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CHINA RESOURCES (HOLDINGS) CO., LTD.

SOCIAL RESPONSIBILITY REPORT



CHINA RESOURCES (HOLDINGS) CO., LTD.

**SOCIAL RESPONSIBILITY
REPORT**

Improve Together with China Resources

This is not a slogan, but a phenomenon, driven by the observation, planning and efforts of CR in social responsibility. This Report will tell the visible changes and explore the efforts behind such changes from six true stories about change. CR is witnessing the participation of an increasing number of stakeholders to make joint efforts to constantly drive new changes for shareholders, employees, customers, the environment, partners and the public for a better future.



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Words from Dr. Fu



Dr. Fu Yuning Chairman of China Resources Group

INNOVATION DRIVES DEVELOPMENT RESPONSIBILITY LEADS TO THE FUTURE

The annual Social Responsibility Report published every summer has become a business card, a tradition and a culture of CR. It is firmly believed that apart from good performance, quality products and outstanding services, the loyalty to and love for the country and the public, or corporate social responsibility, is also indispensable for CR to realize the vision of becoming a global enterprise with accumulating public trust and popularity. For years, the Social Responsibility Report has been a platform for us to solicit public opinion, strengthen communication and mutual trust and constantly improve our management, implementation and integration of social responsibility. It has become a major force driving the development and improvement of CR.

In the past year, CR has been following the principle of “driving management with CSR, driving practice with management and driving integration with practice” to carry out social responsibility. With such efforts, new progress has been made in pattern innovation, promoting practice and accelerating integration from the perspectives of shareholder responsibility, employee responsibility, customer responsibility, environmental responsibility, partnership responsibility and public responsibility.

CR has been firmly following the requirement of the Central Government on strengthening Party Discipline to steadily promote efforts to combat corruption and build a clean governance model based on law. Through strengthening internal supervision and fighting against formalism, bureaucracy, hedonism and extravagance, CR was able to solve a series of cases violating laws and regulations. It has been committed to implementing the “8-point Rules”, promoting education on anti-corruption and strengthening supervision and correction to fulfill the corporate responsibility of supervision and control.

CR launched a new corporate culture system with “Leading the Business Progress and Building a Better Life Together” as its mission. Social responsibility was incorporated into the mission, vision, value, enterprise spirit,

development philosophy of CR to promote the integration of social responsibility and corporate culture, driving the creation of a work mechanism featured by a community of shared responsibility.

CR keeps modernizing the corporate system to establish and regulate the board of directors, improve the corporate governance structure, actively streamline administration and close down “zombie firms” with the annual task of cutting production capacity being fulfilled in advance. Besides, CR carried out institutional and system optimization to further identify the boundary of management, eliminated flaws in management and control and improved institutional efficiency.

CR keeps improving the ability of the profit centers to cope with public opinion, which helps to reduce negative public opinion significantly on an annual basis. Through increasing the investment of resources, creating effective channels and strengthening brand promotion to further improving the brand image of CR.

Businesses units of CR has been actively implementing social responsibilities with stabilized EHS, no major production safety incidents or environmental pollution and food and medicine quality accidents. With these efforts, CR was able to reach the energy conservation and emission reduction task for

2016 as a central enterprise.

To safeguard the “One Nation, Two Systems” and promote the prosperity and stability of Hong Kong, CR readjusted its operations in Hong Kong to lay a solid foundation for safeguarding the “One Nation, Two Systems”. All these efforts helped CR to win the recognition of all sectors of the society.

In the past year, CR has been committed to developing Hope Towns and participating in targeted poverty alleviation. In June 2016, Anhui Jinzhai CR Hope Town finished its construction and in August 2016, Jiangxi Jinggangshan CR Hope Town started its construction. In April, 2016, Haiyuan Cattle Raising Base witnessed the birth of the first calf named “Runrun”, which marks that Haiyuan Targeted Cattle Raising Base for Poverty Alleviation began to make progress. In June, 2016, the Livestock Integration Beef Cattle Raising Base with an inventory of 8,000 has been put into operation and is expected to sell 15,000 beef cattle in the domestic market on an annual basis since 2018. CR Industrial Support Programs is helping local people to improve their living standard and is gradually changing the poverty-stricken areas into prosperous new villages, which was highly evaluated by local governments and the public. These projects also promoted the business expansion of CR and achieved win-win situation.

