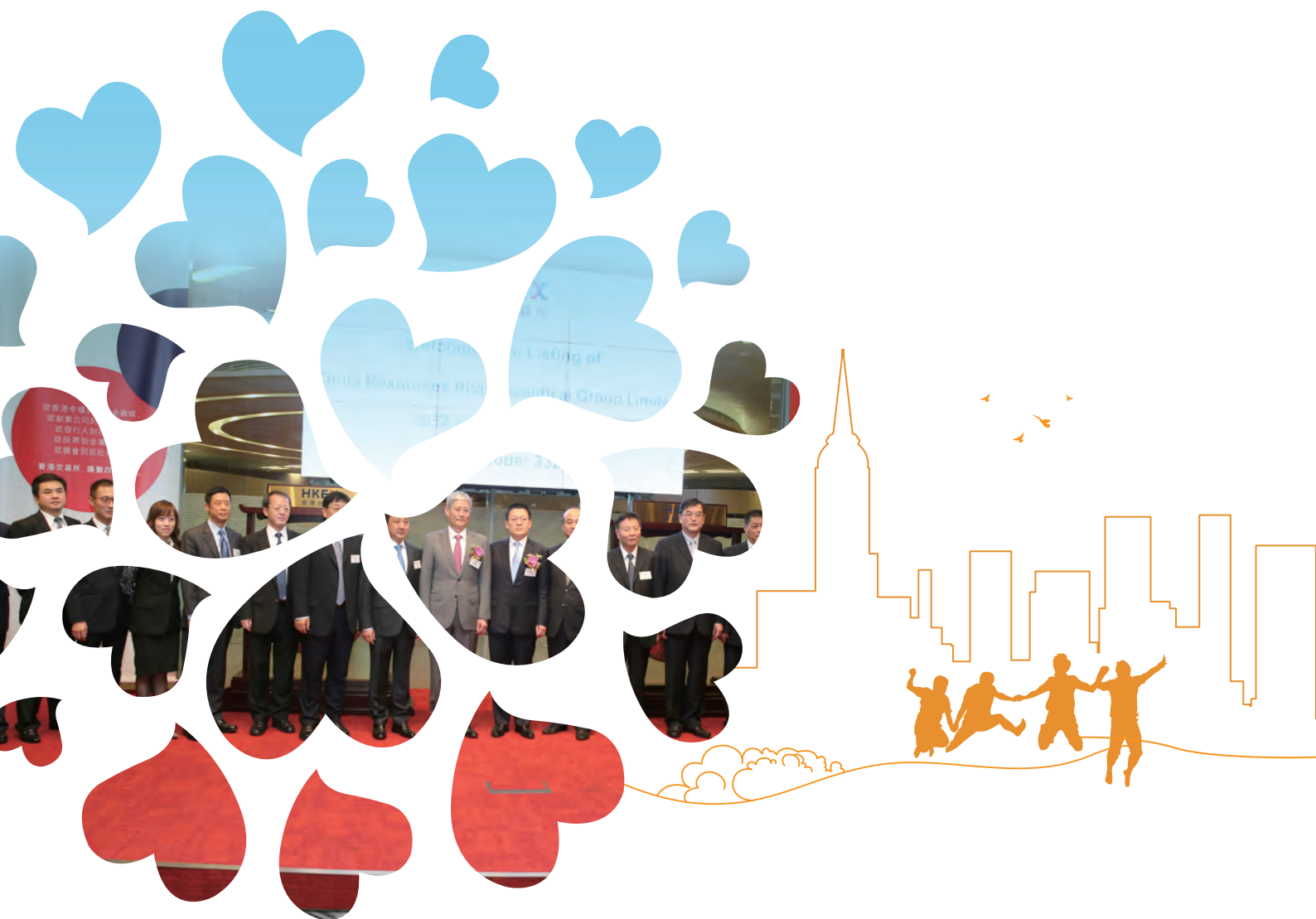
In 2016, three subsidiary listed companies of CRPG received wide acknowledgement from government departments and related associations. The information disclosure work won the title of A level from the regulators. Double-Crane won the "Company with the Best Investor Relations" in the 6th Golden Bauhinia Awards, the "Special Contribution Award for the Board Governance" in the 12th Golden Prize of Round Table, and the "Five-Star Enterprise among Chinese Industrial Corporations to Fulfill Social Responsibility". Dong-E-E-Jiao got the prize for the "Most Responsible Listed Company for Society".

5



Commitment for Love: Value Creation

- Safeguarding Rights and Interests of Shareholders
- Perfecting Corporate Governance
- Enterprise Reform and Efficiency Improvement
- Preserving and Increasing Value



Safeguarding Rights and Interests of Shareholders

Capital raised reaches **150.61**
billion HKD.

On October 28, 2016, CRPG was successfully listed on the Main Board of Hong Kong Stock Exchange, and the amount of funds raised after the over-allotment was 15,061 million HKD (approximately 1.941 billion dollars). It became the largest non-financial IPO, the second largest IPO, the second largest ever pharmaceutical companies IPO and the world's top 10 pharmaceutical IPO in Hong Kong in 2016. This injected great capital strength into the follow-up development of CRPG.



>>> Observing rules of securities market

CRPG strictly abides by the rules of Hong Kong securities market. It conducts corporate governance and information disclosure in accordance with laws and regulations, standardizes connected transactions, establishes and implements an effective corporate governance mechanism to develop a reasonable dividend policy. In such a strict capital market regulatory environment, the company makes continuous improvement of internal mechanisms and enhances management capacity. By way of effective corporate governance and value creation, it aims to offer sustained value for shareholders.

>>> Establishing a communication mechanism with investors

CRPG is committed to building and maintaining good investor relations and actively creating opportunities to communicate with investors so that they can keep abreast of important information such as the company's strategic objectives, significant development, operation and financial performance. The channels of communication include: Annual Report and Interim Report conferences, the Annual General Meeting, the Sustainable Development Report, information disclosed under the Listing Rules and the relevant laws and cases, roadshows and visits, corporate website information and so on.



CR Sanjiu keeps interaction with investors through its official website, the investors' interactive platform for listed companies of Shenzhen Stock Exchange, phone calls, field visits and other ways. It also makes full use of the advantages of new media with fast spreading and wide coverage, including WeChat, to actively organize investor protection and publicity activities. The company has successively held the performance briefing and other investor exchange activities for many years in order to provide more opportunities for the managerial level and investors to communication face-to-face with each other.

CR Double-Crane makes timely and comprehensive replies to investors' questions through not only the investor hotline but also "SHSE E-Interaction" platform. It also takes the initiative to jointly organize the special visit for "small and medium-sized investors to listed companies", to enhance investors' recognition of the company and their confidence in the company's future development.

Dong-E-E-Jiao organized many annual performance meetings, shareholders exchange meetings and investor research activities in 2016. It gave timely and objective answers to 660 questions from the investors' interaction platform. In addition, investors can also express their views and demands by e-mail, telephone and other means.



Investors paying visit to CR Double-Crane



CRPG Listing Analyst Conference

In the preparatory stage for listing, CRPG held nearly one thousand communication meetings in Hong Kong, Beijing, Shanghai, New York, London, Singapore, Tokyo and other major financial centers home and abroad through management roadshows and analyst pre-roadshows. It made in-depth and extensive exchanges with more than 300 investors.

After going public, CRPG maintained extensive communication with more than 100 analysts for investors and sellers through reverse roadshows, investment bank industry meetings, one-to-one meetings, etc. In addition, from August 15 to 16 and on September 26, 2016, CRPG invited about 80 investors from the pharmaceutical, distribution and other business companies to make on-site visits to introduce to them the business model and investment highlights of CRPG.

Standardize information disclosure

CRPG makes regular review and monitoring on the effectiveness of information disclosure procedures for reports, announcements, and share price sensitivity and inside information. The company has standardized information disclosure process. CRPG and its subsidiary A-share listed companies are in strict compliance with the requirements of domestic and overseas listing. In accordance with the principle of truthfulness and reliability, they make timely and precise information disclosure to shareholders and investors, actively respond to shareholders' and investors' daily inquiries, and publish major news through the company's official website so that shareholders and the public can make informed investment decisions.



To help investors understand the corporate development status and demands and make a reasonable and objective judgment of the company's value, CR Sanjiu sets up a strict system and a special department to ensure standardized and transparent information disclosure,

CR Double-Crane continues to enhance the quality of information disclosure and strengthens the interpretation of industry information and guidelines. It also carries out information disclosure trainings, standardizes relevant systems, strictly implement the double check and business departments countersign system. In this way, the company establishes an information reporting system that keeps both managerial and operational level staff updated, and internal and external stakeholders on the same page. This enables timely disclosure of investors-concerned hot issues and market reactions.

Dong-E-E-Jiao innovates on the information disclosure form through making WeChat Annual Report. The President's letter to shareholders, official WeChat account and the CSR report are added to the annual report to enrich information disclosure content and enhance the quality.

>>> Regulate major shareholders' behavior

As a listed company in Hong Kong, CRPG abides by the Listing Rules of the Hong Kong Stock Exchange and regulates all the connected transactions between listed companies and related parties to ensure fair connected transactions and Listing Rules compliance. CRPG has independent business and management capability, and conducts independent and standardized operation from controlling shareholders in personnel, assets, finance, institutions, business, etc. The controlling shareholders exercise relevant rights through shareholders meeting and have no direct or indirect intervention in the company's business decision-making or activities.



Case

CR Double-Crane protects small and medium investors' legitimate rights and interests

At the special event of “We Are Shareholders—Visit of Small and Medium Investors to Listed Companies” organized by CR Double-Crane, around 30 small and medium investors and securities analysts conducted a field visit to CR Double-Crane to understand the company's development history, business layout, operational achievements and future strategic plan. This event brought small and medium investors and listed companies closer, which helped investors make reasonable investment decisions and better protected the legitimate rights and interests of investors, especially small and medium investors.



Perfecting Corporate Governance

>>> Protecting small and medium shareholders' legitimate rights and interests

CRPG observes the listing rules' protective requirements of equal rights and interests for shareholders, and respects the corporate Articles of Association and shareholders' rights provided in applicable laws and regulations. We highly value effective communications with shareholders and maintain communications and direct dialogues with shareholders through various channels to inform them of corporate business development and major affairs. Shareholders have the right to acquire all published information of the company, propose suggestions at the shareholders meeting, put up director candidates and make inquiries to the company. CRPG is committed to improving the shareholder meeting's rules of procedure and dividend distribution policies to strengthen and protect small and medium shareholders' rights and interests and ensure their rights of investment income.

The three listed companies subordinated to CRPG fully protect small and medium shareholders' right to know and right to vote. We strictly observe regulations over the procedures and contents of shareholders meeting and provide multiple channels to attend the meeting as required, including on-site meeting and online voting, so that all investors can equally and effectively participate in corporate governance, safeguarding investors' legitimate rights, interests and demands.

The three companies pursue performance growth and at the same time give high priority to investors' reasonable returns. By the end of 2016, CR Sanjiu had raised RMB 1.666 billion by issuing stocks on the capital market and produced an aggregate dividend of RMB 2.413 billion, or 145% of actual funds raised. In 2016, Dong-E-E-Jiao planned to distribute RMB 9 (tax included) in every ten shares to all shareholders according to the cash dividend plan. The total dividends accounted for 31.77% of the annual total net profit and the amount from 2011 to 2016 totaled RMB 2.747 billion. CR Double-Crane has distributed an aggregate cash dividend of RMB 1.505 billion since going public, among which RMB 937 million was given out from 2010 to 2016.

