



国药集团
SINOPHARM

China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)



Environmental, Social and Governance Report 2017

A stylized green plant illustration with large, pointed leaves and a central stem, set against a light green background. The plant is positioned on the right side of the page, with its leaves extending towards the top and bottom edges.

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About this Report

This is the second stand-alone Environmental, Social and Governance (“ESG”) Report (“ESG Report”) of China Traditional Chinese Medicine Holdings Co. Limited (“China TCM” or the “Company”, together with its subsidiaries, the “Group”) (stock code: 570). This report aims to enhance the understanding of the stakeholders, including investors, clients, employees, suppliers and the community, about the Group’s work on sustainable development. The board of directors (the “Board”) of the Company expressly acknowledges its responsibility for the authenticity of the report and has reviewed and approved the report.

The Group is committed to enhancing the level of understanding of stakeholders about its performance in sustainable development and will continue to increase input into the report for further improvement of disclosure. For reporting standards, we have added reference to the GRI Standards issued by the Global Reporting Initiative (GRI), progressing towards international standard. For reporting boundary, we expanded the scope of environmental and safety data to 11 more subsidiaries, deepened stakeholder engagement and clarified the procedures to identify material issues.

We continue to pay effort to increase levels of information disclosure. First, for business operation, narrative illustrations of the Group’s effort on various focus of work including engaging in standards formulation and technological innovation, clinical research, sales compliance, customer complaints and service are strengthened in this report. Annual upgrades of product quality are further demonstrated including effectiveness of the Group’s TCM raw materials quality control based on its expansion to upstream supply chain. Second, for environmental aspects, this report discloses the Group’s compliance with emission-relevant laws and regulations and follow-up progress of any violation. Case examples of achieving reduction in pollutant emission and carbon emission, improvement in sewage treatment facilities, adopting energy-efficient and water-saving practices are also mentioned together with continuous progress of disclosing management and future planning of workshop benefit before TCM production. Third, for employment practices, this report discloses internal communication channels with employees in details and disclosed cultural activities organized for the employees at the first time. Training programmes for employees at different levels and progress to prevent occupational disease are also reported.

REPORT PERIOD AND SCOPE

This report discloses the ESG management approach and performance of the Group for the financial year from 1 January 2017 to 31 December 2017. For the information on corporate governance, please refer to the Corporate Governance Report on pages 45 to 59 of the Company’s Annual Report 2017. The scope of environmental data is extended from four subsidiaries in 2016 to fifteen subsidiaries in 2017, including Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd. (“Feng Liao Xing Pharmaceutical”), Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd. (“Dezhong Pharmaceutical”), Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. (“Medi-World Pharmaceutical”), Guangdong Yifang Pharmaceutical Co., Ltd. (“Yifang Pharmaceutical”), Jiangyin Tianjiang Pharmaceutical Co., Ltd. (“Jiangyin Tianjiang”), Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. (“Tongjitang Pharmaceutical”) and Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. (“Jingfang Pharmaceutical”) and its production factories.

Feedback

The Group will keep optimising the content and delivery of information disclosed in this report. We welcome your feedback. Your suggestions, where appropriate, would be incorporated in the upcoming ESG report. Please direct your feedback and comments to:

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- The Group will gradually incorporate more subsidiaries into the reporting scope in the interest of continuous improvement.

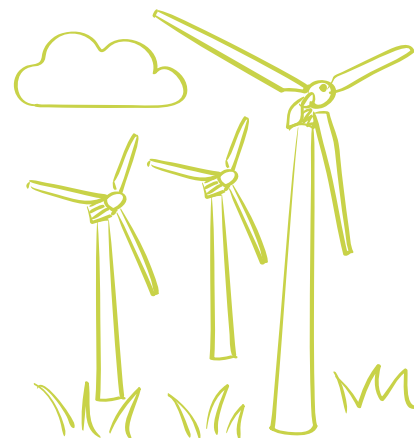
REPORTING STANDARDS

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





Message from Chairman



Dear Stakeholders,

In 2017, the Company has taken a step forward on its journey to sustainable development. At present, we are in the golden era of the rapid-growing Traditional Chinese Medicine (“TCM”) industry. With the comprehensive development throughout the whole TCM industry chain, we recognize risks and opportunities arising from business development to the Group. In another side, along with investors’ increasing demand for ESG information disclosure, requirements for information disclosure are also tightening.

In response to the internal and external changes, during the year, we set up an ESG working group headed by the vice-president of the Group with members from various relevant functional departments, and established an ESG management and information reporting system. We progressively promoted ESG management from our headquarters to the production subsidiaries, enabling our employees as well as the companies and personnel on the business chain to identify and manage ESG issues during the course of business, ensuring the Company’s future development is friendly to the environment and society.

As a TCM product manufacturer, our competence to provide consumers with high-quality TCM products is fundamental to maintaining our foothold in the market. Chinese medicinal herbs of good quality are essential to excellent efficacy of TCM products. After all, the quality of TCM products depends on the quality of Chinese medicinal herbs. During the year, we spared no effort to implement quality control as far as possible to the source of cultivation of medicinal herbs in the layout plan for the entire TCM industry chain. On the other hand, with our resource advantages,, we have conducted studies on the national standards for concentrated TCM granules and evidence-based clinical research for finished drugs in line with rapid development of the TCM industry, so as to contribute to the industry’s healthy development.

In order to maintain our advantages amid keen industry competition, the Group attaches great importance to attracting and retaining talents. To achieve synchronized advancement of the Company and its employees, we offer talent training programs, namely the “Start-off Program” (啟航計劃), “Advancement Program” (巡航計劃), “Leadership Program” (領航者計劃) and “League of Legends” (英雄聯盟), to cover training needs of employees at all levels with an aim to enhancing their knowledge and skills on all fronts. With over 10,000 employees in mainland China, we always place an emphasis on occupational health and safety management to prevent accidents and provide a safe and healthy working environment for all employees.

Consumption of natural resources is inevitable in the course of production and operation. However, adhering to the principle of going green, we keep on improving our environmental management system so as to make better use of resources and reduce pollutant emissions and waste production. To shoulder our corporate responsibility for the natural environment, during the year, in addition to the environmental compliance management, we carried out environmental protection work such as upgrades of pollutant treatment facilities, introduction of energy-efficient production equipment, and promotion of water reuse as well as production technology and process enhancement.

Sustainable development is inseparable from open communication and close cooperation among all parties. We proactively communicate with stakeholders including clients, employees, investors, suppliers and business partners to understand their views on the Group’s sustainable development. During the year, we conducted our first communication work on ESG issues with a wide range of stakeholders and identified ESG issues of prime concern to stakeholders. We will accordingly reinforce our management in day-to-day operation and take appropriate action to meet the expectations of stakeholders.

Looking ahead, in the course of development of the “overall layout for the entire TCM and healthcare complex industry chain”, we will extensively canvass opinions and make every decision regarding to ESG issues in a prudent manner. My special thanks on behalf of the Board are again to all stakeholders who have been placing utmost attention on us. We are looking forward to your support in our journey of future development.

Wu Xian

Chairman

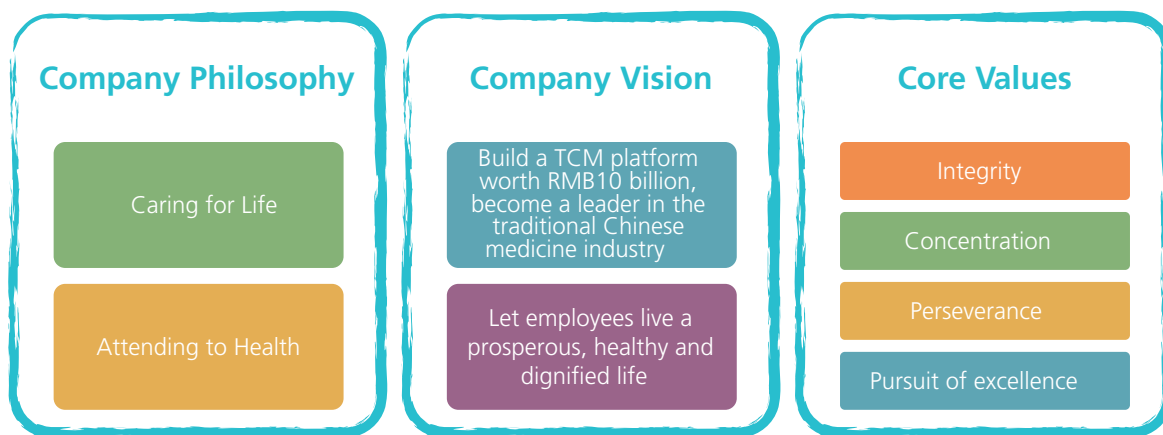
Hong Kong, 28 March 2018





About China TCM

China TCM has been following the principles of “Inheriting TCM culture, carrying forward the essence of TCM and protecting human health” as its mission to promote the TCM culture. As a core TCM platform under the Sinopharm Group, the Company has a complete industry chain which integrates R&D, manufacturing and sales, including cultivation and harvesting of medicinal herbs, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, and TCM healthcare complex.