The efforts of CR were also recognized and valued by the society. In 2016, CR ranked the first among the “Top Ten Charity Corporations” and CR Hope Town Project ranked first among the “Top Ten Brand Charity Project” and “Top Ten Most Popular Charity Project”. Besides, CR Social Responsibility Report also won many industrial awards. Through actively fulfilling its social responsibility, CR expanded its social impact, improved the popularity of the brand, developed outstanding talents and most importantly, promoted the spirit and corporate culture of CR. This vividly demonstrated the lofty mission of “Leading the Business Progress and Building a Better Life Together”. Carrying out social responsibility has been internalized into a strategic ability of CR, injecting new driving force for development and providing important support for sustainable corporate development.

In 2017, based on an in-depth analysis of the domestic and international environment, CR adjusted its direction for transformation and development in reference to the

requirements of the Central Government in state-owned enterprise (SOE) reforms. “Innovation, transition, development” is identified as the theme for management this year, which enables CR to transform from a “start-up organization to an innovative organization” by constantly making new progresses through innovation. At the same time, higher standards should also be set in the fulfillment of social responsibilities to ensure that CR can better perform its duty to meet the expectations of the public as a large state-owned enterprise, central enterprise and an enterprise with Hong Kong businesses.

Innovation-driven Growth. Based on the actual need of operations and the organizational structure, CR decides to give priority to product, technology, operation and business model in promoting innovation to fully motivate employees at the grassroots level to make innovation so as to form synergy. In the process, driving industrial transformation is the goal, CR departments and business units are the initiators and the Group Headquarters is the driver, creating a favorable environment for innovation-driven growth. As long as all business operations can make forward-looking industrial development plans to take first-mover advantage and become trend leaders, they can lay a solid foundation for the overall transition of CR Group.

Pursuing Sustainable Development. The implementation of the sustainable development strategy not only generates significant ecological benefits, but also promotes the integration of economic and social benefits and drives the transition of the corporate growth model from an extensive one to an intensive one, realizing harmonious integration of corporate development, public well-being and environmental protection. Promoting sustainable development needs wisdom, comprehensive plans and farsightedness, considering both imminent benefits and long-term growth.

Green Development Leads the Future. CR needs to constantly optimize the industrial structure with the concept of “green development” to phase out backward production capacity, promote new technologies, improve resource efficiency, reduce pollutant discharge, strengthen the development of renewable energy operations and support the development of circular industrial parks.

CR needs to promote the R&D of new technologies, products and models related to the green economy to find new thresholds to effectively integrate business growth with ecological construction. At the same time, CR also needs to make full use of its important role in the industrial chain to promote the involvement of all organizations and individuals along the industrial chain in promoting ecological construction.

Fulfilling Social Responsibilities to Realize Social Harmony. Building Hope Towns is an important way for CR to carry out its social responsibility. In the next few years, we will continue to build more Hope Towns in poverty-stricken areas in an effort to take advantage of the industrial position of CR to pool in more resources to facilitate the solving of social problems and take concrete actions to contribute to society. Through fulfilling social responsibilities, CR can promote the virtuous interaction of the Group, society and the environment to achieve harmonious development. In turn, commercial civilization construction and innovation in social governance will also create more room for development. From a long-term perspective, CR needs to make constant adjustments to meet the new requirement of environmental protection and social development, which can help the Group to promote its own progress and maintain a strong momentum.

More than 200 years ago, the great German philosopher Immanuel Kant said “Two things fill the heart with renewed and increasing awe and reverence the more often and the most steadily that they are meditated on: the starry skies above me and the moral law inside me”. Bearing in mind the mission of enriching the country and rejuvenating the nation and regarding promoting social advancement and improving the well-being of the public as our own duty is the moral principle of CR people. “I will do whatever it takes to serve my country even at the cost of my own life, regardless of fortune or misfortune to myself”. In the past 80 years, this has been a motto for CR to make unremitting efforts to contribute to national development. Looking to the future, while sticking to business ethics and pursuing the realization of business value, CR will take concrete actions to feedback to the society and share the fruits of development with the public and become an industrial model. This is the best gift for the 80th anniversary of the founding of CR.

CR PROFILE

Nature of CR Group



One of the key state-owned enterprises under the direct supervision of SASAC



An industrial Group with diversified business operations closely related to the life of the public



Founded in 1938 with a strong foundation in Hong Kong for 80 years.

Scale and Strength



86th ranking in Fortune Global 500



6 Hong Kong listed companies, among which 2 are HSI constituent stocks



7 strategic business units with a total asset of more than 1.1 trillion RMB

Industrial Status

CR Vanguard Co., Ltd.