CRPG strictly abides by the regulatory requirements and articles of association for companies listed in Hong Kong to improve corporate governance structure and internal control and risk management system, and to guarantee more standardized corporate governance. The shareholders meeting, the board of directors and managers perform their duties in coordination.

>>> Setting up a scientific and efficient governance structure

To better adapt to the regulatory requirements to go public in Hong Kong, CRPG reelected the board of directors and added independent non-executive director positions in May 2016. The board of directors has five special committees including an auditing committee, a nomination committee, a remuneration committee, a corporate governance committee, and an executive committee. The board hired secretaries with corresponding qualifications and rich professional experience. We divided the management authority of the shareholders meeting, the board of directors, the executive committee of the board of directors and the president according to listing rules and the company's actual conditions. We also made corresponding regulations, rules and some quantifiable standards, and established a mechanism of appropriate authorization and hierarchical decision-making to guarantee scientific, professional and efficient decision-making.



Case

CR Double-Crane won the “China Securities Golden Bauhinia Award for Best Investor Relation Management Company”

At Hong Kong International Finance Forum and the awarding ceremony of Golden Bauhinia Award in Hong Kong, CR Double-Crane won the “Best Investor Relation Management Company Award” among many listed companies for its regulated and transparent investor relations management, and open and just information disclosure.

29 meetings of the board of directors and shareholders

15 interim board of directors’ meetings by correspondence

3 on-site board of directors’ meetings

5 interim shareholders meetings

6 meetings of committees under the board of directors

>>> Maintaining good corporate governance

Committed to maintaining good corporate governance, CRPG has taken the opportunity of going public to revise and formulate corporate governance systems including the Articles of Association, Interim Procedures on Investor Relation Management, Shareholder Communications Policy, Management Measures of Legal Representative’s Authorization, Management Measures of Expatriate Directors and Supervisors, Information Disclosure Management System and Interest Conflict Management System, to further strengthen governance foundation and improve governance level.

>>> The board of directors performing duties according to law

According to the Hong Kong Company Ordinance, the Company Law of the People’s Republic of China and other laws, regulations and articles of associations, CRPG convened 29 meetings of the board of directors and the shareholders in 2016, among which 15 were interim board of directors meetings by correspondence, 3 on-site board of directors meetings, 5 interim shareholders meetings and 6 meetings of committees under the board of directors. These meetings safeguarded the interests of investors and the company, improved corporate governance and played an important role in leading the company through volatile economic conditions, promoting healthy, stable and sustained development of the company, and preserving and increasing state-owned assets.

>>> Strengthening internal control and risk management

CRPG’s internal control system construction follows the risk-oriented methodology of controlling the process on the platform of the system. Following the two lines of function and business, it clarifies the controlling interface and procedure between the headquarter and subsidiary companies, establishes an internal control mechanism and formulates an internal control manual.

CRPG sets up the committee of internal control and risk management to organize, lead, examine, manage and supervise related work. The management staff in critical positions of each department and office comprise the internal control and risk management office that is responsible for specific organization and implementation of CRPG’s internal control and risk management.

Each CRPG company sets up its committee and office of internal control and risk management at every level for the construction, operation and evaluation inside the company.

CRPG’s organizational structure of the internal control and risk management system conforms to the requirements of Basic Internal Control Norms for Enterprises. All functional departments operate effectively, laying a solid foundation for system operation.

CRPG constantly strengthens the construction of the information system and establishes an information delivery and communications mechanism on the platform of the information system. Daily business supervision is combined with auditing supervision, which improves internal supervision and helps effectively implement all internal control systems.

According to Financial Risks Management System of China Resources (Holdings) Group, we closely connect the financial risk management system and the internal control system and carry out whole-process management over financial risks and their implications covering prevention, control, and evaluation in capital structure, cash generation, cash management, capital pooling and asset distribution.

Enterprise Reform and Efficiency Improvement



Case

CR Double-Crane purchased Hainan Chuntch Pharmaceutical Company and expanded business layout

On December 20, 2016, CR Double-Crane convened the fifteenth session of the seventh board of director's meeting, and examined and approved the proposal to purchase Hainan Chuntch Pharmaceutical Co., Ltd. This acquisition can help CRPG achieve extensive growth in business layout and acquisition; expand business areas and set up a brand-new treatment platform in digestion, anti-virus and anti-tumor fields based on Hainan Chuntch's existing large products; further enrich the production line of cardiovascular drugs in coordination with existing products; enhance client resources through investment attraction and agencies, and marketing capacity; and further improve corporate competitiveness.

>>>> Promoting strategy implementation

To support strategy implementation, CRPG has established a platform of biopharmaceutical products. CR Double-Crane has optimized marketing and organization structure of product development to obtain new products in multiple ways and expand business. CR Sanjiu has finished the discussion over the Great Healthcare strategy and set up the business unit of great healthcare to promote TCM products business. CR Pharmaceutical Commercial Group has established a retailing platform.

>>>> Integrating business resources

In 2016, CRPG basically accomplished the integration of retail resources in Jiangsu, Tianjin and Shandong, and set up provincial-level retail management platforms to raise the level of integrated management in procurement, operation and control, brand management and informatization management.

>>>> Adjusting organization structure

To establish a highly efficient organization that is strategy-controlled according to the headquarters' positioning, CRPG has optimized the 14 functional departments in the headquarter, highlighted the strategy's leading function, strengthened research, development and integration, enhanced professionalized information management, reinforced independent legal affairs and straightened out centralized management of functions.

>>>> Promoting remuneration system reform

We have promoted the remuneration system reform at the headquarter by changing the multi-system status due to historical reasons into a unified remuneration system. We optimize previous incentives and bonus distribution methods to increase incentives to high-performance teams, departments and individuals. We advance the profit-centered remuneration system reform. CR Pharmaceutical Commercial Group optimizes its remuneration incentive system for managers, and strengthens requirements for growth while acknowledging the contribution of static profit and at the same time strengthens the linkage between profit increase and the operational targets and management functions of provincial-level corporate organization while maintaining profit growth.

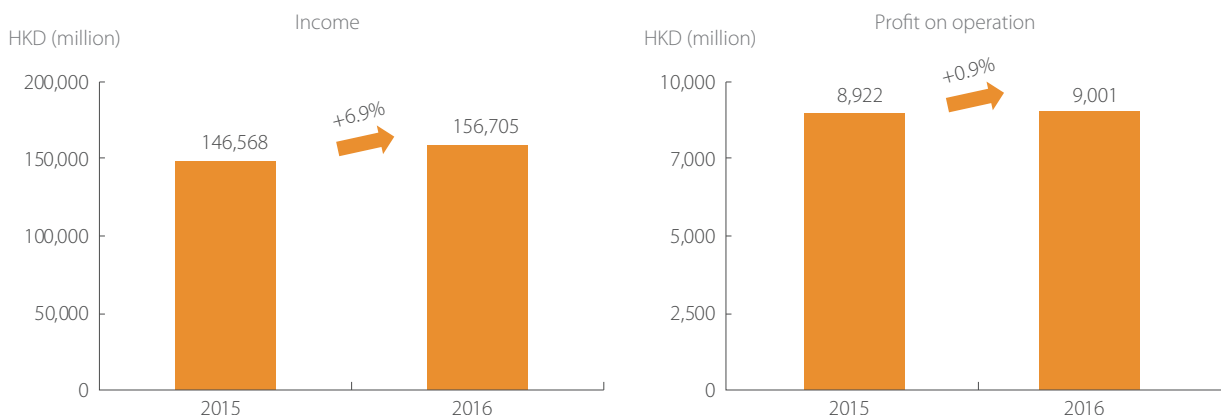
>>>> Improving performance management

We have optimized performance management at the headquarter. We change the monthly evaluation into yearly evaluation, highlight the level-by-level delivery of performance plans and working requirements, and give equal importance to department performance and employee's individual performance to enhance teamwork. We introduce the balanced scorecard system and make the management and popularization plan based on the researches about the implementation situations of the balanced scorecards in various business units such as CR Zizhu and Dong-E-E-Jiao.

>>>> Reducing management levels and legal entities

CRPG has set up specialized leading groups and working groups to organize and straighten out the equity structure. We have made a "pressure reduction" working plan to promote optimized resource distribution, focus on the main business and improve management and operation efficiency. Closely following the progress of "pressure reduction", we reduced four legal entities in 2016.

Value preservation and appreciation



Case

CR Sanjiu was re-awarded the Top 100 Listed Companies in China

The tenth China listed companies value selection results revealed that CR Sanjiu (000999) was again awarded the top 100 listed companies in China out of nearly 3,000 listed companies for its prudent operation and development and excellent corporate governance. Since 2008, CR Sanjiu has won this award for several consecutive years, which is the capital market's full affirmation of its performance in shareholders' returns, profitability, financial security, internal governance, sustainable development, operation efficiency and market value management.



Case

CRPG brands enter the 2016 "Healthy China Brand List"

Several excellent brands of CRPG have entered the 2016 "Healthy China Brand List" officially released at the CPEO Summit and played a dominant role in several product areas, demonstrating the high affirmation of the industry and consumers.

Based on years of experience, 999 Cold Remedy Granular and 999 Piyanping Itch Relief Ointment Cream produced by CR Sanjiu respectively took the lead among the highly competitive cold medicines (Chinese patent medicine) and dermatological medicines. 999 Cold Remedy Granular for Children also entered the list of children's medicines for cough. Jinyuting of CR Zizhu lived up to people's expectation and ranked first among oral contraceptives. Dong-E-E-Jiao ranked first among tonic and health-preserving medicines without doubt. At the same time, Dong-E-E-Jiao also topped the value list for two years in a row with RMB 9.654 billion.



>>> New technologies and designs to raise product standard and promote product quality

CR Sanjiu has made a breakthrough in the key technology of industrial crystallization and successfully created the new cefazolin sodium pentahydrate in chelate structure, which gets over many deficiencies of ordinary cefazolin sodium and helps accomplish the mission of physicians and pharmacists to provide safe and effective medicines. Dong-E-E-Jiao's standardization project has been put into the national special project of TCM standardization and created three internal quality specifications.

>>> Intelligent and Automation-driven Manufacturing upgrade to create a stable and efficient industrial chain

Companies like CR Sanjiu (Ya'an) and Dong-E-E-Jiao have installed the self-controlling system of TCM extraction that has a standard and controllable process and raises energy efficiency and batch-to-batch stability. The MES systems of CR Double-Crane (Beijing industrial park and Shenyang Double-Crane) and CR Sanjiu (Guanlan production base and CR Shunfeng) have passed validation.