Headquartered in Foshan, Guangdong Province, the Company has production bases in Foshan, Guangdong Province; Guiyang, Guizhou Province; Jiangyin, Jiangsu Province; Xuancheng and Bozhou, Anhui Province; Jining and Linyi, Shandong Province; Longxi, Gansu Province; Mianyang, Sichuan Province; Xining, Qinghai Province and other cities. In total, 48,000 tonnes of Chinese medicinal herbs can be processed and extracted annually. Annual production capacity is 14,300 tonnes of concentrated TCM granules, 40,000 tonnes of TCM decoction pieces, 10.2 billion packs of TCM finished granules, 5.65 billion tablets and 3.65 billion capsules. The Group offers more than 700 individual concentrated TCM granule products, over 60 classical formulated granule products, and 979 finished drugs. 282 of 979 finished drugs are listed on 2017 National Drugs List for Basic Medical Insurance.

Average training hours	New patents	R&D expenses
15 hours	29	RMB 202 million
Safety training hours	Community investment	Volunteer hours
10,641 hours	RMB 4.53 million	3,119 hours

To accomplish the corporate vision of “building a TCM platform worth of RMB10 billion and becoming a leader in the TCM industry”, the Group accelerates the overall layout plan for the entire TCM industry chain and focuses on research on standards for concentrated TCM granules and classical formulated granule products as well as cultivation of core Chinese medicinal herbs while keeping abreast of the changes in national industry policies.

SUSTAINABILITY MANAGEMENT

While pursuing sustainability of economic performance, the Group is always concerned about the impact of its operation on the environment and society. We monitor the environmental and social performance of our subsidiaries, advocate green production, and promote establishment and maintenance of a safe, equal and fair workplace and business environment. In terms of corporate structure, the Group's vice-presidents lead the reporting work and supervision of the Group's environmental and social performance, while the "Production Department", "Sales Department", "Human Resources Department", "Procurement Department", "Audit and Supervision Department" and other relevant departments provide full support to establish a regular reporting system to help formulate and improve the Company's environmental and social-related policies.

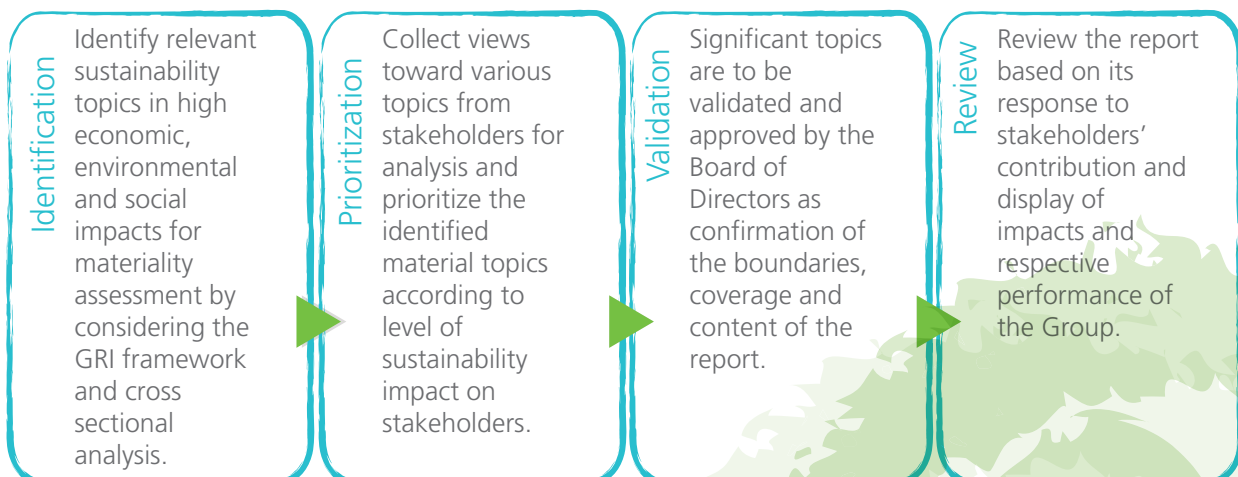
STAKEHOLDER COMMUNICATION

The Group expects to establish good and long-term cooperative relationships with various stakeholders to achieve an all-win situation of mutual benefits. In addition to the surveys and interviews conducted for the preparation of this report, we regularly engage with stakeholders through various approaches, such as meetings, training, annual reports and company website, for them to keep abreast of their concerns.

During the year, the Group engaged an independent third-party consultant to carry out an assessment of the stakeholder engagement and material issues for the ESG report. Appropriate stakeholders were selected for communication based on factors such as their level of understanding and influence to the Group and their willingness to share. We identified a total of 28 issues related to the environmental and social areas, and communicated with employees and external stakeholders including suppliers, contractors, investors, customers and non-profit organizations in the form of online questionnaires and telephone interviews to collect their opinions on the impact of the Group on sustainable development. During the year, we successfully collected more than 1,200 valid online questionnaires. Detailed telephone conversations were also conducted with six stakeholders to understand their views on the sustainable development of the Group.

MATERIALITY ASSESSMENT

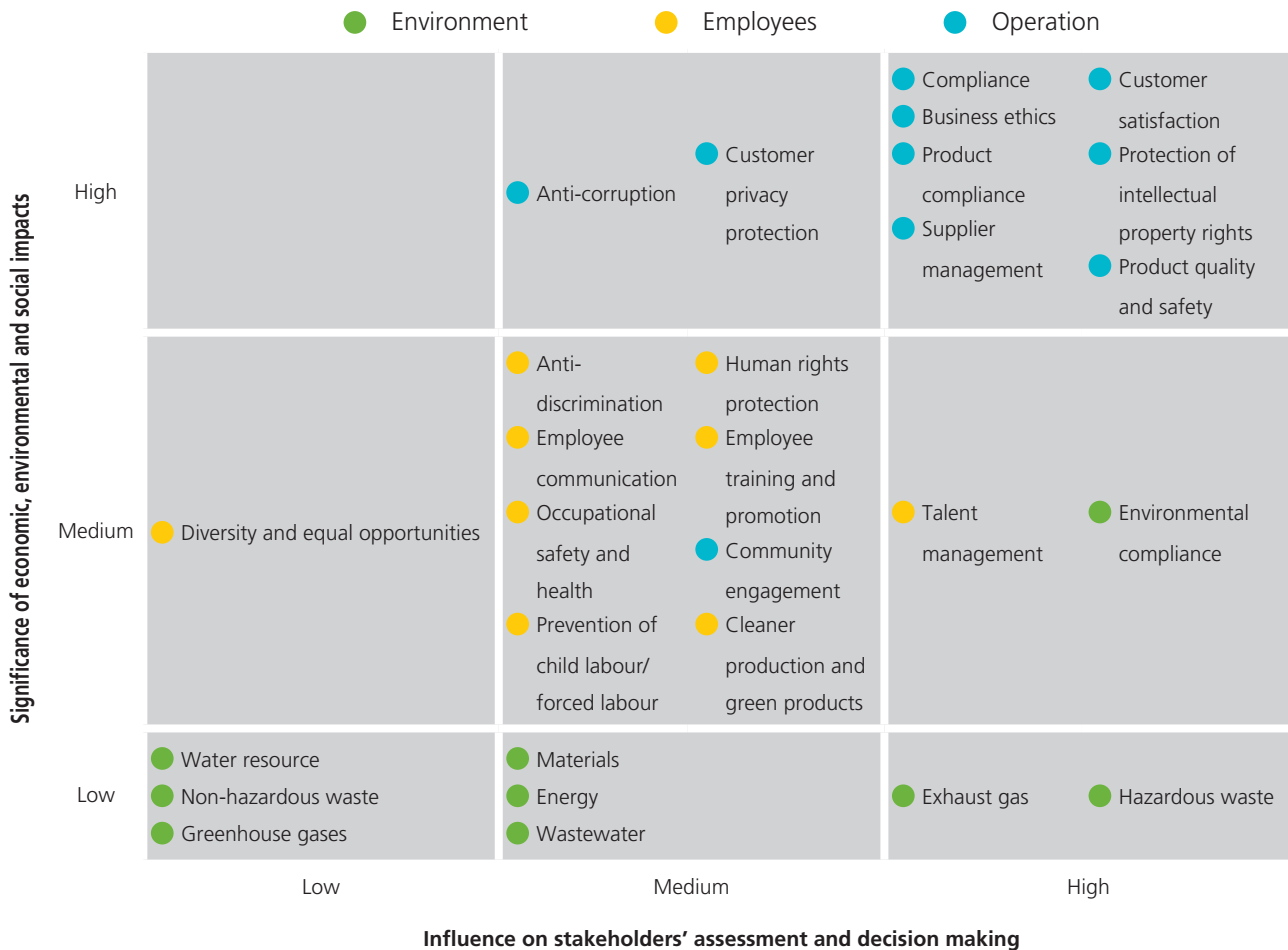
In order to better understand our influence on each sustainability issue, formulate a more comprehensive sustainable development strategy, effectively respond to stakeholders' expectations, and improve our environmental, social and governance performance, we identified, prioritized, validated and reviewed potential material issues pursuant to the GRI Standards issued by the Global Reporting Initiative.