Ranking the 1st on the "China Top 100 FMGC Chain" launched by CCFA for seven years in a roll.

CR Beer (Holdings) Co., Ltd.



The largest beer company in China with the largest sales volume in the domestic market for many years; CR Beer is the world's largest beer brand in terms of sales.

CR C'estbon Beverage(China) Co., Ltd.



One of the earliest Chinese companies specialized in producing bottled water with the largest sales volume in South China and the second largest sales volume nationwide.

CR Pharmaceutical Group Limited



A leading pharmaceutical supply chain solution provider in China and ranked second in the PRC pharmaceutical distribution business in terms of scale; the second largest OTC manufacturer in China with business operations covering the research and development, manufacturing, distribution and retail of a broad range of pharmaceutical and healthcare products.

CR Land Limited



One of the most influential comprehensive real estate developers in Mainland China ; leading the Chinese Real Estate sector in both property sales and property investment; a Hong Kong listed company being included as a HSI constituent stock.

CR Gas Group Limited



A leading gas utilities group in China; its portfolio is consisted of 22 provinces of China including 13 provincial capitals and 3 direct administrative municipalities with 26 million customers and an annual gas sales of 16 billion cubic meters.

CR Power Holdings Co., Ltd.



One of the leading comprehensive energy service providers in terms of efficiency and profitability; becoming one of the constituent stocks of the Hang Seng Index in 2009; being elected for the tenth time Global 2000 by Forbes and one of Platts Top 250 Global Energy Companies

CR Cement Holdings Limited



One of the most profitable cement companies in China with the largest market share in South China.

CR Capital Management Limited



Owning cross-border management platforms in Hong Kong and China's Mainland with business operations covering banking, trust, asset management, financial leasing, insurance, public fund and equity investment. The subsidiary trust company is seen as an "evergreen tree" in the industry.

CR Healthcare Group Ltd.



The largest shareholder of CR Phoenix Healthcare Holdings Co., Ltd.; one of the largest healthcare companies in China.

Corporate Culture

Vision Be a Global Enterprise with Accumulating Public Trust and Popularity

Philosophy Make it Solid Make it Stronger Make it Bigger Make it Good Make it Longer

Bearing in mind the mission of leading the business progress and build a better life together

Advocating the value of integrity first performance driven human oriented innovation constantly

Pursue

the spirit of

Pragmatism Professionalism Synergy Dedication

Strategic Plan

Engine: Business Operations

As the major source of income and profit for CR during the 13th Five-Year Plan Period, business operations represent the engine ensuring corporate development.

Engine: Capital

As a new source of funding for long-term corporate development and a new way of optimizing the business model, capital is the driving force accelerating corporate development.

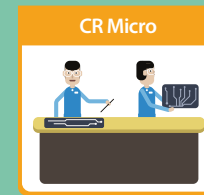
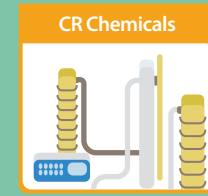
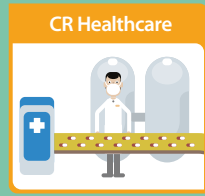
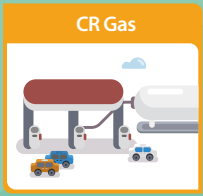
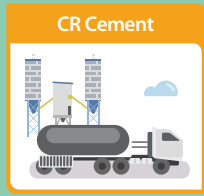
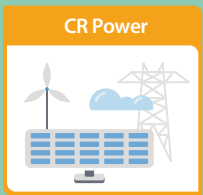
CR Strategic Orientation during the 13th Five-Year Plan Period