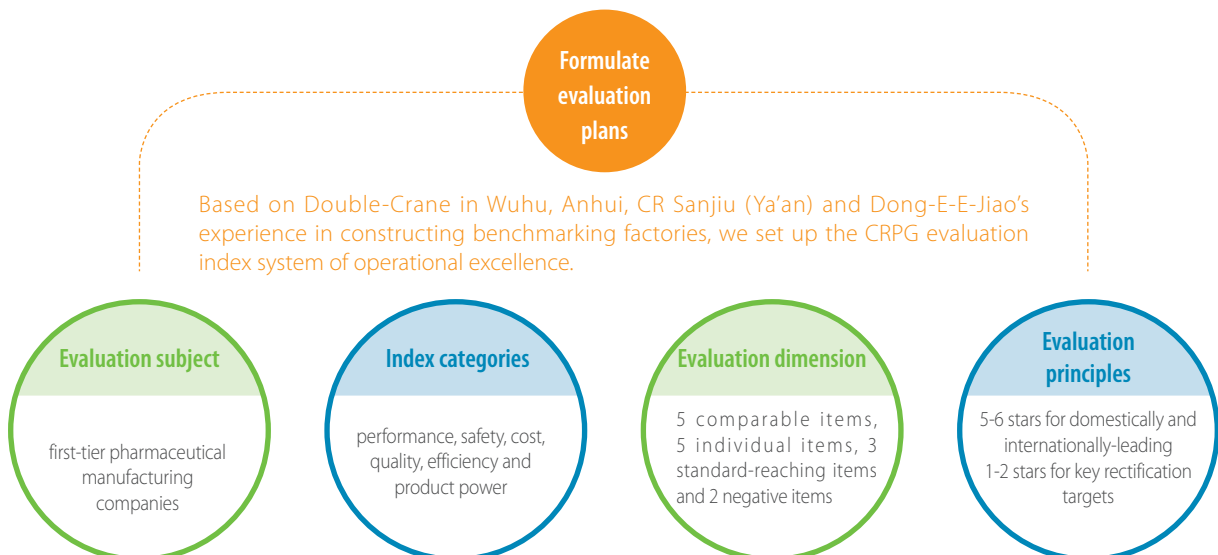
RMB **88.64** million of financial income

30 factories received star rating

>>> Perform operational excellence evaluation and improve the lean management system

In 2016, the CRPG business units introduced lean management, procedure optimization and integration, manufacturing process improvement and industrial smart upgrade to improve production efficiency and product quality, reduce cost and create an efficient supply chain.

In 2016, CRPG made remarkable achievements in the year-round implementation of the lean project, with RMB 88.64 million of financial income and nearly one thousand talents. Thirty factories received star rating that evaluates the operational quality of pharmaceutical manufacturers from performance, quality, EHS, efficiency, cost and product power. We initiated internal and external benchmarking on the operation quality in the whole process of pharmaceutical production. Benchmarking clarifies disparity, analyzes reasons and promotes improvement, which further raises operation quality, promotes smart manufacturing upgrade and helps build low-energy green factories.

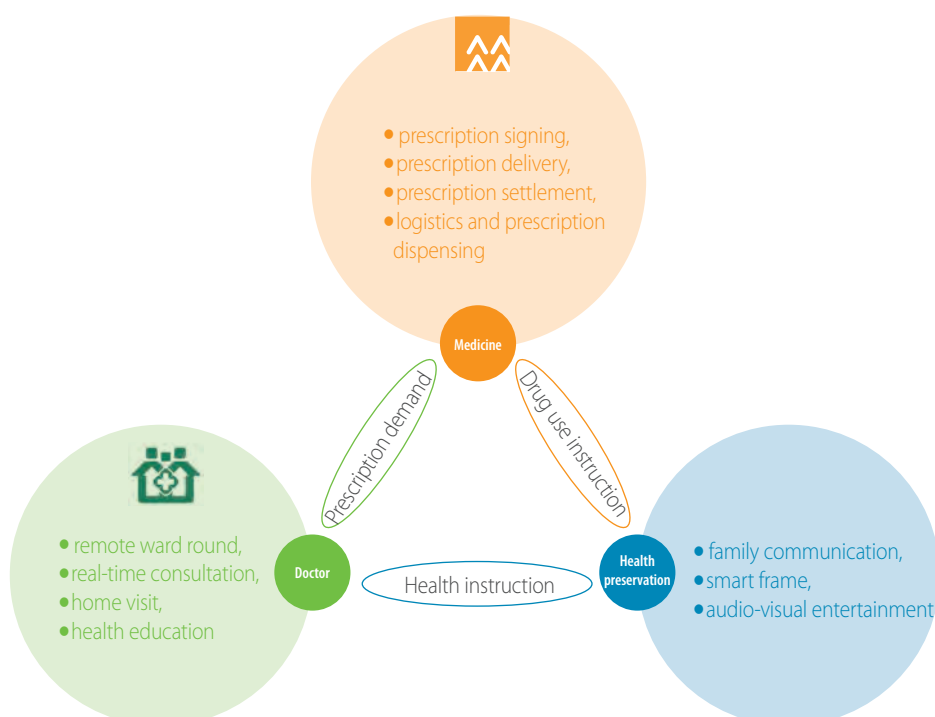




>>> Strengthening investment and acquisition and expanding business

In 2016, CR Pharmaceutical Commercial continued to abide by the investment and acquisition principle of “establishing platforms in blank provinces and networks in prefecture-level cities” to improve horizontal expansion in blank provinces and vertical expansion of prefecture-level networks and build wider and deeper networks. In 2016, CR Pharmaceutical commercial acquisition projects and built up distribution business in four blank provinces and municipalities in central and western China—Yunnan, Guangxi, Sichuan and Chongqing. We also penetrated prefecture-level markets through strengthening provincial-level corporate construction so as to further intensify our competitiveness of regional leadership.

>>> Exploring “Plus Internet” and supporting business innovation



• Business innovation

CR Pharmaceutical Commercial takes a patient-oriented approach to explore the innovative service model of doctor-health-medicine starting with chronic diseases management, and launches a pilot project in Chaoyang District, Beijing.



CR Pharmaceutical Commercial delivers medicines for chronic diseases to patients' homes

The Health and Family Planning Commission of Chaoyang District in Beijing officially launches the pilot project of delivering medicines to patients' homes in five community-level medical institutions within its jurisdiction. As the contracted service provider, CR Pharmaceutical Commercial is responsible for delivering medicines to the homes of contracted patients with chronic diseases in the community, which will sharply save patients' trouble of queuing for registration and medicine purchase.

In the pilot project of Chaoyang District, the first group of service receivers are patients with high blood pressure, diabetes, coronary heart disease, cerebral stroke and chronic pulmonary disease who are contracted to family doctor service. With the help of internet information technology, qualified contracted patients can send their health data to their contracted doctors in real time through wearable medical equipment. Doctors give digital prescriptions according to patients' data and upload the prescriptions to CR Pharmaceutical Commercial that will dispense, verify, package and deliver the medicines accordingly. Delivery will be done in 24 hours.

This practice is a beneficial exploration of future models of seeing a doctor. Part of the chronic disease patients may be able to manage their health through internet information approaches. The community medical informatization platform developed and designed by CRPG can manage medicines in medical institutions, deliver and manage chronic disease medicines, help the government supervise information across the whole process, and facilitate doctor-patient communication. On the informatized platform, hospitals and patients can find information about the status of medicine delivery, the location of delivery vehicles, and the delivery personnel at any time; managers can supervise the prescriptions and better manage and distribute resources at any time.

• Model innovation

CR Sanjiu achieves completely mobile and digitalized marketing through mobile internet technologies to provide "weapons" for frontline business market competition and "crystal balls" for frontline managers as a guidance.





Case

CR Pharmaceutical Commercial won the "Best B2B Value Creation Award"

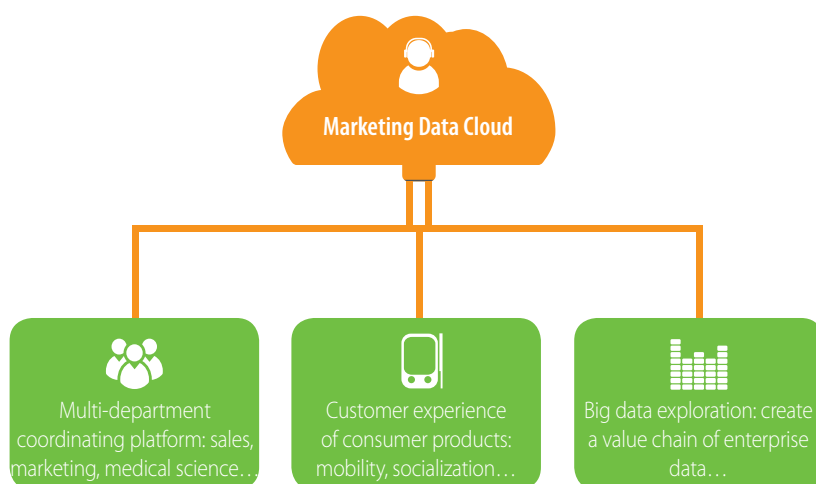
At the China drug circulation industry's Internet Application Summit Forum, CR Pharmaceutical Commercial won the "Best B2B Value Creation Award" issued by China Association of Pharmaceutical Commerce.

As internet development is profoundly changing the industry and the market, the "internet plus" strategy provides great potential to improve the general efficiency and protect the sustainable development of the drug circulation industry. By exploiting internet technology and transforming from providing services to building platforms, CR Pharmaceutical Commercial has proactively explored a competitive innovative business model to serve the ecosystem for the upstream, the downstream and channel parties, and the ecosystem for B2C health services.

The B2B ecosystem created by CR Pharmaceutical Commercial is one that supports joint sharing of inventory and products with upstream manufacturers, drug stores, private hospitals and community centers vertically, and large, regional, small and medium distributors horizontally, extending to the end points in drug stores, private hospitals, community health centers, outpatient services and health stations. In terms of the health service B2C ecosystem, CR Pharmaceutical Commercial focuses on "regional" and "chronic disease management", and actively uses its advantages in core resources to go deeper into community health management, provide value-added health services and create the future service model of "Great Healthcare".

• Technological innovation

To respond quickly to business requirements, facilitate client-centered procedure construction and support marketing services and managerial innovation, CR Double-Crane introduces a cloud platform of marketing system based on technologies like the internet, big data and cloud computing. Currently, we have finished platform selection and started to verify the system architecture.



>>> Coordinated development

CRPG actively promotes cooperative implementation of industrial and commercial projects and organizes industrial and commercial enterprises to synergize their business in an all-round way to fully leverage the cooperative value of industrial and commercial resources. Currently, industrial and commercial cooperation is being offered in 17 provinces and cities, with remarkable achievements especially in Henan, Jiangsu and Hunan.





Action for Love: Care for Employees

- Protecting Rights and Interests of Employees
- Democratic Management
- Growth of Employees
- Care for Employees



Protecting Rights and Interests of Employees

Percentage of employees with whom CRPG have signed labor contract

100%

Number of employees who have accepted occupational health examination

4713

Percentage of employees who have accepted occupational health examination

100%

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. No discrimination, child labor, or forced labor occurred in any link of operation.

With 54,233 employees, CRPG strictly abides by China's laws and regulations of employment. The percentage of employees who have signed labor contract with CRPG has reached 100%.

In accordance with relevant provisions of the central and local governments, CRPG pays employees fully and ensures equal payment for male and female employees. The Company adheres to the performance-oriented principle to stimulate employees' enthusiasm and creativity, promote organizational capacity and strategic landing.

Conforming to the government's regulations, CRPG pays social insurance for all employees. The Company also pays attention to building a harmonious labor relations.

All employees of CRPG enjoy paid annual leaves, the days of holidays are set with reference to national regulations.

CRPG strictly abides by the relevant laws and regulations, and adheres to equal employment. The percentage of female managers has reached 26.8%, which ensures that all employees enjoy equal employment opportunities.

CRPG values the employment of disabled people, and actively creates jobs and promotes the employment of them.

CRPG works to protect the physical and mental health of employees, and organizes annual physical examination for employees. Some member enterprises purchased commercial supplementary medical insurance, supplementary pension insurance, and child health insurance for employees.

CRPG attaches great significance to employees' occupational health. In 2016, subordinate enterprises of CRPG identified 741 posts with occupational hazards. The number of employees participated in occupational health examinations reached 4,713, a coverage of 100%.

CRPG strives to promote employees' development. Adhering to the people-oriented concept, the Company actively creates a good atmosphere for the development of employees, and formulates smooth career development channels to promote employee development.