Sustainable Development

Based on the results of the materiality assessment, we will progressively incorporate relevant issues into the Group's business strategy. Systematic monitoring, management and reporting is implemented to enhance corporate transparency and reduce operational risks, thereby achieving a positive influence. During the year, we prioritized the materiality of relevant sustainability issues in accordance with the results of the online questionnaire survey, and summarized the top three major sustainability issues as follows: product compliance, product quality, safety and customer satisfaction.



Other important issues include compliance, protection of intellectual property rights, business ethics, supplier management, customer privacy protection, anti-corruption, occupational safety and health, etc. We will disclose and report on the areas of concern to stakeholders in this report as a reference for formulating long-term sustainable development strategies.

China TCM has always been committed to creating value for the society with excellent products and services. Starting from supply chain management, every step of the production process is under meticulous management. We are also actively involved in formulation of industry standards, evidence-based clinical research for drugs and other practical actions to promote healthy development of the industry.

SUPPLY CHAIN MANAGEMENT

In view of the characteristics of the industrial chain of TCM products, the Group, while maintaining close cooperation with suppliers, actively expands its Chinese medicinal herb plantation and decoction piece production business and extends its quality control work upstream to provide raw material supply with consistent quality for the downstream production of concentrated TCM granules and finished drugs.

The Group has always strived to strengthen the quality control of Chinese medicinal herbs, and established a procurement department for centralized purchase of major Chinese medicinal herbs for quality assurance. In addition, without being complacent about the management of Chinese medicinal herbs through suppliers, the Group is constantly expanding upstream businesses such as TCM decoction piece factories and plantation bases. With coverage throughout the entire industrial chain from upstream to downstream, quality of Chinese medicinal herbs can be under effective control, thereby reducing the environmental and social risks of the supply chain.

Procurement management

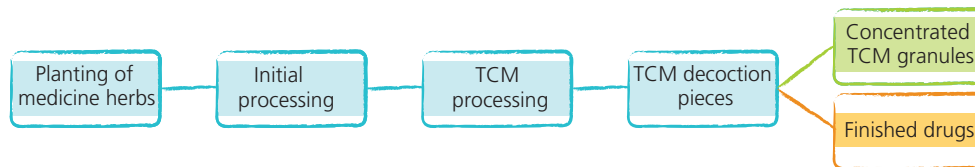
The quality of Chinese medicinal herbs is of crucial importance to our product quality. China TCM has a large number of production bases. To ensure the reliability of the quality of Chinese medicinal herbs in all production bases, we established a group-level procurement department in 2016, and prepared a procurement catalogue with medicinal herbs under centralized procurement by the procurement department as specified therein. The Group issued “the Measures for the Administration of Procurement Center of China Traditional Chinese Medicine Holdings Co. Limited” (《中國中藥控股有限公司採購中心管理辦法》) to ensure the procurement process is standardized, controllable and secured. For the more controversial sampling and acceptance sessions, the measures stipulate that a joint acceptance mechanism shall be established to ensure the quality of medicinal herbs and improve the efficiency of procurement. At the same time, all qualified raw material suppliers are required to strictly abide by laws and regulations in relation to social and environmental management. During the year, the procurement department increased its procurement ratio and implemented centralized procurement management for 211 medicinal herbs and their decoction pieces and processed products listed in the procurement catalogue. For raw medicinal herbs, excipients, packaging materials and other materials not included in the procurement catalogue, the procurement department of each subsidiary is responsible for the procurement and self-reporting to the procurement department for supervision.

Fair procurement is also an integral part of quality assurance of Chinese medicinal herbs. In order to ensure fair competition, before our cooperation with suppliers, the procurement department will issue a letter to the suppliers, which expressly stipulates that suppliers must not offer bribes, including valuable gifts, cash, insurance, fitness club membership and stocks, to the Company's staff in the procurement, quality inspection and other relevant departments, while special trip offering, formation of partnership and other acts are also prohibited. Any suppliers found to have conducted such acts will be blacklisted to ensure fair and impartial business transactions.



TCM source tracking

Chinese medicinal herbs are the foundation of the TCM industry while its quality determines the quality of TCM decoction pieces and finished drugs. During the procurement process, we conduct investigations into the origin of medicinal herbs, tracing from the suppliers to the place of origin and name of farmers, and request records of the plantation methods, seasons of harvesting, application sites, processing methods and basis and other information. An environmental assessment of the plantation area is also required to inspect the level of air, water and soil pollution and identify the source of seedlings and use of pesticides.



In the past, the TCM decoction pieces segment was in a difficult situation of a small-scale, fragmented and disorderly structure due to lack of centralization. There were no standardized requirements on the quality of Chinese medicinal herbs upstream, while decoction pieces were produced with improper methods and product quality was poor to be qualified, thereby providing no effective safeguard for the efficacy of downstream TCM finished drugs. The Group established production bases for TCM decoction pieces through self-construction and acquisitions to control the processing and inspection technologies of TCM decoction pieces for quality assurance. The establishment of the decoction pieces plants can effectively reduce the risk of supplier management, logistic management and quality control of original TCM decoction pieces, thereby improving the quality of the final products. During the year, the Group continued to strengthen its TCM decoction pieces business by entering into acquisition agreements with two TCM decoction pieces manufacturing and sales companies to expand our production capacity in Beijing and Sichuan Province. Together with the Group's existing production bases in Guangdong, Shanghai, Guiyang and Gansu, we have established production bases for TCM decoction pieces in six provinces (municipalities) with a total production capacity of nearly 40,000 tonnes. In the future, the Group will continue to establish or acquire companies of TCM decoction pieces to increase its own production capacity of TCM decoction pieces, and provide reliable raw materials for concentrated TCM granules and finished drugs.

The Group has extended its control from TCM decoction pieces to the frontiers. By cooperating with farmers, standardized plantation bases are established to allow standardized plantation and production of Chinese medicinal herbs.

Promoting green plantation of Chinese medicinal herbs

The Group actively promotes the standardization and ecologization of Chinese medicinal herbs and the establishment of green plantation bases of medicinal herbs, in cooperation with agricultural cooperatives or local enterprises with Good Agricultural Practice ("GAP") certification in the traditional and major production areas of Chinese medicinal herbs across the country. Combining with traditional plantation and local processing technologies, we educate farmers to standardize the production of Chinese medicinal herbs, strictly control the amount of use of pesticides and herbicides and conduct standardized process management, production and plantation in accordance with the requirements for green plantation.



The Group plans to commence the construction of local initial processing bases in the traditional or major production areas of medicinal herbs with an aim to expand our coverage in the medicinal herb plantation and TCM decoction piece processing business to achieve quality control “from the field to the final product”. During the year, the Group completed 39 jointly-constructed plantation base projects for 29 domestic herb varieties, covering approximately 27,900 mu in total. The Group will actively explore ways to guarantee the quality and supply of medicinal herbs through self-or joint-construction of initial processing bases in production regions.