Wing: Globalization

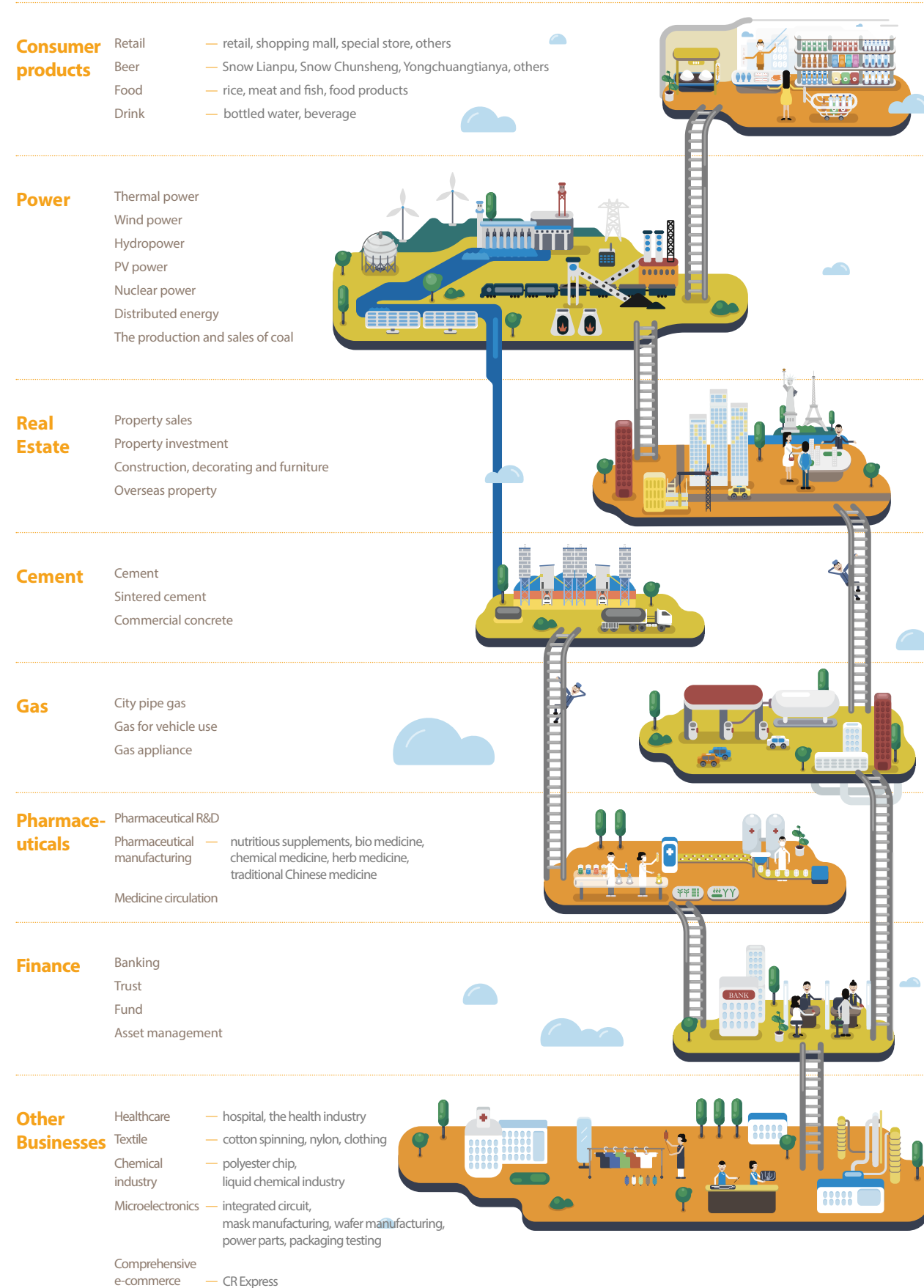
Globalized development helps CR to lead domestic and international markets and make full use of the resources provided by both. It is the wing helping CR to achieve leap-frog development and constantly expand its business operations.

Wing: Internet

"N + Internet" helps to innovate and reshape businesses of CR. It is the wing helping CR to embrace customers and change business operations.



BUSINESS TREE



2016 HIGHLIGHTS

Ten Major Events



Key Performance



Qualification and Awards

1.	Five-star Company in Social Responsibility Development, ranking the 6th in 2016 China Top 300 Corporate Social Responsibility Development Index	Social Responsibility Forum of Chinese Academy of Social Sciences
2.	Ranking the 1st on the list of Top 10 Public Welfare Companies	Social Responsibility Forum of Chinese Academy of Social Sciences
3.	Ranking the 1st on the list of Top 10 Best Companies of the Year in the selection of the most responsible brand in 2017	Social Responsibility Forum of Chinese Academy of Social Sciences
4.	China's Outstanding Enterprise in CSR	China CSR Award & Forum 2016
5.	Five-star Corporate Social Responsibility Report in 2015	The Chinese Academy of Social Sciences
6.	"Gold Bee 2016 Excellent Corporate Social Responsibility Report · Corporate Leader Award"; one of the "Top 10 Most Beautiful Cover of the Corporate Social Responsibility Report of Central Enterprise" in 2015	China WTO Tribune
7.	Best Social Responsibility Report for the 2015 CSR Report	Rongzhi Chinese Corporation Sustainable Competitiveness Annual Conference
8.	CR Hope Town Project ranked the first among the "Top Ten Brand Welfare Projects" and "Top Ten Most Popular Welfare Projects"	Social Responsibility Forum of Chinese Academy of Social Sciences
9.	CR Hope Town Project won five-star ranking of Chinese Brand Welfare Project Evaluation Expert Committee	The Chinese Academy of Social Sciences
10.	"National Best Social Organization" Award for CR Charity Fund	The Ministry of Civil Affairs
11.	CR won 26 awards of different levels for Hong Kong Green Awards, more than any other company	Hong Kong Green Council