Democratic Management

CRPG and its affiliated enterprises have established labor unions and the employees congress system. Important issues related to employees' vital interests are deliberated and discussed by the

congress. Through different organizations and events such as the labor union and democratic meeting, employees can communicate with the management.



Leaders of CR and CRPG participated the democratic meeting at Dong-E-E-Jiao

Growth of Employees

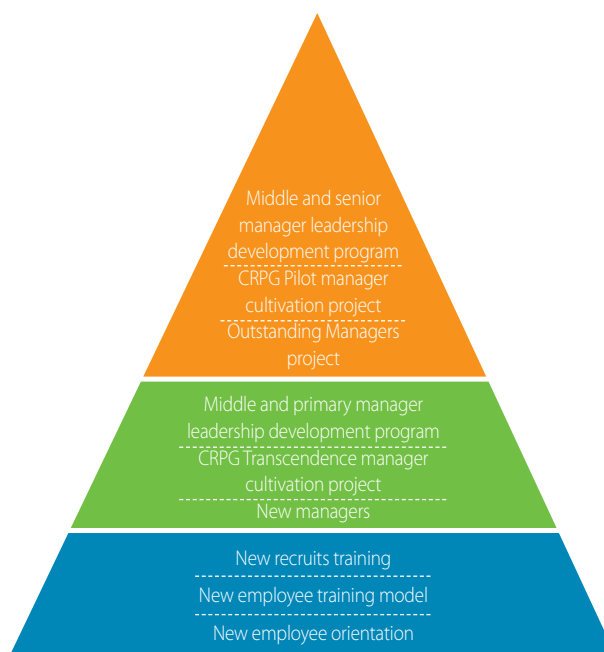


Case

CR Double-Crane cares for employee growth

CR Double-Crane sticks to the talent cultivation philosophy of “respect employees’ value, develop employees’ potential, sublimate employees’ mind”, and advocates “common development of business and employees”. With respect for employees, the Company has increased investment in staff training and development. Starting from the training program, the Company standardizes the training process, focuses on training needs survey and training effectiveness assessment, and gradually improves the training system. In consideration of the characteristics of new employees, CR Double-Crane has improved the training program for new employees. The Company also holds bidding specialist training to enhance professional skills of employees on the functional line. CR Double-Crane focuses on improving product quality, carries out “APC Senior business management division” training for middle-level managers to improve their on-site integrated management ability.

CRPG attaches great importance to staff training and development, and actively builds a three-dimensional, multi-level training system. The Company established the Health School of China Resources University in 2012 to continuously improve the training system of the headquarter and affiliated enterprises, thus providing effective support for the Company’s strategic objective.



Construct a talent echelon: Based on the needs of business and organizational development, CRPG selects and trains reserve managers through talent assessment so as to create an echelon of managers who recognize CRPG culture, have the ability to adapt to industrial changes and unified thoughts.

Identify qualities required for managers. Based on classification of managers, CRPG builds the corresponding quality base, and formulates capacity standards for managers at different levels to gradually enhance the effectiveness of manager selection and appointment.

Review manager control interface. CRPG carries out reviews of manager control interface with a focus on issues relevant to manager selection and appointment, manager performance appraisal, manager remuneration incentive, manager training and development, and manager routine management.



Open Training of CRPG New Employee Orientation in 2016



Phase II of the innovative project CRPG Pilot

In order to promote manager training, CRPG continues to promote its talent training model, such as CRPG Pilot Phase II. Trainees were selected from functional departments of the headquarters, CR Pharmaceutical Commercial, CR Sanjiu, CR Double-Crane, Dong-E-E-Jiao and CR Zizhu, which broke the organizational barriers and promotes the overall collaboration and integration of CRPG. After thorough deliberation, the curriculum was designed to cover six modules, namely corporate culture and leadership, strategic execution and organizational development, financial management and benchmarking learning, human resources management and staff building, innovative development and online marketing, reflective learning and achievement acceptance. The action learning measure was integrated through the whole training process to promote the implementation of training outcomes.



CR Double-Crane team leader skill training

In order to cultivate and improve the overall management capacity of team leaders and consolidate the basic management, CR Double-Crane organized and launched rotating training sessions of team leader management skills. There were altogether 240 primary team leaders who participated in the training.



Care for Employees



Case

Dong-E-E-Jiao employee care campaigns

In 2016, Dong-E-E-Jiao provided experiential products to 12,445 person times with a total value of RMB 3.5 million. The Company sent birthday wishes to 2,330 employees, established employee rehabilitation rooms in the People's Hospital of Dong'e County provide medical treatment for employees, and a total of 53 employees enjoyed the service. Dong-E-E-Jiao also provided free swimming and fitness cards for 276 retired employees, organized four health knowledge publicity lectures attended by more than 600 employees.

Heart-warming projects on New Year's Day and the Spring Festival

CRPG appropriated RMB 160,000 for enterprises in Beijing in the "Heart-warming" projects. Two levels of labor unions visited model employees, needy employees and needy party members' families on New Year's Day and the Spring Festival, and applied for subsidies from Beijing Labor Union for needy employees.

Help employees in temporary troubles

To implement the "visit of five categories of needy employees" system, cadres of the labor union visited employees or their immediate family members who were in hospital or passed away.

Autumn student aid

The labor union of CRPG appropriated a grant of RMB 12,000 to children of six needy employees.

Sending coolness and refreshment in summer

Representatives of the Company visited frontline employees in scorching summer, and sent them heatstroke medicine, refreshing drinks and care of the Company.

Care for female employees

The Company provided special disease mutual assistance insurance for female employees. In 2016, the labor union of CRPG purchases special disease insurance for 2,067 female employees. Two sick female employees received an insurance compensation of more than RMB 40,000.

Care for model employees

The Company rewarded 48 provincial and ministerial-level labor models in Beijing during the Spring Festival, applied subsidies for medical expenses for 21 sick model employees, and organized physical examinations and rehabilitations for 20 model employees.





Outstanding employees of CRPG in Hong Kong

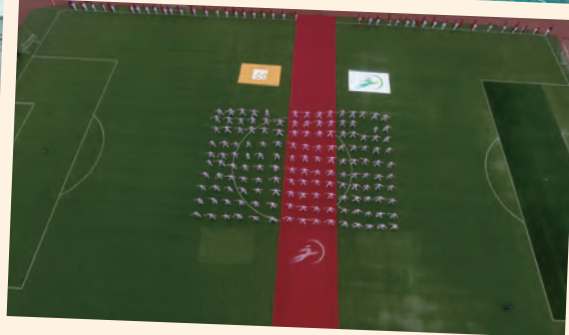
Advocate of healthy lifestyle

The Company actively holds sports competitions and fitness activities among employees to provide them with a favorable condition for a healthy lifestyle.



Case

The labor union of Shanghai Changfu Pharmacy, a subordinate of CR Double-Crane, not only granted summer cooling supplies, but also collaborated with the labor union of Jinshan Industrial Park to host the "Bring Chinese medicine into the enterprise" campaign to provide free healthcare services to employees.



Case

CR Pharmaceutical Commercial focuses on work-life balance

CR Pharmaceutical Commercial strived to create a corporate atmosphere features work-life balance. In order to enrich the employees' culture life, the Company set up an employee interest group to hold regularly activities. The Company also established the "Sports Love Fund" to promote diversity, normalization and popularization of healthy living among employees.



Guarding for Love: Care for Health

- Ensuring Product and Service Quality
- Promoting Customer Satisfaction
- Marketing and Sales of Medicines



Ensuring Product and Service Quality

Quality has always been the priority for CRPG. Strictly abide by product quality-related laws and regulations, through establishing a complete quality management system and applying the requirements of the system to the whole manufacturing process, including production, control, and the release, storage and delivering of products, CRPG managed to ensure that its products meet their intended uses and registration requirements. In this way, CRPG provides safe and effective products to the market.

With a focus on quality, CRPG made a 13th Five-year-plan on quality management and enhanced its basic management and quality management systems at all levels; CRPG also improved the auditing and risk control of quality, and acted as a supervisor to ensure that enterprises operate according to law and with compliance. Hence CRPG realized a continuous improvement of quality management.



>>> Improving the Management and Safeguard Mechanism of Quality System

CRPG established respective management systems for quality organization, quality auditing, quality risk, emergency management, technology exchange and training. And at the same time, based on several quality management standards such as the new versions of GMP/GSP as well as international laws, including FDA, EU's GMP and ICH, CRPG requires that its subsidiaries should control and supervise medicine quality through the whole process.

CRPG's subsidiaries produce and operate in strict compliance with quality management standards such as GMP/GSP. A complete quality management mechanism with six systems—quality management, production management, material management, premises and facilities, QC laboratories, and packaging and labeling, was constructed.





Case

Dong-E-E-Jiao received the highest award for product quality

On March 29, 2016, the 2th China Quality Award Presentation Ceremony was held in the Great Hall of the People. Dong-E-E-Jiao won the Nomination Award with its core management model that centers on “a whole industrial chain quality control”. This is another high-level award for product quality that Dong-E-E-Jiao received after the 2013 “China Quality Award Nomination Award” and the 2015 “National Quality Award”, making Dong-E-E-Jiao a representative enterprise of pharmaceutical industry.



>>>> Quality Risk Control of the Industrial Chain

CRPG applied the quality risk control to the entire industrial chain, ranging from the bidding and selection of raw material suppliers, the purchasing and testing of raw material, production, storage, sales, transport and usage. CRPG abide by relevant laws, regulations and policies strictly. We studied factors that may cause quality risks in every link of the industrial chain, and took preventive measures to create a medicine industrial chain that is safe and produces medicine with excellent quality and obvious curative effect.

>>>> Emergency Response and Recall Mechanism for Products

CRPG established an emergency response mechanism and proactively carried out emergency response drills against product quality contingencies. Through scenario simulation, target design and role play, key quality management personnel could simulate virtual response to the press, the investigation and regulation of the accident, the assessment of the regulation, and external experts, so that the company's emergency response capacity was improved and an integrated emergency response mechanism was formed.

CRPG established a medicine recall mechanism and a recall emergency plan, standardized the scope, classification and management of the medicine to be recalled, and clarified the responsibilities of the regulatory agency and personnel in charge of medicine recalled. CRPG organized mock recalls on a regular basis to make sure to properly recall the defective medicine that have already been marketed, which ensured a timely and effective response and reduce the threat the defective products caused to public safety.

>>>> Standardized Packaging and Labelling of Medicine

To make sure that the labelling and packaging of medicine is in accordance with the law, CRPG has enhanced the management and supervision of medicine by standardizing the packaging, labelling and instructions of medicine. This will facilitate the transport, storage and use of medicine, and ensure drug safety. CRPG designs medicine labels and instructions under the guidance of relevant laws and principles released by drug safety authorities, and submits examination and approval documents at the product's registration stage. When the product goes on sale, its packaging, labels and instructions are already approved by the authorities, so patients can get detailed information of the medicine, thus their drug safety assured.

>>>> The Mechanism that Ensures Drug Quality and Safety during Transport

CRPG established Drug Transport and Commissioned Transport Management Approach, Cold-chain Drug Commissioned Transport Management Approach, Drug Transport Operation Rules and other related management systems to strengthen the management of transport carriers. In addition to signing transport agreements each year, CRPG also signs Transport Quality Supplementary Agreement with carriers, which clearly defines the responsibilities and obligations of the two sides in guaranteeing product quality, safety and transport safety, and which also makes special provisions on cold-chain drug transport.