PRODUCT RESPONSIBILITY

The Group is committed to promoting the essence of TCM and driving the healthy development of the industry. We continue to advance the research on concentrated TCM granules standards, solve technical issues such as concentrated TCM granule content determination and fingerprint detection to support the establishment of national standards. We also actively cooperate with hospitals to carry out clinical research projects for finished drugs to assist in academic promotion. Furthermore, we strive to develop downstream TCM healthcare services through TCM healthcare complexes, TCM pharmacies and TCM intelligent distribution centers in a more convenient and efficient way. Meanwhile, we promote the dissemination of appropriate drug use information through online platforms to allow more people to understand TCM and make proper use of TCM products and services.

Strict control on product quality

China TCM focuses on its business of the production and sales of concentrated TCM granules, TCM finished drugs and TCM decoction pieces, and is also exploring the TCM healthcare complex industry by developing outpatient clinics, physiotherapy visits and other businesses. We have always strictly maintained our product quality and been committed to innovation with an aim to provide the public with high-quality TCM products and services.

The Group attaches great importance to the production quality of TCM products to protect the health and safety of consumers. The Group has strictly complied with the relevant laws and regulations such as the Drug Administration Law of the People’s Republic of China (the “PRC”) (中華人民共和國藥品管理法). During the year, the Group has not received any major penalties or non-economic sanctions due to product health and safety issues. We also formulated proper measures for production quality management in accordance with the requirements of ISO9001 Management System and Good Manufacturing Practice (“GMP”) and with reference to actual production conditions. During the year, five of our factories have newly obtained the GMP certification and all production lines passed the GMP certification as required by the regulations.



The Group set up a production department to supervise and guide production quality management of all production plants under its subsidiaries. In the production process, raw materials and excipients are subject to inspection before being approved for product use. Intermediate products are also subject to supervision and inspection in accordance with internal control standards and only products passed the inspection can proceed to the next stage. We conduct annual quality review and analyze various data, such as the quality of used materials, production processes, settings of quality control indicators, adverse product reactions and complaint reports received, for the period. In 2017, the production quality of our products were in good condition throughout the year. No explicit alert information and negative trends of quality were found. For the production subsidiaries, no irregularities in product quality were found and the passing rate of external sampling inspection was 100%. There were no reported cases of violation from departments of China Food and Drug Administration (“CFDA”) at all ranks. Each subsidiary of the Group has formulated product recall management procedures as required. Once the product is found with defect, product recall will be conducted in strict compliance with the procedures. No incident of product recall occurred during the year.

Promoting industry development

In pace with the liberalization of the concentrated TCM granule market, the CFDA and Pharmacopoeia Commission have begun to actively facilitate the establishment of the national standards for concentrated TCM granules. With the Group’s great effort in this regard, six subsidiaries jointly carried out research on national standards. In response to the “Technical Requirements on Quality Control and Standards Establishment for Concentrated TCM Granules (Draft for Comments)” (《中藥配方顆粒質量控制與標準制定技術要求(徵求意見稿)》) issued by the Chinese Pharmacopoeia Commission in August 2016, we completed research of standardized decoction on more than 100 medicinal herbs and industry standards of 56 concentrated TCM granules are ready for application. In addition, we worked with third-party research institutions on solving technical issues such as fingerprint detection and concentrated TCM granule content determination. In the process of formulating standards, we revised and upgraded internal quality controls for some medicinal herbs, decoction pieces and extracts. This enables the Group to maintain its leading position in such an increasingly competitive market.

The Group is devoted to the promotion of its own and the industry’s sustainable development by technological innovation. We have established corporate policies such as “the Administrative Measures for Research Projects” and “Patent Reward Measures” to strengthen the Company’s management in research projects, encourage its employees to participate in technological innovation with enthusiasm and creativity and stimulate patent achievements. In order to create a fair environment for nurturing outstanding innovation research results, we respect and protect intellectual property rights in strict compliance with the laws and regulations of the PRC in respect of intellectual property rights. We formulated “the Confidentiality Scheme of Research and Development Center”, “the Administrative Measures for Patents” and “the Administrative Measures for the Production Technology Transfer for New Product Registration Process”, ensuring the management of intellectual property rights is incorporated throughout R&D procedures and production and implementing standardized management of intellectual property rights. During the year, the Group has obtained 29 new patents with a total of 143 patents.

- On the other hand, the Group has actively cooperated with hospitals to carry out clinical research projects on finished drugs to support academic promotion. During the year, we carried out evidence-based research on six core varieties in smooth progress.

Drug	Clinical research project	Initiated hospital	Progress
Xianling Gubao Capsules (仙靈骨葆膠囊)	Post-market safety evaluation on Xianling Gubao Capsules (10,000 participants)	Beijing Wangjing Hospital	Expected to be completed by the end of 2020
	Research on Xianling Gubao Capsules for preventing bone mass loss caused by aromatase inhibitor for treatment of post-menopause breast cancer	Shanghai Longhua Hospital	Expected to be completed in mid-2019
Jingshu Granules (頸舒顆粒)	Multi-centered, randomized, double-blinded and placebo-controlled clinical research on the effectiveness, safety and economic effects of Jingshu Granules for treatment of nerve root type cervical spondylosis (神經根型頸椎病)	Beijing Union Medical College Hospital	Expected to be completed within the year of 2018
Fengshi Gutong Capsules (風濕骨痛膠囊)	Randomized, double-blinded, double-stimulation and multi-centered clinical research on Fengshi Gutong Capsules for treatment of ankylosing spondylitis	The Third Affiliated Hospital of Zhongshan University	Expected to be completed in December 2018
Yu Ping Feng Granule (玉屏風顆粒)	Randomized, double-blinded, placebo parallel controlled and multi-centered clinical research on the effectiveness and safety of Yu Ping Feng Granules for treatment of COPD (chronic obstructive pulmonary disease)	Guangzhou Institute of Respiratory Disease	Completed
	Randomized, double-blinded and multi-centered clinical research on the effectiveness and safety of Yu Ping Feng Granules for treatment of repeated respiratory tract infection in children (小兒反復呼吸道感染)	The First Affiliated Hospital of Tianjin Chinese Medicine University Beijing Children's Hospital	Completed



Our Values

Drug	Clinical research project	Initiated hospital	Progress
	Multi-centered, randomized and placebo parallel controlled clinical trial for chronic urticaria with combined treatment of Yu Ping Feng Granules and Desloratadine Citrate Disodium Tablets	The Second Affiliated Hospital of Suzhou University	Completed
Moisturizing and Anti-Itching Capsules (潤燥止癢膠囊)	Multi-centered, randomized, double-blinded and placebo parallel controlled clinical research on Moisturizing and Anti-Itching Capsules for the treatment of chronic eczema	Dermatology Hospital affiliated to Chinese Academy of Medical Science	Completed
Zaoren Anshen Capsules (棗仁安神膠囊)	Randomized, double-blinded, double-stimulation and multi-centered parallel controlled clinical research on the efficacy and safety of Zaoren Anshen Capsules for the treatment of insomnia combined with Zolpidem Tartrate	Zhejiang Provincial Hospital of TCM	Expected to be completed in December 2018

Responsible sales

The Group has established a sales department and strictly complied with national and local laws and regulations for the sales of TCM products. With respect to the management of product directions and labels, each subsidiary of the Group has formulated corresponding management procedures in compliance with the requirements of “the Provisions on the Administration of Pharmaceutical Directions and Labels (Order No. 24 of the State Food and Drug Administration)”. Product directions and labels shall be designed based on the contents approved by provincial CFDA and shall only be printed, produced and used after being verified as accurate. During the year, the Group did not receive any report of non-compliance in respect of product advertisements or labelling.

With reference to the sales channels of products, each subsidiary of the Group has set up applicable customer enquiry and complaint channels, including telephone hotline and e-mail address. We analyze and gather statistics regarding adverse drug reactions and provide suggestions for treatment. During the year, we received a total of 63 enquiries concerning adverse drug reactions and have provided suggestions for treatment.

The choice and use of drugs have a significant influence on the efficacy of treatment. The Group is committed to promoting rational drug use by educating the public about the TCM theories and taking the right medication with reference to identification results of their own constitution through Internet platforms such as websites and WeChat official accounts.