Editor: Yu Feng
Authors: Song Guibin, Jiang Jiadai



述，
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改变
Stories
about changes

STORY 1

CR and Phoenix

Show a Win-win Way in the Mixed-ownership Reform

It was April in Beijing, 74-year old Li Zhun was walking out of Yingfeng Community in Yanxi District where he lived. One month ago, he was accompanied by his wife and son to take a taxi to Xishiku Street, Xicheng District to go through a cardiovascular check in Peking University First Hospital. It took at least half a day to see the doctor and have his medicine taken even with a WeChat appointment. However, today, it is different. Li went directly to the CR Community Clinic 150 meters away from his home to consult the doctor and take the medicine he needs. It only took him half an hour. What's more impressive is that Li communicated directly with the experts of Peking University First Hospital through a big display. This is also the most important reason for him to come to the Community Clinic today.



Scan the QR Code to watch the founder of CR and Phoenix to telling the story of CR Phoenix Healthcare and how it has changed everyday life

For detailed information, please turn to page 17

"I was born and raised in Beijing. But like everyone else, I also find it difficult to register for a specialist clinic at the hospital. Last year, there was a video on the Internet that tells the story of a girl from other provinces, who was unable to register for a specialist clinic after queueing up for a whole day, and therefore had to buy a registration number that costs originally 300 RMB from a scalper at 4,500 RMB. To be honest, my son has also bought registration numbers from scalpers for me at 2,000 RMB". According to Li, urban residents nowadays don't trust small hospitals, not to mention community clinics. Against such background, the higher the registration fee is, the more people are rushing to large hospitals. "It's easy to understand as we all believe that the more expensive, the better. How dare one to go to the hospital if one doesn't have a channel to get registered".

"We can't make the promise of providing medical resources for all, but we can at least improve the quality of community healthcare services to enable the public to treat small diseases quickly and conveniently. We have to make efforts to realize the goal and make contributions to the national healthcare reform". Liang Hongze, General Manager of CR Healthcare, said slowly and firmly.

Since half a year ago, Liang Hongze has been actively attending all kinds of activities as the Administrative President of Phoenix Healthcare. On 31st October, 2016, CR Healthcare acquired 490 million shares of the equity of Phoenix Healthcare, accounting for 35.7% of the total, through injecting capital and offering the right of operation, thus becoming the largest shareholder of Phoenix healthcare after the acquisition. At that time, Phoenix Healthcare was the first Chinese hospital group getting listed in the international capital market and the largest company in the healthcare sector using social capital. After acquisition was completed, CR Phoenix Healthcare witnessed exponential expansion, becoming the largest healthcare company in Asia with 13000 beds and millions of patients being received in total. As it is often said: capital always goes to where it is most profitable. On the day of the acquisition, the price of the shares of CR Phoenix Healthcare grew by more than 35%. The net value of the capital injected by CR in the healthcare sector expanded by more than 5 times, making the acquisition a typical case of large Chinese enterprises liquidizing state-owned capital.

Traditionally, in mixed ownership reform cases in the Chinese market, large state-owned enterprises acquiring shares of private enterprises emphasizes getting the controlling power while neglecting the rights and interests of capital owners. In some cases, the new enterprise is even forced to adopt the outdated models and strategies that would gradually leads to failure in today's market with fierce competition. This is the biggest challenge for traditional state-owned enterprises in initiating M&A.



"The M&A this time is a mixed ownership reform. I think the priority should be keeping the energy and momentum of the listed company", said Liang Hongze. In fact, as the largest shareholder, CR doesn't take absolute control, but leads the strategic direction. While having the right to decide development strategy and planning, CR will maintain and safeguard the flexible market mechanism of the listed company, the highly efficient employee incentive mechanism and the personnel promotion mechanism. "The M&A is called "the Flying Phoenix", which indicates that it is a win-win case in mixed ownership reforms. As the two sides hope to help each other to fly higher and become stronger, I believe that CR will not force the listed company to change its existing development model and personnel development mechanism so as to create a virtuous cycle", said Liang Zehong, who is confident in his new boss.