>>> The Cultivation of Quality Culture

CRPG holds various forms of activities, including "Quality Month", quizzes, essay contests, training, and technician's competition, to promote the quality culture, and to create an environment where everyone pays attention to, attaches importance to and pursues better quality. Through such activities, employees built up their quality awareness and a sense of responsibility, which further ensures product quality.



Case

CR Zizhu launched a "Quality Month" activity with the theme "Consolidating, innovating, and surpassing" to create a good atmosphere that shows that both the enterprise and its employees pay much attention to quality.



Case

CR Sanjiu carried out a "Quality Month" activity to promote knowledge about quality to all the staff, encourage them to participate in the management of quality, and strengthen employees' quality awareness.



>>> Establishing a Collecting and Feedback Mechanism for Adverse Reactions

CRPG established an adverse drug reaction reporting and monitoring management system to collect and monitor information on adverse drug reactions timely. Once the system detects adverse reactions, the system will make a quick response for timely investigation and reporting, and ensures the safety of drug use.

All production departments have set about establishing a drug alert system that meets international standards on the basis of the previous management of adverse drug reaction to strengthen drug safety management. Data collection, analysis, and evaluation were also enhanced, which is conducive to the timely detection and control of products' quality risks and could help guarantee the safety of drug use.



Case

CR Double-Cranewas listed as a demonstration unit for the construction of drug alert system by Beijing Municipal Adverse Drug Reaction Center. It established a drug emergency response system with seven major modules, which are: the staff and organization structure, responsibilities and scope of work, 16 standard operating procedures, the drug safety training system, the document management system, the inspection and audit system, and the drug safety database.

Promoting Customer Satisfaction

>>> Emergency Response Mechanism for Adverse Drug Reactions

CRPG established a drug safety emergency response mechanism to manage and control drug safety emergencies, which ensures quick response when there are emergencies, so that measures could be taken in an organized, planned, and step-by-step manner to minimize the risks and threats that emergencies cause to public health and safety.

>>> Compliant and Reality-based Advertising

Through the expert's consultation, training on laws and regulations, disclosing product information among related parties, product knowledge training, etc., CRPG managed to spread correct information to most patients, thus protecting their interests. It also conform to relevant rules in terms of advertisement and customer data and privacy.

>>> Establishing and Improving the Service System

CRPG established an after-sales service network where R&D, production, and marketing were integrated, and developed a related management system, substantially improving the quality of service.

CR Double-Crane established a customer service team consisting of customer service specialists from all the production and marketing departments to deal with complaints, and it also made a series of management measures and regulations on after-sale service.

Dong-E-E-Jiao built up a customer service system and opened two consultation telephone lines (400 and 800). It also handles after-sale issues on its official website and WeChat official account.



CR Zizhu and "Day Day Up", the flagship TV show of Hunan Satellite Television, co-organized a campus campaign called "Be brave to love, day day up". The activity to promotes and spread knowledge about reproductive health on campuses.



》》》》 Trainings on Rational Drug Use and the Popularization of Drug Safety Knowledge

CRPG uses the internet, on-site expert consultation and so on to carry out training on rational drug use and popularization activities on drug safety knowledge.



Case

CR Double-Crane launched the "Singing Crane Action", a project that organizes county, township, village level medical workers to learn high blood pressure prevention and control skills for free. The project begins in 2012, and as of 2016, it had held more than 1,000 high blood pressure prevention training sessions participated by more than 140,000 grassroots medical workers. In 2016, the

company trained a total of 32,373 people on the Guide to Grassroots-level Hypertension Prevention and Control and high blood pressure prevention, for which company was awarded "Prairie Fire Plan—Excellent Unit of Cooperation and Promotion" by China Hypertension League.

》》》》 Ensuring Supply

CRPG actively takes the responsibilities in national and local disaster relief, and ensures the supply of emergency drugs.



Case

CR Hunan Pharmaceutical sent 1,022 pieces of first-aid medicine to the Public Health Bureau of Longshan County, Tujia and Miao Autonomous Prefecture of Xiangxi, Hunan Province for anti-flood rescue.



》》》》 Promoting Customer Satisfaction

CRPG provides professional, quality and efficient services to upstream and downstream customers through a variety of ways. Besides, we are continuously promoting the satisfaction degree of medical institutions and patients through regular customer satisfaction surveys.

》》》》 Customer Relations Management

Based on the actual situation, enterprises under CRPG developed a dealer management system that regulates dealers' approving procedures, the confirmation of dealer qualification, credit rating, and so on. At the same time, we make regular comprehensive assessments among dealers to evaluate their annual turnover, credit level, market capacity, promotion ability and collaboration, based on which we determine their classification and level, and implement differentiated management.



Case

CR Saike is committed to providing consumers with quality products and after-sales service. In 2016, it improved the customer management system, established expert classification system, and established and maintained relations with experts through academic activities, meetings, and daily visits. It has established relations with 67 national key opinion leaders (KOL), 134 regional

KOLs and 335 key speakers. At the same time, the 400/800 healthcare hotline applies pretreatment standardization technology to handle customers' complaints on drug quality. The hotline received 211 feedback calls during the year, and all the callers were satisfied with the service.



Case

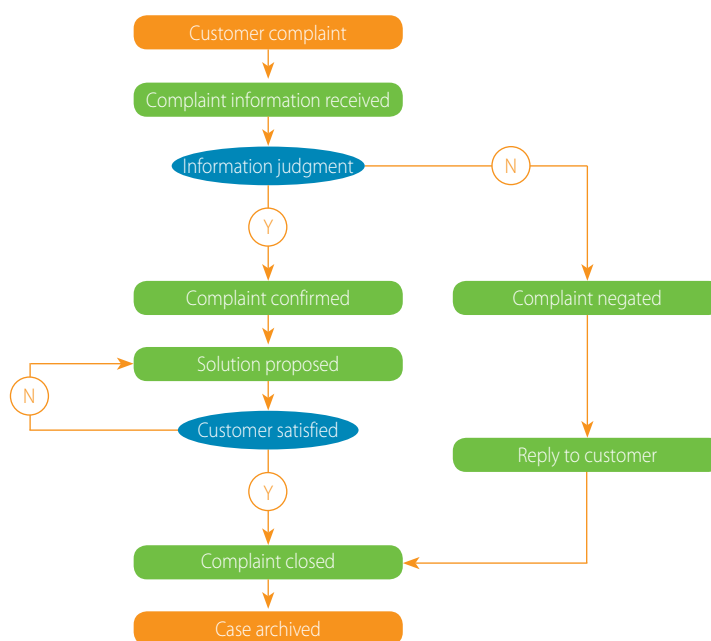
CR Sanjiu surveyed the satisfaction degree of its channel distributors. Through qualitative and quantitative researches, the company did surveys on all VIP customers, most of the level-two customers and a small number level-three ones. The research content involves products, channel services and so on, and the result shows that customers are very satisfied with and interested in the value-added services, training projects and other projects provided by the company. At the same time, customers hope that they will be able to participate in the development of marketing plans for their respective region. The company is also developing projects to better protect customer interests.

Customer Satisfaction Survey

CRPG has established a customer satisfaction survey and feedback system, which measures customer satisfaction and loyalty regularly to learn about consumers' awareness of the brand and brand reputation, their comments on product quality, and their satisfaction degree on the quality of sales and transport services. Therefore, we could tap the potential needs of consumers, and constantly develop products that cater to consumer's demands.

Handling Complaints and Disputes

CRPG has developed a customer complaint handling procedure. We attach great importance to customer complaint information management, and record customer complaints and put them in a form timely. Then we take effective measures after identifying the cause of complaints, and respond to customers in a timely manner.



Marketing and Sales of Medicines

Promoting Marketing Integration and Improving Product Structure

CRPG made overall plans for all aspects of marketing to achieve complementary advantages among market access, channels, and terminals, which together can form a great support for the brand.

Optimizing Product Structure and Profitability

Make full use of the synergistic values of channels and terminals of competitive business areas, optimize product structure, and improve profitability.

A Nationwide Distribution Network



>>> Enhancing Marketing Capacity and Creating Professional Advantages

Establish and consolidate the academic and brand status among the hospital market through academic projects, guideline promotion, and expert network construction, etc.

>>> Improving Terminal Control and Terminal Yield

Speed up the coverage of terminals in uncovered areas, and focus on chain management and direct cooperation to release the driving force of terminals.

>>> Improving the Communication with Consumers and Brand Influence

Engage in extensive brand promotion through the coverage of authoritative media, and theme activities, etc.

>>> Initiating Differentiated Marketing and Increasing Customer Stickiness

Increase the number of end customers and consumer stickiness through differentiated marketing strategies such as smart pharmacy of traditional Chinese medicine, co-construction of the peritoneal dialysis center, gelatin boiling activities, and industrial culture experience activities.



Case

Dong-E-E-Jiao's health preservation platform

In 2016, the construction of Dong-E-E-Jiao Visitor Center was completed. With a total investment of RMB 480 million, this center occupies an area of 21,000 square meters and is equipped with multiple functions, including cultural tourism, air theater, 4D film experience room, recreation, healthy food, and shopping. Health care and preservation are advocated as the center's attraction.





Sharing for Love: Win-Win Cooperation

- Strategic Cooperation
- Promoting Fair Competition and Industry Progress
- Promoting Responsibility Fulfillment along the Supply Chain
- Anti-Commercial Bribery
- Management of Public Opinion
- Media Cooperation



Strategic Cooperation

>>> Strengthening Industry-University-Research Alliance

CRPG together with another 14 institutions, including the National Center for Nanoscience and Technology of Chinese Academy of Sciences, Institute of Materia Medica under Chinese Academy of Medical Sciences & Peking Union Medical College, and first-class medical colleges, established an innovative strategic alliance. They developed strategic cooperation through jointly owned laboratories and collaborative innovation centers. With the focus on R&D, achievement transformation, resource sharing and talents cultivation, CRPG and other members of the alliance have established long-term comprehensive cooperation to promote project cooperation and transformation application.



>>> Strengthening External Cooperation

CRPG has established a communication platform between domestic and overseas medical enterprises, which expands the channel of purchasing new products, facilitates negotiations on external projects, fills in the blanks of the industry, and enriches the existing product lines.



Case

The Strategic Cooperation between CR Sanjiu and Sanofi

CR Sanjiu and Sanofi signed a strategic cooperation agreement to exploit the health-care product market jointly. The strategic cooperation involves two aspects. Firstly, the two parties plan to establish a joint venture focusing on OTC drugs of pediatrics and gynecology. Secondly, CR Sanjiu will be in charge of the distribution and promotion of Essentials, one of the OTC drugs of Sanofi, in Chinese market.





Case

CRPG and Hefei Tianmai Biotechnology Development Co., Ltd. (HTBT) signed a strategic cooperation agreement.

CRPG and HTBT signed a strategic cooperation agreement. The two parties decided to develop profound cooperation in the field of recombinant human insulin, and to exploit the technology and products of related to recombinant proteins of insulin. Their partnership is a milestone for CRPG's strategic development in the area of biopharmaceutical products.



Case

CRPG and WuXi AppTec invented two innovative drugs jointly

In December 2016, CRPG and WuXi AppTec signed the cooperation and development agreement to invent two innovative drugs for the respiratory system and hematologic system. It was the second time that the two parties joined hands after their signing of the strategic cooperation agreement and biological medicine R&D agreement. The goal of their cooperation this time is not only to develop new drugs for China, but also for the whole world.



>>> Strengthening Communication with the Government and Industrial Associations

CRPG attended more than 20 industrial meetings and visited major industrial associations for 5 times, obtaining abundant frontier policies and market information. Meanwhile, CRPG organized high-level communication events and attended provincial and municipal activities for 34 times.