“Constitution Identification” WeChat Official Account

The WeChat official account is jointly operated by the Group and the Center for Studies in Constitution Research of Traditional Chinese Medicine of Beijing University of Chinese Medicine (北京中醫藥大學體質中心) for public subscriptions. It is used for providing the public with guidelines on TCM constitution recuperation and rational drug use by ways of constitution analysis, interactive activities, health information exchange and medication guidance.

The Group earnestly cares about customer needs and provides customers with optimized solutions for sales and services. During the year, we greatly advanced the establishment of “multipurpose intelligent TCM distribution centers” to provide medical institutions and retail pharmacies with “all-dosage”, “personalized” and “one-stop” solutions with respect to high-quality TCM products and services. Its services include distribution for TCM decoction pieces and concentrated TCM granules, TCM decoction (ointment production) and delivery, in-hospital TCM preparation, TCM and Western finished drugs distribution, medicinal wine making, etc.

ACTION AGAINST CORRUPTION

In strict adherence to its core value of “Live with Integrity, Work with Heart”, China TCM maintains corruption-free operations by implementing actions against corruption in accordance with the requirements of Sinopharm Group, its holding company, and establishing the “Proposal for Division of Duties of the Commission for Discipline Inspection”, “Regulations concerning the Implementation of Integrity Talk System by Leaders”, “Anti-corruption Practices for Leading Cadres as Party Members” and other relevant regulations in strict compliance with the Criminal Law of the PRC, Anti-Unfair Competition Law of the PRC and relevant laws and regulations to supervise and regulate the code of conduct of the group members. All subsidiaries are required to implement regulations and systems formulated by the headquarter and supplement their respective regulations and procedures according to their own actual conditions. During the year, there was no confirmed incident of corruption involving the Group or its employees.

Monitoring and reporting

The Group’s headquarter has set up a petitioning system to receive reports on its employees’ suspected illegal and irregular behaviors from all parties. Each subsidiary submits monthly report of the status of petitioning to its parent company and relevant disciplinary inspection information from time to time upon request according to the disciplinary inspection work arrangement of the parent company.

Anti-corruption education

The Group promotes an anti-corruption culture to its employees through publicity and education. The leading cadres of each unit of the Group are required to sign the “Letter of Compliance Operation Responsibilities”. We also study policies and regulations issued by the PRC and parent companies in a timely manner and each subsidiary is required to give written feedback on the learning progress.



Environmental Protection

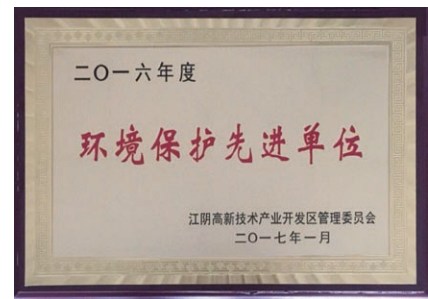
Adhering to the concept of environmental protection, China TCM has spared no effort to carry out its operations in strict compliance with the laws and regulations of the PRC and continue to improve the environmental management system for saving energy, reducing consumption and emissions, thereby minimizing the impact of its business activities on the environment and achieving harmonious co-existence between the Company and the nature.

ENVIRONMENTAL MANAGEMENT

Environmental protection is a social responsibility that the Company must shoulder. Although the pharmaceutical industry is not an energy-intensive industry, we are convinced that improving energy efficiency and reducing emissions will benefit the Group's sustainable development.

In order to implement the national environmental protection policies and ensure the Company's lawful operation, the Group has established a thorough environmental management system. The safety, environment and quality management department is responsible for the work related to environmental management, implementation of various measures regarding environmental protection, energy-saving and emission reduction as well as promotion of saving and rational use of resources. Each subsidiary of the Group integrates environmental protection, energy saving and emission reduction into its corporate development strategy and has established environmental management department responsible for production safety management, energy saving and emission reduction management, maintenance and management of environmental protection facilities, operation and management of sewage stations, and publicity and education.

In particular, Feng Liao Xing Pharmaceutical has established and implemented ISO14001 environmental management system certification, which sets a good example for the Company in being a green production firm throughout its operations. Yifang Pharmaceutical has also formulated a new version of the environmental protection management regulations, which are "prevention-oriented and combined with treatment" to achieve energy saving and emission reduction by reinforcing process control on the principle of scientific efficiency. Employees' awareness of environmental protection was significantly enhanced to fully implement environmental protection policies through various channels including environmental safety training, posting cartoons and banners and watching promotional videos on environmental protection. In January 2017, Jiangyin Tianjiang was recognized as an Advanced Unit of Environmental Protection for 2016 (二零一六年度環境保護先進單位) by the Administrative Committee of Jiangyin High-tech Industrial Development Zone (江陰高新技術產業開發區管理委員會) for its outstanding performance in environmental protection. In July 2017, Jiangyin Tianjiang was awarded the honor of Advanced Enterprise of Ecological Civilization Construction and Environmental Protection for 2016 (二零一六年度生態文明建設暨環境保護先進企業) by Jiangyin Municipal Environmental Protection Committee (江陰市環境保護委員會).



EMISSION MANAGEMENT

China TCM attaches great importance to environmental protection. We have a sound environmental monitoring system which ensures that sewage, air pollutants and waste generated during production and operation are all in compliance with relevant national regulations, including the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Water Pollution and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, by internal supervision and assessment as well as monitoring by independent third parties. In 2017, the passing rate of all subsidiaries in the tests done by third party monitoring agencies was 100%.

In March 2017, Dezhong Gaoming Branch was imposed an administrative penalty by Foshan Environmental Protection Bureau due to the exceedance of limit for particulate matter as shown in the boiler emissions monitoring results. The Company promptly approached an environmental protection equipment company to formulate improvement measures for the boiler pollutant control facilities. Tube bundle demisting and dust removal towers were purchased and installed to control the particulate matter in the boiler flue gas. For the original “three-in-one” desulfurization and dust removal tower, the existing sprinklers were cleaned up with new sprinklers installed, broken pipes in the heating room were also repaired. By virtue of the above measures, the concentration of particulate matter in the boiler flue gas has been stable without any exceedance of limit. The Group attaches great importance to compliance with relevant laws and regulations regarding emissions. This rare incident of non-compliance has urged us to further improve the environmental management monitoring system and reinforce the maintenance of existing air pollutant control facilities to avoid the recurrence of similar incidents. During the year, other subsidiaries were in compliance with laws and regulations, and were not imposed any penalties due to violation.

Exhaust gas

According to the relevant laws and regulations including the Law of the PRC on the Prevention and Control of Air Pollution, the Group regularly conducts internal supervision and assessment on the amount of exhaust emissions, and commissions independent third-party institutions to monitor emissions of boiler exhaust gas twice a year. For coal-fuelled boilers, the Company has set up an online monitoring system so that the emission information can be transmitted to monitoring departments immediately to ensure emission compliance to relevant laws and regulations. The Group’s major source of exhaust emissions is nitrogen oxides, sulfur oxides and dust generated from boiler combustion and vehicles. In 2017, emissions of nitrogen oxides, sulfur dioxides and dust were 51 tonnes, 31 tonnes and 23 tonnes, respectively.

The Group strives to reduce the emission of air pollutants in production and operation by adopting various pollutant treatment measures. During the year, we conducted a number of projects for air pollutant reduction, including the installation of high-efficiency dust remover, replacement of the existing chain-grate boiler with a newly-built circulating fluidized bed boiler, and replacement of coal-fired boilers with gas boilers.

Newly-built circulating fluidized bed boiler

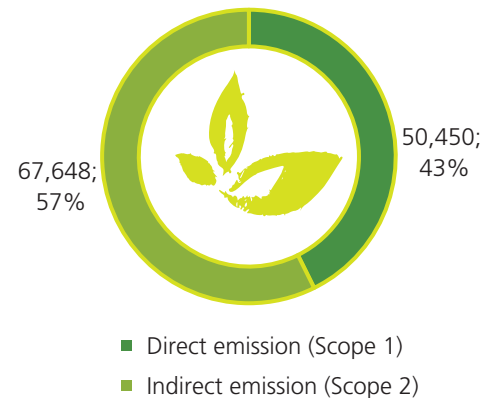
A circulating fluidized bed boiler of 40t/h was built by Dezhong Gaoming Branch. Its emission standard of particulate matter, SO₂ and NO_x are <20 mg/m³, <50 mg/m³ and <150 mg/m³, respectively, while the emissions of particulate matter, SO₂ and NO_x of the original chain-grate boiler are <30 mg/m³, <200 mg/m³ and <200 mg/m³, respectively. The limits on the concentration of emissions of exhaust gas pollutants are 25% to 75% more stringent than the original one, which can effectively reduce pollutant emissions.