Promoting Fair Competition and Industry Progress



Case

Dong-E-E-Jiao leads the development of donkey industry

The sixth standing council meeting of the third session of China Animal Agriculture Association was convened in Shenyang. The CEO of Dong-E-E-Jiao attended the meeting as the Chairman of the Donkey Industry Committee. He suggested that "the development of the donkey industry should be supported by the State and integrated into the overall national plan", and the proposal was included in the discussion list of the standing council of China Animal Agriculture Association.



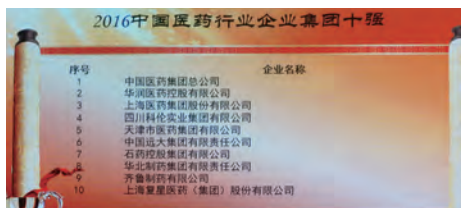
CRPG strives to become a pioneer of the pharmaceutical and healthcare industry. It strictly complies with national laws and industrial standards. Apart from operating lawfully, CRPG also lays emphasis on building a favorable industry development environment to promote the sustainable and healthy development of pharmaceutical and healthcare industry.



Case

CRPG took the second place in the National Top Ten Enterprises in Pharmaceutical and Healthcare Industry

"China ChemPharm Annual Summit 2016" was held by China Pharmaceutical Industry Association (CPIA), China Association of Pharmaceutical Commerce (CAPC), China Nonprescription Medicines Association (CNMA) and China Pharmaceutical Enterprises Development Promote Association (CPEP) in Wuhan. In the summit, the list of "2016 Outstanding Enterprises and Excellent Product Brands in Chinese Pharmaceutical Industry" was announced. CRPG won the second place in "2016 China Top Ten Enterprises in Pharmaceutical and Healthcare Industry".



Case

CR Saike co-organized the review meeting on the Guidance for Reasonable Use of High Blood Pressure Drugs

CR Saike co-organized the revision meeting of the Guidelines for Rational Hypertensive Drug Use

On October 13, the revision meeting of the Guidelines for Rational Hypertensive Drug Use was held in Beijing by Committee of Experts on Rational Drug Use National Health and Family Planning Commission of the P.R. China and Committee of Experts on the Hypertension Chinese Medical Doctor Association, and CR Saike was the co-organizer. The revision of the Guidelines for Rational Hypertensive Drug Use benefits tens of thousands of cardiologists, and it is conducive to 2.7 hundred million hypertensives in China. The experts who attended the meeting made a lot of constructive suggestions, which laid a solid foundation for the rational use of hypertensive drugs.



Promoting Responsibility Fulfillment along the Supply Chain

CRPG maintains strict quality standards and strengthens the responsibility management along the supply chain to ensure drug safety from the source. CRPG integrated CSR management into the supplier evaluation index to encourage suppliers to advocate its CSR philosophy. In this way, CRPG ensures superior raw material, service, and products.



Dong-E-E-Jiao promotes responsibility fulfillment along the supply chain

Technical support and improvement from the source

To guarantee highquality of raw material, Dong-E-E-Jiao provides donkey breeders with breeding and epidemic prevention technologies to improve the standardization level of the breeding process through technological support, model promotion, and experience sharing. Meanwhile, Dong-E-E-Jiao guides butchers and suppliers to establish a donkey hide production standardization quality system to improve the quality of donkey hidefrom the source.



On-site Guidance and Information Sharing

Faced with a fast-changing and complex TCM products market, Dong-E-E-Jiao provides on-site technology guidance for and shares information with TCM product suppliers. In this way, Dong-E-E-Jiao can ensure smooth supply channels of TCM products, and at the same time improve the competitiveness of suppliers.

Cooperation and Win-Win Development

Dong-E-E-Jiao implements incentive policies to promote strategic cooperation with important suppliers. Besides, the company provides financial support for suppliers to relief suppliers' shortage of capital and strengthen the strategic partnership with them.



Anti-Commercial Bribery

With the concept of compliance operation deeply rooted in the corporate culture, CRPG strictly complies with national laws and regulations relevant to building a clean government.

In pharmaceutical marketing, CR Double-Crane refuses and eradicates any act of unfair competition especially business bribery. Pharmaceutical representatives are strictly supervised, managed and cultivated. CR Double-Crane organized peer enterprises to sign the Sales Personnel Compliance Liability Statements to develop fair competition and maintain a sound environment and good order for competition in pharmaceutical market. When promoting pharmaceutical products, CR Double-Crane refuses and eradicates false publicity by ensuring legal promoting means and channels, and the facticity of drug information.

CR Sanjiu establishes Anti-Malpractice System. All social parts can report malpractice cases through hotline, e-mail and mail. According to the system, the punishment for the employees who commit malpractice is administrative disciplinary sanction, and the employees who commit crime will be sent to judicial authorities immediately.

>>> Sunshine Purchasing

CRPG issued CRPG Bidding and Purchasing Management System and CRPG Bidding and Purchasing Implementing Rules to optimize the approval process and working template.

According to CRPG Bidding and Purchasing Management System, all bidders should comply with the "Sunshine Declaration", and load the bidding document. Staff who participate in the bid assessment should sign Clean Conduct Rules.

Management of Public Opinion

CRPG revised the Public Opinion Management Measures. Through managing public opinions, CRPG can understand the demands of the stakeholders timely, and discover problems in production, operation and service. Problems pointed out by the public will be verified, responded, and rectified.

Media Cooperation

CRPG visited media repeatedly to introduce the recent development and listen to comments and suggestions from them. Meanwhile, CRPG releases important dynamic information to the media through press releases and the Company's official website.





Escorting for Love: Harmonious Development

- Government Responsibility
- Safe Production
- Public Charity
- Community Participation



Government Responsibility

Total tax payment RMB **4.7** billion

Newly-added employees **2,204**

Chinese government successively launched various industry plans, such as Guidance on Improving the Healthy Development of Pharmaceutical Industry, "Health China 2030" Planning Outline, The 13th Five-Year Plan for the Pharmaceutical Industry of China, National Plan for Medicine Circulation Industry Development 2016-2020, etc. And it uplifted "Health China" to the level of national strategy as one of the pillar industries of future economic development in China. The pharmaceuticals and healthcare industry hence ushered in a good period for development.

>>> Responding to Policies

Innovative Development

While accelerating business expansion and enriching product portfolios to better tap into internal potential, a strengthened capability of medicine R&D and innovation has become a key issue. CRPG will comply keep policy-oriented, and develop projects supported by preferential policies.

Collective Development

CRPG endeavors to speed up the establishment of its business layout and logistics network in cities to provide upstream sectors with "national one-stop channel solutions", thus enhancing the strategic cooperation with upstream customers through nationwide CRPG member enterprises.

Building a Platform for Chronic Diseases

We integrate product resources to form a resultant force in the grassroots market, and constantly carry out grassroots doctors training and patient education projects to strengthen our power at the terminal.

Improving Retail Business Competitiveness

We carry out integrated management of retail pharmacies to improve our service and management capability.

Strengthening EHS Management

We constantly focus on the improvement of quality management and technique management to ensure high quality, safe production, and standard environmental protection.

Carrying Out Compliance Auditing

We have established inspection and guidance work mechanism to carry out on-site inspections and offer guidance according to GMP, GSP, medicine data management specifications and other policies and regulations.

>>> Paying Taxes according to Law

CRPG actively adjusts itself to changes of national taxation policies. We implement streamlined tax administration, and further improve tax administration compliance through internal and external checks. In 2016, our total tax payment reached RMB 4.7 billion.

>>> Creating Jobs

We created 2,204 jobs in 2016.

Safe Production

Zero

No major environmental pollution accidents happened in 2016.

Zero

No safe production accidents at ordinary level or above happened in 2016.

355 emergency drills were organized in 2016

The emergency drills were participated by **21,058** person times.



Emergency Drills of CR Zizhu Pharmaceutical in 2016

>>> Safety Performance

In 2016, CRPG operated steadily in aspects related to the environment, health and safety. No major environmental pollution accidents or safe production accidents at ordinary level or above happened in 2016.

Under CRPG's integral framework, we completed

the formulation of The Thirteenth Five-Year Plan for EHS. EHS organization system has been gradually improved, and the management system has become increasingly mature. EHS risk management, EHS demonstration bases and other projects have been advanced steadily.

>>> EHS Management System

CRPG complied Regulations for EHS Management System Establishment to standardize the establishment of EHS management systems of CRPG and its subordinate enterprises. The Regulations clarify the range, boundary, structure and main content of the system, thus EHS management can be achieved in a standardized and scientific manner.

All levels of EHS management systems at CRPG should at least include the ten basic aspects, namely organization system, regulation system, responsibility system, education system, risk control system, supervision and protection system,

information transmission and reporting system, culture system, appraisal system, and system establishment and maintenance, those ten aspects of elementary content.

EHS management systems of CRPG subordinate enterprises at all levels should be integrated into the whole production process, whose establishment process is also to implement and fulfill laws and regulations. The establishment and improvement of the EHS management system at each level should be carried out according to the "PDCA" working methods.

>>> EHS Emergency Management

To further improve emergency management, CRPG improved the CRPG Comprehensive Contingency Plan for Safe Production Accidents for the fifth time to get the 6.0 version by considering the current security management situation and risk features of the Company.

CRPG keeps on promoting the establishment of the contingency system establishment including contingency institutions and teams, contingency plans at different levels, contingency facilities, equipment, materials, etc. Meanwhile, we have improved the compilation and revision of contingency plans, and compiled special contingency plans and on-site handling plans to enhance their relevance and operability, build corresponding rescue teams, prepare rescue

material in strict accordance with the plan through enhanced management, and enhance 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 rescue team's contingency rescue ability and test the feasibility of the plan so that we can make timely reviews and revisions. When an emergency occurs, we will activate the contingency plan promptly, make correct judgment of the emergency, and make effective response to prevent similar accidents from happening again.

Subsidiaries of CRPG has totally organized 355 emergency drills in 2016, which were participated by 21,058 person times.

>>> EHS Supervision and Management



CRPG and CR Sanjiu jointly carried out the annual EHS inspection

CRPG and its subordinate companies carried out various inspections for over 4,000 times in 2016, including EHS inspections, inspections before festivals, "Four noes of two straight ways" checks (no notification, no informing, no reporting, no company and reception; going to the grassroots and sites straightly) and hazardous chemical checks, covering most industries and business enterprises.

CRPG actively creates innovative check modes in the check process to promote collaboration and joint implementation. Such efforts help CRPG form the three-in-one thorough check exchanges integrating CRPG, the profits center and grassroots

corporations, and realize efficient utilization of management resources.

CRPG compiled CRPG 2016 EHS Inspection and Rectification Report (Template) to stipulate specific requirements for member enterprises to reform hidden risks. In the Report, we changed the previous point-to-point rectification method to point-to-surface one, so that our enterprises can find deficiencies of the EHS system in its operation through identifying hidden risks. In this way, we can enhance the rectification effect, and improve long-term development and continuous promotion of the EHS system.

212,365

Total hours of EHS training

10,760

Total hours of stakeholder training

>>> EHS Accident Management

According to the EHS Supervision Management and Assessment System, when accident happens, CRPG enterprises at all levels must report it timely to CRPG, related departments and organizations in accordance with relevant provisions and requirements, and find the cause of the EHS accident. During the inspection, all enterprises should stick to the "Principle of Four Musts": the cause of the accident must be found; the personnel accountable for the accident must be punished; the personnel accountable and the public must be educated; rectification measures

must be implemented. All enterprises should establish and improve the EHS accidents document, carefully analyze the technical and management flaws behind the accident, implement rectification measures, investigate accountabilities, and carry out accident warning publicity. By doing this, we can avoid similar accidents in the future.

In 2016, CRPG enterprises at all levels carried out special learning and investigation activities irregularly based on internal EHS accidents to learn from past experience and avoid the same type of accidents happening again.



CRPG subordinate companies carried out EHS trainings

>>> Safety Education Training and Training Performance

In 2016, CRPG organized 212,365 hours of EHS training among employees, 10,760 hours of training for stakeholders.

At the beginning of the year, China Resources issued the 2016 Working Plan for CR EHS Training and CRPG EHS Education and Training, which stipulates responsible personnel and EHS administrators of all enterprises should attend at least once EHS training each year. The training

content and hours should be in line with the requirement of related laws, regulations and systems, and trainees should make corresponding training records. In 2016, CRPG organized various EHS training projects for subordinate enterprises, like CR EHS Training, CRPG Annual EHS Training, Special EHS Training for New Employees, and Safety Management Personnel Training of Central Enterprises.

>>> Hazardous Chemicals Management

CRPG attaches great significance to the management of hazardous chemicals. For BPC (bulk pharmaceutical chemicals) producers that involve chemosynthesis, chemical preparations producers that use hazardous chemicals, and business organizations that deal with hazardous chemicals and highly toxic products, we conduct special checks to avoid any hidden danger. CRPG requires all subsidiaries to check the implementation of environmental protection at

all links including the purchase, transport, storage, use, and obsolescence of highly toxic chemicals, thus putting related risks under proper control, and avoiding chemical-related accidents. Meanwhile, CRPG requires subordinate chemical companies to carry out regular special drills, make corresponding improvement and on-site treatment plan, in order to enhance the ability of managing chemical-related accidents.



>>> Occupational Health Management

In the annual EHS work index, CRPG formulated multiple accurate occupational hygiene indicators including "the number of cases of occupational diseases", "the incidence of acute toxicity accidents", "physical examination ratio of employees in positions prone to occupational diseases" and so on. In the working plan, CRPG stipulated the requirement and arrangement of occupational hygiene special work. In the EHS examination and appraisal, CRPG put the focus on occupational hygiene to formulate a special examination form according to the occupational hygiene management requirement for pharmaceutical businesses. Examinations were conducted

according to the form, and the results were included in the EHS performance appraisal.

CRPG carries out occupational health examinations irregularly, with the content focusing on the detection of hazardous factors at workplace, the establishment of health records for employee physical examination and occupational health, the use and storage of hazardous chemicals, the running of safety facilities, the coverage of safety protection gears, the implementation of safe operation procedures, the organization of safety education training, the organization of safety meetings, the ability to find sources of dangers, and the elimination of safety hazards.

Investment in safe production
RMB **44.896** million

>>> Safety Investment

CRPG has included the expenses on safe production, energy saving and environmental protection, occupational health, and fire fighting in its annual budget. All subsidiaries are required to strictly follow relevant laws, regulations, and technological standards while implementing EHStchnological transformation and measures. In this way, we try to eliminate pollutants at their sources, optimize the energy utilization structure, improve the utilization rate of equipment and resources, and guarantee the proper operation of safety protection and emergency equipment and facilities, thus improving the overall safety level.

CRPG integrates advanced and developed technological approaches (GPS, real-time monitoring, and remote monitoring, etc.) in its daily

EHS supervision and management, based on which it has gradually promoted the transformation from a reporting system to a monitoring system. CRPG encourages its subsidiaries to actively implement certification work related to safe production, environmental protection, energy saving and emission reduction, including safe production standardization certification, OHSAS18000, clean production review, and ISO14000, etc.

In 2016, CRPG invested RMB 44.896 million in safe production

In 2016, CRPG was awarded "Beijing Municipal Model Enterprise of Safety Culture Construction" by Beijing Administration of Work Safety with the period of validity ranging from January 2016 to January 2019.

Charitable Activities

CRPG has formulated the Social Responsibility Action Plan of 2016 to 2017 to promote the integration of social responsibility work with business strategies.

In 2016, CRPG donated medical equipment to the medical room of CR Hope Town of Jinzhai, and organized on-site medical consultation service to locals.



Co-development of Communities



Case

CR Sanjiu drives local economic and industrial 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 Sichuan to drive the development of traditional Chinese medicinal materials. Meanwhile, by integrating harmoniously with tourism resources of Ya'an and rich local medical plants, the project demonstrates multi-dimensional values in terms of scientific R&D, education, tourism, and culture. It 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. Besides, the project has created around 200 jobs for migrant workers, and brought more profits to local farmers.



Case

Dong-E-E-Jiao explores simultaneous industrial development and target poverty alleviation

On May 10, 2016, Dong-E-E-Jiao, Ningxia Deze Agriculture Industry Investment Development Company and Wuzhong Municipal Government signed a strategic cooperation agreement for an investment project worth RMB 220 million. The project of a 16, 00-mu new-energy black donkey breeding park was launched at Hongsibu District and Sanshanjing Village, Xiamaguan Town, Tongxin County, Ningxia Hui Autonomous Region.

In 2016, 2,000 female donkeys were purchased for breeding. The project plans to increase the number of donkeys to 100,000 in 2026, and has increased the average income of 2,000 registered poor local people above RMB 3,000, the lowest poverty-alleviation standard. The project aims to build the black donkey breeding park into a benchmark for Ningxia's poverty alleviation projects.



10



Sustainable Development for Love: Green Development

- Green Management
- Green Office



Green Management

Considering characteristics of the pharmaceutical industry and focusing on the industry regulations and requirements, major industry risks, major equipment and facilities, energy consumption and pollutant emissions, the actual operation and so on, CRPG endeavors to build a green management system with strong and professional guiding function to facilitate EHS-related work at each profit center and grassroots enterprise.

CRPG compiled and launched CRPG Comprehensive Contingency Plan for Environmental Pollution Accidents (V1.0) to standardize the contingency response procedures for environmental pollution

accidents of CRPG and its subordinate enterprises. With the contingency plan, we can promptly and effectively control the damage caused by environmental pollution accidents, and minimize personal injuries, ecological damage, property loss, and negative social impact.

CRPG formulated strict indexes of energy consumption, water consumption and sewage discharge for all subordinate enterprises, which serve as important reference in the annual EHS work assessment.



Case

CR Double-Crane Actively Promoting Pollution and Emission Reduction Work

CR Double-Crane actively promoted pollution and emission reduction in 2016 by advancing the reform of relevant technologies, which effectively reduced total emission of major pollutants. We implemented clean energy replacement project, and significantly reduced coal consumption. CR Double-Crane only consumed 20.2 thousand tons of standard coal, a year-on-year decrease of 27.11%. Compared to the same period of last year, SO₂ emission was reduced by 26.11%, nitric oxide emission was reduced by 13.97%, and COD emission was reduced by 4.71%.

>>> Pollution and Emission Reduction

CRPG requires all subordinate enterprises to strengthen emission control, and assure that their emissions meet the standards set by laws and regulations. We set up sampling points and carry out sampling regularly to strengthen the monitoring of sewage disposal, enhance pollution control at the source, and carry out sludge treatment in compliance with regulations to ensure the steady operation of sewage treatment

facilities. We have carried out exhaust gas collection and collective treatment, and gradually reduced disorder emissions to ensure normal operation of exhaust gas treatment facilities and standard emissions. Dangerous waste generated during production and operation is strictly collected and stored as requested, and delivered to the qualified third party for treatment. It's forbidden to dispose of dangerous waste privately.

>>> Combating Climate Changes

CRPG encourages all subordinate enterprises to strengthen the measurement and monitoring of energy consumption, water consumption and sewage discharge, gradually improve their measuring and monitoring facilities and equipment, and implement three-class measurement and sewage discharge self-monitoring. We require all enterprises to improve the account of energy consumption and sewage emission to the completeness and accuracy of monitoring statistics. Enterprises at all levels should regularly carry out analyses of water consumption and sewage discharge, and promote the implementation of product consumption benchmarking and the performance assessment of energy saving and emission reduction according to the integral plan and diversified indexes of each enterprise.

CRPG continuously promotes the publicity and education of energy saving and emission reduction to enhance employee awareness of it. In 2016, CRPG kept on its researches into and collection of related material for the excellent energy saving and emission reduction projects, and investigated and stored a series of energy saving and emission reduction technologies, such as photovoltaic, ground (water) source heat pump, gas turbine cogeneration (energy island), permanent magnet electric motor, magnetic levitation air conditioner, water storage air conditioner and so on.

We applied energy saving and emission reduction technologies feasible for the pharmaceutical industry, and continuously promoted their application for economical and efficient energy saving and emission reduction projects.



Case

Dong-E-E-Jiao has made full use of the vacant area to the south of the donkey shed. In light of the national policies that support clean energy and low-carbon economy, Dong-E-E-Jiao made the preparatory work through consulting and survey. After that, it invested and constructed phase II of the 5.5MWp photovoltaic power generation project based on the Photovoltaic Project of the 10-billion E-Jiao Biotechnology Industry Park.

The main body of the project has been connected to the grid since June 2016. 22,118 photovoltaic modules have been installed with an installed capacity of 5.529MW. The project sells all the electricity to the national grid. With an average annual power output of 6.68 million KWh, the project saves 2,676 tons of standard coal each year, reduce the annual CO₂ emission by 6,660 tons, SO₂ by 200 tons, dust by 45 tons, and nitric oxide by 26 tons.



Photovoltaic donkey shed



Case

CR Double-Crane increases investment in environmental protection to promote ecological civilization

In 2016, CR Double-Crane increased capital input in pollution treatment and ecological protection capacity building. During the whole year, CR Double-Crane invested RMB 23 million in environmental management, including sewage discharge, dust pollution treatment, noise control and other projects. Besides, CR Double-Crane invested RMB 20 million in the reform of energy saving and emission reduction technologies, which included the coal-to-gas project of Wanhui Double-Crane, Binhu Double-Crane, Anhui Double-Crane and Jinxin Double-Crane. RMB 1.5 million was invested to build the ultra-low nitrogen burner at Beijing Industrial Park, which reduces the emission of nitrogen oxide substantially.

>>> Use of Packaging Material

As drug quality and safety is ensured, CRPG strictly regulates the procurement, use, and disposal of packaging material. But because of the numerous products covering multiple sectors, and lack of a

uniform standard for packaging material, CRPG is setting up a unified packaging material data measurement system.

>>> Ecological Protection

CRPG requires enterprises at all levels to pay attention to "safety", "environmental protection", "occupational health", "firefighting" in construction, expansion and reconstruction, and strictly implement the "three simultaneous". In the process of mergers and acquisitions, the Company should thoroughly investigate the safety level and environmental protection ability of the enterprise,

and an EHS chapter should be included in the due diligence to thoroughly describe the current situation and future trend of the safe production, energy saving and environmental protection technologies. Besides, the chapter should analyze estimated EHS investment after acquisition that can be caused by unpaid bills in the past for the deliberation of the decision-making department.

>>> Energy Conservation and Consumption Reduction

Comprehensive energy consumption per
RMB 10,000 of output value

0.0725 tons

Standard coal/ RMB 10,000

Comprehensive energy consumption per
RMB 10,000 of value added

0.1271 tons

Standard coal/ RMB 10,000

In 2016, CRPG's comprehensive energy consumption per RMB 10,000 of output value was 0.0725 tons of standard coal per RMB 10,000, and the comprehensive energy consumption of per RMB 10,000 of value added was 0.1271 tons of standard coal per RMB 10,000, lowered respectively by 17.06% and 17.61% compared to the same period of 2015.