Greenhouse gas (GHG) emissions

The GHG emissions of China TCM consist of two parts. Scope 1 represents the direct GHG emissions emitted during the production process mainly by boilers and vehicle fuel, whilst Scope 2 represents the indirect emission due to energy purchased including mainly consumption of heat and electricity from external sources. In 2017, the total greenhouse gas emission of the Group was 118,098 tCO₂e. The Group is devoted to reducing energy consumption and carbon emission during its operations by improving energy efficiency.

GHG emissions (tCO₂e)



Wastewater

As China TCM produces wastewater containing organic substances of TCM during the pharmaceutical process, the Group commissions independent third-party institutions to monitor sewage discharge quarterly. For sewage treatment facilities of the factories, the Company has set up an online monitoring system so that the emission information can be transmitted to monitoring departments immediately to ensure that the emission concentration and total amount comply with local standards. In 2017, the chemical oxygen demand of the wastewater discharged by the Group was 39 tonnes.

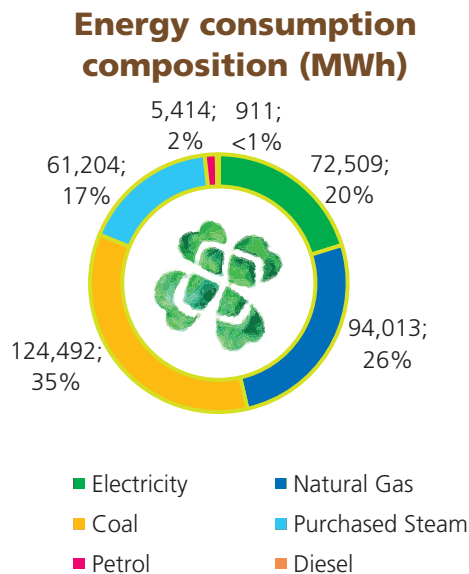
The Group also carried out renovation projects for sewage treatment facilities and equipment, so as to ensure that the sewage treatment equipment of each production subsidiary is effectively being put in place and avoid any irregular discharge due to equipment failure. During the year, Medi-World Pharmaceutical, a member of the Group, completed the reformation of the circuit of the sewage system to modify the power system and control circuit of the entire sewage treatment equipment, improving the safety and stability of the system. Dezhong Gaoming Branch carried out the sewage treatment station expansion project, by which the sewage treatment capacity increased from 680 t/d to 2,300 t/d. A manufacturing plant of Yifang Pharmaceutical also completed the construction of a new sewage treatment facility, and upgraded the underground rainwater and sewage pipe network.

Waste

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, we have established a hazardous substance management system and retains all transfer records of hazardous substances during the production process to ensure that hazardous waste is properly disposed of. Each of our subsidiaries also contracts with local hazardous substance collectors with professional qualification to regularly collect and handle the hazardous waste, whilst closely monitoring the storage of hazardous substances and putting on record to the local environmental department. All subsidiaries have adopted various measures for general waste reduction. For example, Yifang Pharmaceutical entered into an agreement with a new TCM herbal residue processor during the year and increased treatment equipment for TCM herbal residue. In 2017, the Group generated 27,140 tonnes of general waste during its operations, of which 933 tonnes were recycled, and transferred 20 tonnes of hazardous waste.

RESOURCE CONSUMPTION

In pursuit of environmental protection, the Group encourages its subsidiaries to adopt process optimization, source control and other clean production measures to actively reduce resource consumption, raise the resource recycling rate and reduce the impact of their business activities on the environment.



Energy

The major types of energy used in the Group's operations are coal, natural gas, electricity, steam, petrol and diesel. In 2017, the Group's total energy consumption and energy density was 358,543 MWh and 43 kWh/thousand RMB revenue, respectively.

Energy consumption	Unit	Consumption for 2017
Electricity consumption	kWh	72,508,246
Natural gas	m ³	8,693,518
Petrol	kg	452,509
Diesel	kg	76,959
Coal	tonne	17,171
Purchased steam	tonne	82,108
Total energy consumption	MWh	358,543

In 2017, as a continued effort to promote energy saving, China TCM improved its energy efficiency through the establishment of energy management system, improvement of technological processes and introduction of new energy-saving technologies.



Energy management system

The Group requires its production subsidiaries to carry out energy metering in a proper way to obtain basic data for the implementation of effective energy management measures. Dezhong Pharmaceutical, a member of the Group, has established a management system for energy records and energy consumption analysis, which provides for the coordination and division of labour among all departments, with the equipment department sending the energy consumption analysis to all departments on a monthly basis. For the “abnormal” data with a relatively significant change, the equipment department will find out more about the production status to ascertain whether the change in energy consumption is due to on-demand supply or failure in the energy metering and delivery system. In the event of a fault, repairment will be carried out and improvements will be explored.

Process improvement

The Group encourages its production subsidiaries to optimize production processes to reduce energy consumption. During the year, Dezhong Pharmaceutical increased the degree of automation of its production equipment by the following projects: procurement of laser drilling machine, rotary cutting machine, four side sealing machine, cartoning machine and wrapping machine for rubber ointment production line; and a new pillow packaging machine to form a complete blister packaging production line with the blister machine upstream and the cartoning machine downstream for blister packaging. The automated production equipment can shorten the duration of operation of major energy-consuming equipment, such as air-conditioning and air compression systems, to achieve energy saving and emission reduction. Tongjitang Herbal set up sun sheds to dry some of the medicinal herbs that exceed the prescribed moisture levels in the sun, saving 500 m³ of steam per year.



Introducing new energy-saving technologies

For production equipment and utilities, the Group has eliminated high-consumption and inefficient equipment and adopted new energy-saving technologies such as boiler waste heat recovery technology, heat pump double-effect technology and LED lighting to reduce energy consumption. During the year, Dezhong Gaoming Branch added a MVR concentration equipment, which significantly reduced steam consumption. Luya Pharmaceutical installed a solar water heater in the staff bathhouse, saving electricity costs by approximately RMB30,000 each year. During factory renovation, some lighting fixtures with ordinary fluorescent lamps were replaced by LED lights, saving 3,500 kWh of electricity each year.

Water Resources

China TCM's water consumption consists of water for production and domestic water. Water for production comes from municipal tap water supply and is mainly used for steam preparation, TCM decoction and equipment cleaning. In 2017, the Group's water consumption and water consumption density was 1,668,332 tonnes and 0.2 tonnes/thousand RMB revenue, respectively. There was no issue in sourcing water that is fit for purpose.

The Group attaches the same importance to the impact of water consumption on the environment as to energy management, and requires all production subsidiaries to carry out daily water usage metering and leakage inspection work in a proper way, and adopt various water conservation measures to continuously improve water use efficiency. During the year, Yifang Pharmaceutical launched a cleaning water and process water recycling project. Dezhong Gaoming Branch expanded the sewage station, and implemented reuse of reclaimed water for greening irrigation, cooling of some equipment and toilet flushing with a reuse rate of approximately 6% and expected reduction of 30,000 tonnes of tap water consumption each year.

Packaging Materials

For the use of packaging materials, the Group has formulated standard operating procedures for the procurement and distribution of packaging materials. Draft designs of product labels, instructions, packaging films and cartons are printed after being checked and approved by the quality center. The packaging materials are managed by dedicated personnel in the label stockroom to ensure usage in line with actual needs and to monitor their use. Meanwhile, in pursuit of environmentally-friendly packaging, the Group gives priority to recyclable packaging or packaging using less material provided that it fulfills the requirements of packaging quality and customer experience. For instance, Medi-World Pharmaceutical is gradually using solvent-free composite film and changing the inner packaging to strip packaging to save packaging materials.

The major packaging materials consumed by the Group include paper products, plastic and composite films. During the year, the total amount of packaging materials used in the Group's production process was 54,064 tonnes.