In 2016, CRPG's carbon dioxide emission was 527,962.7166 tons, a decrease of 9.93% compared with the same period of 2015.

CRPG organized and participated in the "Pharmaceutical Enterprises Environmental

Management and Pollution Control Seminar", "Pharmaceutical Enterprises Environmental Management and Pollution Control Forum" and more than 10 other EHS activities of the pharmaceutical industry, and nearly 200 person times of EHS leaders and professional personnel of CRPG's subordinate enterprises participated in them. Through experts' interpretation of related national policies on EHS, cutting-edge EHS knowledge sharing, and EHS professional exchanges among enterprises and domestic and foreign peers, we promoted the improvement of the overall EHS management level.



Green Office

CRPG advocates green office. We require the staff to build up the awareness of environmental protection, and save every drop of water and every degree of electricity. They are also encouraged to turn off lights, air conditioners, computers and other electrical devices in time after work, and special personnel are designated to check the office every day after work so that we can cultivate employees' energy conservation awareness and habit.

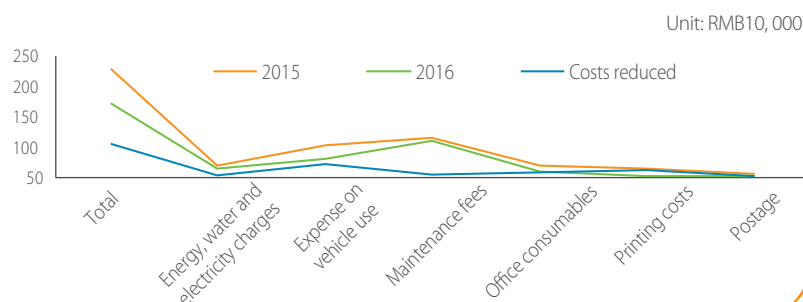
CRPG actively applies energy-saving technologies, and uses energy-saving and water-saving appliances in the office to reduce energy consumption.

CRPG carries out delicacy management of administrative expenses. We strictly manage water for meetings and vehicles for business use, promote paperless office through IT application, and hold video conferences as much as possible, which reduce substantial cost.



Case

A comparison of major administrative expenses of CRPG headquarters in 2015 and 2016



11



2017 Outlook

Hand-in- Hand with Love Going to Future Together

"Be the guardian of human health and improve the quality of living" is the greatest responsibility of CRPG. 2017 is a new year and new journey, and we will create a safe and sound living environment for people together with all communities.

Keep a benevolent heart to work on helping people live long and healthily. CRPG is a warm company engaged in "saving lives", which is a charitable and noble undertaking. We make products with our true heart, and deliver each piece of drugs to patients to contribute to their health.

Attach and devote to our country with a patriotic heart. CRPG will always stand on the point of view of the pharmaceutical and healthcare industry to ponder and solve problems. We have dreams and aspirations. All that we are doing is to advance the standard development of the pharmaceutical and healthcare industry, to improve the integral value of the pharmaceutical and healthcare industry, and to provide our people with safe medicine.

Make concerted efforts and innovative transformation for further development. Looking ahead to 2017, we are full of passion. We are confident and capable of realizing various working targets to give a satisfactory answer for our shareholders and society.



Appendix

KPI

Item	Unit	2016
Economic responsibility	Operating income	HKD 1 million 156,705.2
	Gross profit	HKD 1 million 8,042.7
	Net profit	HKD 1 million 5,968.1
	Net profit attributable to the owners of the parent company	HKD 1 million 2,821.4
	Asset	HKD 1 million 133,985.5
	Equity	HKD 1 million 54,301.9
	Return on equity	% 9.4
	Return on asset	% 4.6
	Rate of the preservation and increment of the value of state-owned assets	% 178.51
	Industry ranking	rank 2
	Capital expenditure	HKD 1 million 1,982.3
Employee responsibility	Number of employees	person 54,233
	Labor contract signing rate	% 100
	Social insurance coverage	% 100
	Physical examination coverage	% 100
	Female manager proportion	% 26.8
	Per capita days of annual paid leave	day 10
	Employee training coverage	% 94
	Employee training investment	RMB 10,000 2,616
	Per capita training time	hour 40
	Staff turnover rate	% 19.79
	Needy employees visited	household 498
	Children of needy employees subsidized	Person-time RMB 10,000 6、1.2
	Sick employees assisted	Person-time RMB 10,000 15、7.78
	Investment in needy employee relief	RMB 10,000 83.4
	Occupational diseases founded	case 0
Customer responsibility	Percentage of customer complaint handled	% 100
	Percentage of products that meet relevant standards	% 100
	R&D investment	HKD 1million 725.7
	Number of R&D personnel	person 618
	Newly-added R&D technology patents	44
	Major innovationawards	2

KPI

Item	Unit	2016
Partner responsibility	Responsible procurement ratio	% 100
	Number of strategic cooperation agreements signed	32
	Number of persons punished for violation of disciplines	person 4
Public responsibility	Newly-added employees	person 2,204
	Total tax payment	RMB 10,000 477,365
	Total amount of charitable donations	HKD 1 million 14.3
	Number of volunteers	person 1,578
	Number of accidents at ordinary level and above	case 0
	Number of accidental deaths	person 0
	Person times covered by the safety training	person time 99,523
	Safe production investment	RMB 10,000 4,490
	Safe training coverage	% 100%
	Number of safety emergency drills	time 355
	Number of full-time security management staff	person 200
	Number of certified security engineers	person 53
	Comprehensive energy consumption	10,000 tons 14.56
	Comprehensive energy consumption per RMB10,000 of output value	tons of standard coal/ RMB 10,000 0.0725
	Comprehensive energy consumption per RMB 10,000 of value added	tons of standard coal/ RMB 10,000 0.1271
Environmental responsibility	Total environment protection investment	RMB 10,000 5,710.68
	Output value/operating revenue energy saving amount	10,000 tons of standard coal -2.995
	CO2 emission	ton 527,962.717
	SO2 emission	ton 255.754
	Ammonia nitrogen emission	ton 27.787
	COD emission	ton 311.809
	Ammonia nitrogen emission	ton 240.475
	Energy saved through technological improvement	10,000 tons of standard coal 0.09
	Total water consumption	ton 48,976,888.41
	Fresh water consumption	ton 6,976,191.5
	Recycled water consumption	ton 40,583,659.71
	Reclaimed water consumption	ton 398,630.2
	Fresh water consumption per RMB10,000 of output value	ton / RMB 10,000 3.4716
	Hazardous waste produced	ton 1,070.01222
	Packaging material used for finished products	ton ——— ^①

Note ① : More details seen in page 64 of the Sustainable Development Report

ESG Policy List (corporate level)

ESG Index	Policy
A1:Emission	EHS Targets Management and Responsibility System of CRPG EHS Management System Establishment Regulations of CRPG
A2: Use of Resources	EHS Supervision Management and Appraisal System of CRPG
A3: Environment and Natural Resources	CRPG Comprehensive Contingency Plan for Emergencies
B1: Employment	CRPG Labor Contract Management Measures CRPG Position Description Management Measures CRPG Leave and Attendance Management Measures CRPG Remuneration and Welfare Management Measures CRPG Performance Management Measures CRPG Manager Selection and Appointment Management Measures (Interim)
B2: Health and Safety	CRPG EHS Education and Training System CRPG Comprehensive Contingency Plan for Safe Production Accidents
B3: Development and Training	CRPG Training and Development Management Measures
B4: Labor Standards	CRPG Recruitment and Employment Management Measures
B5: Supply Chain Management	CRPG Tendering and Procurement Management System Tendering and Procurement Implementation Regulations of CRPG Headquarters CRPG Procurement Management Auditing Implementation Regulations
B6: Products Responsibility	CRPG Quality Management System CRPG Brand Management Working Guide CRPG Public Opinion Management Measures
B7: Anti- corruption	CRPG "Three Importance and One Greatness" Decision Making System Implementation Regulations concerning major decisions, management personnel, projects and large amount spending CRPG Management System for Cross-Departmental Discussion on Major Issues CRPG Party Committee Meeting Management System and Proceeding Rules CRPG Party Style and Clean Governance Construction Responsibility System Implementation Rules CRPG Efficacy Supervision Implementation Regulations CRPG Discipline Inspection and Supervision Working Management Measures CRPG Discipline Inspection and Case Disposal Working Management Measures Management Measures of CRPG New Manager Inaugural Address and Anti-Corruption Speech CRPG Anti-Money Laundering Management Measures Professional Ethics Standard and Code of Conduct for CRPG Senior Management Personnel Professional Ethics Standard and Code of Conduct for CRPG Employees CRPG Internal Auditing System CRPG Economical Responsibility Auditing Implementation Regulations CRPG Investment Projects Auditing Implementation Regulations CRPG Construction Projects Auditing Implementation Regulations
B8: Community Investment	CRPG Social Responsibility Work Management Measures CRPG Donation Management Measures CRPG Charitable Fund Management Measures

About the Report

This is the 4th Annual Sustainable Development Report published by China Resources Pharmaceutical Group Limited. The first report was published in July 2014. The Report mainly introduces how the Group manages its social responsibility, and its performance of fulfilling social responsibilities for shareholders, employees, customers, partners, the environment, society and so on, with the content covering its wills, actions, performance, commitments and future improvements. Besides, three listed companies under CRPG have compiled their separate social responsibility reports.

The information and data published in the Report are provided by CRPG and its subordinate companies with independent management.

In addition to the social responsibility management and fulfillment performance disclosed in the Report, CRPG also discloses daily information through the News Releases and Social Responsibility columns on its website.

● Reliability Assurance

The Company promises that the report is free of any fraud, misleading representations or major omissions. And we are responsible for its reality, accuracy and integrity. If there is any inconsistency or ambiguity between the English version and the Chinese version, the Chinese version shall prevail.

● Reporting Period

The time scope of the report ranges from January 2016 to December 2016, and some contents may extend beyond the time scope when necessary.

● Reporting Cycle

CRPG Sustainable Development Report is published annually.

● Data Source

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

● Reporting Standard

This Report is prepared with reference to Guideline on Environment, Society and Governance Reporting Guide by Hong Kong Exchanges and Clearing Limited, Guiding Opinions on the Performance of Social Responsibility by Central Enterprises and Implementation Outline of Central Enterprises Twelfth Five-year Harmonious Development Strategy by the State-Owned Assets Supervision and Administration Commission of the State Council; China Corporate Social Responsibility Reporting Guidelines (CASS-CSR3.0) by Chinese Academy of Social Sciences, CR Corporate Citizenship Construction Guide, and CRPG Social Responsibility Work Management Measures.

● Abbreviations

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

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Feedback

Dear readers:

Thank you so much for reading this report. In order to continuously improve the quality of the sustainable development report of CR Pharmaceutical Group, we are eager to listen to your valuable opinions and suggestions. Please help us finish the related questions in the feedback form, and send it to us via fax: 010-57985200.

1. What is your comment on the sustainable development report?

☐ Good ☐ Average ☐ Needs improvement

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

☐ Can ☐ Cannot ☐ Not sure

3. What is your view on the report in regard to the information, data, and the clarity, accuracy and completion of each index?

☐ Good ☐ Average ☐ Needs improvement ☐ Bad

4. What is your view on our company with regard to our customer service and stakeholders interests protection?

☐ Good ☐ Average ☐ Needs improvement ☐ Not sure

5. 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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Prescription
demand

Attn: CR Pharmaceutical Group Office Receive

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