Packaging materials used	Unit	Consumption for 2017
Paper products	tonne	46,023
Plastic	tonne	3,003
Composite films	tonne	953
Others	tonne	4,085
Total packaging materials	tonne	54,064



CREATING A GREEN CULTURE

In 2017, the Group continued with the arrangement for TCM raw material pre-processing and extraction facility. In Guangdong Province, under the shared factories management, the decoction process of TCM are centralized at Dezhong Pharmaceutical, and the intermediate products are then distributed to various factories to refine into granules, thus achieving a centralized and efficient use of energy, pre-treating pollutants before they are acceptably discharged. In addition, the construction of a TCM pre-processing and extraction facility with an annual processing capacity of 12,000 tonnes and an ancillary warehouse for Dezhong Gaoming's factory commenced in 2017. Its annual production capacity is expected to reach 30,000 tonnes by 2018 and 40,000 tonnes by 2020. The Dezhong Gaoming's factory aims to become a leading TCM pre-processing and extraction base in Guangdong Province and the country in terms of the scale of production, level of intelligence, quality control, energy saving and environmental protection.

2017

A TCM pre-processing and extraction facility with an annual processing capacity of 12,000 tonnes and an ancillary warehouse were built

2018

The annual processing capacity of the factory will reach 30,000 tonnes

2020

With an annual processing capacity of 40,000 tonnes, the factory will become one of the most advanced TCM pre-processing and extraction base in the country

The Group puts green office in practice and encourages its employees to save electricity, reuse water, paper and other office consumables by various measures to achieve energy saving and emission reduction in office. With an aim to raise employees' awareness of sustainable development, we make every effort on promotion, education and training in energy conservation and emission reduction and resource saving campaigns, promoting green lifestyle.

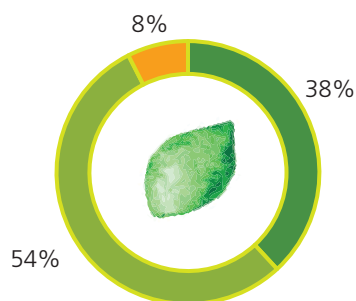
Employees' support and contribution are the key to the development of China TCM. We recruit talents extensively and attach importance to nurturing and communications, establish a safe, comfortable and equal workplace and a harmonious corporate culture for our employees to play to their strengths and grow together with the Company.

EMPLOYMENT PROFILE

The Group always recruits talents in a fair, equal and open manner, safeguards employees' legal rights and entitled welfare and prohibits any forms of employment of child or forced labour in accordance with national laws such as the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Minors, "the Prohibition of the Use of Child Labour" and "the Special Provisions on Labour Protection for Female Employees" as well as the Employment Ordinance of Hong Kong Special Administrative Region. Employment policies in respect of salary, working hours and overtime are all implemented in accordance with relevant laws and regulations. During the year, the Group was not found with nor involved in any non-compliance in employment and labour or employment of any child labour or forced labour.

As of 31 December 2017, the Company had a total workforce of 10,588 employees in mainland China, of which 2,250 were management staff, accounting for 21% of the total workforce. Regarding racial profile of employees, minority employees accounted for 424, which was 4% of the total workforce in the Company. The age, gender, education background and professional profile of the Company's employees in mainland China are shown below.

Age Distribution



■ Below 30 ■ 30 to 50 ■ Above 50

Gender Distribution



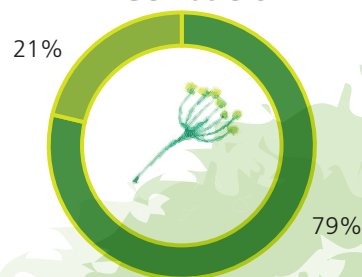
■ Male ■ Female

Education Background Distribution



■ Undergraduate or above
■ Below undergraduate

Professional Profile Distribution



■ Frontline ■ Management



Communication with employees

Communication forms an integral part of the corporate culture of the Group. We advocate the spirit of “Harmony, Endeavour and Happiness”, pay attention to the needs of employees and listen to their opinions. The Group’s established communication systems include periodical meetings, forums, conciliation rooms and other platforms, while hotlines, email, WeChat and other electronic channels are also available to employees for feedback. Leaders at all levels strive to solve problems in a respectful and sincere manner, strengthen mutual trust and enhance team cohesion through face-to-face conversations with employees.

Employee benefits

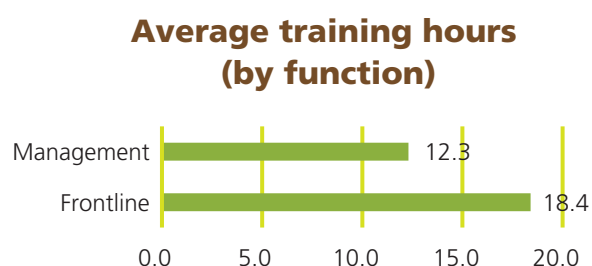
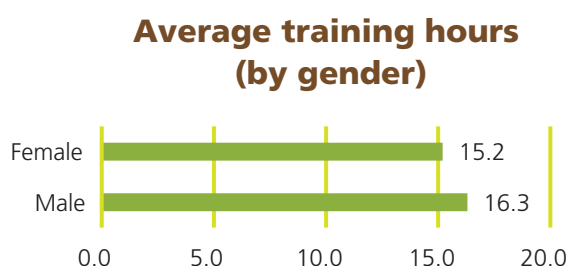
China TCM is committed to providing employees with a comfortable working environment. In addition to social insurance, housing reserve funds and statutory holidays, employees are also entitled to other benefits, including maternity leave, subsidies, free medical check-ups and staff quarters. The Group has set up a care fund to provide assistance to employees with emergency financial difficulties. All employee benefits are listed in the Staff Handbook provided to staff members when they start employment and are guaranteed by law. The Group places great emphasis on the physical and mental health of its employees, and encourages employees to participate in corporate activities during their spare time to ease work pressure, strengthen team spirit and build an energetic team.

Staff activities held during the year included sports competitions, 50-km trekking, study tours, technology conferences, family and youth activities. Outings, cookery lessons and other activities were organized for female employees on 8 March, the International Women’s Day. These activities aim to advocate work-life balance of employees. In addition, to promote environmental protection, we organized tree planting activities for the greening of factory areas and the surroundings.



TALENT TRAINING AND DEVELOPMENT

China TCM attaches importance to all-round talent training to add value to the work and career development of employees. In 2017, we continued to conduct various training programs with an aim to enhance our employees' knowledge, attitudes and skills and also to meet the needs of different employees in order to achieve better learning outcomes and improve their performance and competitiveness. During the year, we organized over 1,500 on-site staff training sessions in aggregate, with a total attendance of over 39,500 by headcounts and average training hours of approximately 15 hours per person. The average training hours by gender and function are shown below.



During the year, we arranged enriched induction training for new employees as required on the first day of employment, and introduced our company profile, corporate culture, company regulations and personnel system to help them quickly adapt to their positions and environment. We also provide employees with various types of job training according to their positions, such as sales skills and financial management. For young employees such as fresh graduates and interns, we organized the "Management Trainee Program" (管培生項目) and "Start-off Program" (啟航計劃) training camp to deepen their understanding of the Company and develop team spirit, cohesion and sense of belonging.



The Group makes every effort to nurture middle-level cadres. The "Advancement Program" (巡航計劃) launched during the year aims to enhance employees' professional knowledge and management skills. We have also established a full-scale China TCM learning system for management cadres at or above the supervisory level to conduct quarterly studies through an online training platform. Currently, this system covers more than 1,000 management cadres, helping them broaden their knowledge and skills at any time and put them into practice at work.



In order to provide more opportunities of upward mobility for employees and lay the foundation for future development of the Company, we have focused on nurturing reserve general managers and launched the “Leadership Program” (領航者計劃). Assessment, training, job rotation and other sessions are included in the plan to help core cadres to equip themselves to prepare for the major leadership role. At present, more than ten participants in the project have been assigned to the core management positions.

In addition, the Group assesses the effectiveness of training through job appraisal and performance evaluation, and accurately identifies training needs and difficulties of employees through interviews with supervisors and opinion surveys, so as to take appropriate adjustment and improve training efficacy.

HEALTH AND SAFETY

With the philosophy of “caring for life and attending to health”, the Group is committed to shouldering the responsibility to protect the health and safety of its employees. Adhering to stringent production safety policies, we implement a variety of safety measures, including special inspections and routine inspections, regular medical check-ups for our employees, and commission of third-party agencies to monitor occupational hazards in the production plant. During the year, no exceedance of limits was found in the occupational hazard monitoring conducted by the Group, nor had any material incidents or violations or deaths in relation to occupational health and safety been reported.

In 2017, the Group formulated “the Interim Provisions for the Inspection and Management of Potential Production Safety Incidents” (生產安全事故隱患排查治理暫行規定), “the Interim Measures for Safety Inspection” (安全檢查暫行辦法) and “the Implementation Measures for Supervision and Management of Hazard Sources” (危險源監督管理實施辦法). All subsidiaries are required to carry out occupational hazard assessments in order to identify and monitor related safety risks more specifically, and implement targeted rectification in accordance with national regulations as soon as possible to ensure a safe working environment.

For the health of employees, the Group has established and refined staff health records and arranged redeployment of employees suspected to be suffering from occupational diseases. For employees working in extremely hot weather, we provides them with subsidies for hot weather and establishes lounges for taking rest pursuant to national requirements.

Workplace Forum (職場加油站)

This is an internal platform set up for knowledge enhancement and sharing. It also provides an opportunity for those who are keen on making speeches and sharing to introduce themselves and improve their public speaking skills.



— In respect of safety training, we reassessed the occupational injuries involved in various positions and set up a bulletin board of occupational hazards to increase employees' knowledge of occupational cases and safety protection. We signed an Occupational Hazard Statement with our employees and posted warning signs on the work site according to the rules and regulations. We also distribute anti-dust masks, ear plugs and other personal protective equipment to our employees regularly, and employees are urged to wear such equipment. During the year, the Group formulated an annual plan for safety education and training to arrange all employees to learn safety production rules and regulations, operating procedures, technical standards, emergency plans and other relevant information. Each of the subsidiaries also conducted fire safety drills, fire safety lectures and safety education on hazardous chemicals management to consolidate employees' safety awareness. In 2017, the Group had a total of 8,326 participants in occupational safety and health training with a total number of training hours of 10,641 hours.





Community

As a leading pharmaceutical company, China TCM takes the lead in shouldering corporate social responsibility, leveraging the Group's resources, technology and network to promote disease prevention and healthy lifestyles as our care for the physical and mental health of the community and families, helping the grassroots and underprivileged communities, protecting the environment, and enhancing the vitality and cohesion of the community.

PROMOTING HEALTH EDUCATION

The Group has always adhered to the philosophy of "caring for life and attending to health" and pushed forward the establishment of a healthy community for the benefit of the public. To this end, we continued to launch a variety of free medical consultation and patient education programs that aim at specific patient groups and diseases, such as osteoporosis, rheumatism and other diseases common to the middle-aged and elderly, to increase their medical knowledge and raise their awareness of disease prevention, thereby enabling the public to live healthier irrespective of means. We organized health education activities with community health service stations and village clinics to promote medical knowledge to grassroots patients in urban and rural areas. We also organized several training courses and academic lectures for primary healthcare workers with medical organizations and hospitals. Specialist professors were invited to give lectures on proper drug use and the latest prevention measures and technologies, such as treatment with integrated Chinese and Western medicine. Through experiences sharing, the standards of diagnostic and clinical skills of primary care practitioners have been increased and closer relationships were established.

"Healthy sleep, stay away from chronic diseases"

Large-scale free medical consultation and teaching program on the World Sleep Day

In response to the World Sleep Day, we held large-scale free medical consultation and patient education activities around the country on 21 March 2017. We aimed to disseminate important information on healthy sleep and the relationship between sleep disorders and chronic diseases to the public, and increase their understanding and awareness of the quality of sleep. China TCM cooperated with several local hospitals and medical institutions to provide free medical consultation by specialist doctors to the community, blood pressure measurement, organize seminars and Q&A sessions on sleep disorders, and provide free disease counseling and treatment advice to help the public stay away from insomnia and illness and recover health.



POVERTY ALLEVIATION

The Group is dedicated to supporting education in poverty-stricken rural areas. During the year, Tongjitang Pharmaceutical donated computers, projection equipment, stationery and sporting goods to the value of over RMB100,000 to three primary schools in the poverty-stricken rural areas in Guizhou, namely Luodian County Dongwang Town Central Primary School, Sandu County Jiaoli Town Gaodong Primary School and Huishui Yazhou Primary School, to improve education and operation conditions of rural schools. In addition, Tongjitang Pharmaceutical donated RMB150,000 to subsidize the employment of teachers of Huishui Yazhou Primary School and launched a three-year voluntary teaching activity to help solve shortage of teachers. We also regularly arrange staff visits to schools and organize activities to make children feel loved and happy.



We support employees to participate in charity activities to cultivate their sense of responsibility, make an effort for the community harmony and contribution to the minority groups. During the year, each of the Group's subsidiaries organized a "charity month". The Company took the lead in donating to poor communities and encouraged employees to make generous financial contributions. In particular, in the footstep donation campaign held by Tianjiang Pharmaceutical, the Company donated supplies to Jiangyin City Children Care Institute in the form of matching donations with the step count of the participants. This activity encouraged employees to establish green and healthy lifestyles and take practical actions to maintain health, protect the environment and care for the community.

During the year, the Group contributed a total of RMB4.53 million in public welfare activities and 3,119 hours of volunteer work. In the future, we will continue to make use of the Group's resources, technologies and network to create more value for our community.



Performance Data Summary

		Unit	2017	2016
Labour	Total Number in Mainland China		10,588	9,539
	By Age			
	Below 30	person	4,038	3,434
	30 to 50	person	5,757	5,533
	Above 50	person	793	572
	By Gender			
	Male	person	5,440	4,960
	Female	person	5,148	4,579
	By Educational Background			
	Undergraduate or above	person	5,063	3,549
	Below undergraduate	person	5,525	6,010
	By Function			
	Frontline	person	8,338	7,355
	Management	person	2,250	2,194
	Average Training Hours			
	By Gender			
	Male	hour	16.3	/*
	Female	hour	15.2	/*
	By Function			
	Frontline	hour	18.4	/*
	Management	hour	12.3	/*
Occupational Health and Safety	Training on Safety and Health			
	Total times of safety training	time	8,326	2,736
	Total safety training hours	hour	10,641	9,799

		Unit	2017	2016
Environment ^	Emissions			
	Chemical oxygen demand in sewage	tonne	39	9
	Nitrogen oxides	tonne	51	/*
	Sulfur oxides	tonne	31	/*
	Suspended particulates	tonne	23	/*
	Waste			
	Hazardous waste	tonne	20	10
	Non-hazardous waste (recycled)	tonne	933	/*
	Non-hazardous waste (discarded)	tonne	26,208	/*
	Total Energy Consumption	MWh	358,543	/*
	Electricity consumption	kWh	72,508,246	25,174,586
	Natural gas	m³	8,693,519	3,688,110
	Coal	tonne	17,171	10,240
	Steam	tonne	82,108	/*
	Petrol	kg	452,509	/*
	Diesel	kg	76,959	/*
	Water Consumption	tonne	1,668,332	652,321
	GHG Emissions			
	Scope 1	tCO ₂ e	50,450	28,940
	Scope 2	tCO ₂ e	67,648	16,058
	Total Usage of Packaging Materials	tonne	54,064	/*
	Paper products	tonne	46,023	/*
	Plastic	tonne	3,003	/*
	Composite film	tonne	953	/*
	Others	tonne	4,085	/*

^ The scope of environmental data for 2017 and 2016 covers fifteen and four production subsidiaries, respectively.

* No data collected at the time.



HKEX ESG Content Index

KPIs	HKEX ESG Reporting Guide Requirements	Page/Remarks
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management Emission Management
KPI A1.1	The types of emissions and respective emissions data.	Emission Management
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emission Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emission Management
Aspect A2	Use of Resources	
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environmental Management Resource Consumption
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Resource Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resource Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resource Consumption

KPIs	HKEX ESG Reporting Guide Requirements	Page/Remarks
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resource Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resource Consumption
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environmental Management Creating a Green Culture
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Creating a Green Culture
B. Social		
Aspect B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People Employment Profile
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Profile
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	656.25 days*

* Including the figures from Feng Liao Xing Pharmaceutical, Dezhong Pharmaceutical, Yifang Pharmaceutical (partly) and Medi-World Pharmaceutical.



KPIs	HKEX ESG Reporting Guide Requirements	Page/Remarks
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Training and Development
Aspect B4	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	People
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility

KPIs	HKEX ESG Reporting Guide Requirements	Page/Remarks
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
Aspect B7	Anti-Corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Action against Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no such concluded legal cases during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Action against Corruption
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community