It is imperative for China to accelerate the supply-side reform in the healthcare sector, as it deals with the problem of life and death. However, it is also the sector that witnesses the most complaints. The public has been complaining for years for the high cost of healthcare and the lack of medical resources, but only see the problem becoming increasingly severe. Doctors are also complaining as they have a heavy workload but low salary, which leads to the decrease in the number of quality doctors. What is more worrying is that the tension between patients and doctors is intensifying, making doctors targets for violent attacks, which leads to a sharp decrease in the number of graduates who aspire to become doctors. Hospitals, especially public hospitals who are the pillars of the healthcare sector in China, are also unsatisfied. Having only less than 8% of

The share price of CR Phoenix Healthcare climbed by

35 %

The net value of the capital injected in healthcare by CR increased by

5 times

the operation cost coming from government investment, they are not allowed to decide the price of healthcare services by themselves. Governments, however, are also complaining. The public spending in improving local healthcare infrastructure has doubled in five years, but people are still rushing to large hospitals in big cities as they don't trust the quality of local hospitals and community clinics. In a nutshell, in the past 40 years, the healthcare sector in China never stopped reforming and modernizing itself, but saw little effect.

"For CR Healthcare, on the one hand, as an enterprise, we have to lead business development, and on the other hand, we also need to improve people's wellbeing and health as it is part of the social responsibility of a central enterprise. As a capable and responsible enterprise, CR is willing to become the forerunner in initiating reforms and encourage others to follow. Moreover, business value and social value are not necessarily in conflict with each other. In fact, they can integrate and complement with each other", said Liang Hongze. By now, CR Healthcare has had more than 100 healthcare organizations under its management in Beijing, North China, Central China and South China. The current focus is still on the investment in hospitals to participate as much as possible in the reform of public hospitals. In the future, it will increase its investment in the development and improvement of the healthcare system to promote the establishment of a multi-level comprehensive diagnosis and treatment system that integrates healthcare services and financial insurance to serve the people and the country.

"The Community Clinic of Yingfeng Street still needs to invite experts from large hospitals, but I believe that in the near future, doctors in community clinics will be able to meet most of the healthcare demand of local residents. Of course, faced with the increasing need for healthcare resources, we still have a long way to go, but at least we have taken the first step", said Liang Hongze, whose smiles make us warm in the still chilly wind.

"All for Public Health" is not only the slogan of CR Healthcare, but also the Spring sunshine that fills everyone with hope.



Tremendous Responsibility Behind a Simple Story

The strategic restructure of CR Healthcare and Phoenix Healthcare is an important step of historic significance taken by CR Group in promoting mixed ownership reforms. The move not only expanded the influence and controlling power of state-owned capital and realized win-win cooperation between state-owned enterprises and private enterprises, but also optimized the corporate governance system. In 2016, CR Group has been actively fulfilling its responsibility as a shareholder to promote both corporate reforms and innovative development. Through flexible capital operation, CR was able to finish the M&A of businesses in blue ocean sectors such as CR Pharmaceutical and CR Healthcare, completing a long-term equity investment of 26.86 billion RMB for the whole year, including purchasing the 49% equity share of CR Beer held by SABMiller, the strategic restructure of CR Healthcare and Phoenix Healthcare, the participation of CR Land in the mixed ownership reform of Shanghai Land (Group) Co. Ltd. and the purchase of the equity of Genesis Care in Australia. Through M&A and integration, CR effectively promoted the optimization of industrial resource allocation, improved the investment operation management system and realized win-win situation.

Total Asset



1.100044 trillion RMB

ROA



5.49 %

Total Profit



48.338 billion RMB

Value Increment of State-owned Assets



110.6 %

By the end of 2016, CR has invested 1.1 trillion RMB in China's Mainland



1.1 trillion RMB

Covering 15 areas



15 areas

In all provinces municipalities and autonomous regions with Guangdong, Beijing, Jiangsu, Shandong and Liaoning being the top five destination for investment, taking up 54% of the total



54 %

STORY 2

Make Amazing
Changing
If You Join Run Ma



8th April 2017 was a Saturday. At 7:30 in the morning, more than 360 people in yellow vest gathered at Shenzhen Gulf. As employees of CR Land, CR Enterprise, CR Bank, CR Ng Fung, CR Property and CR Hotel Kapok, they were ready to take the challenge of a 10km Marathon Race. Now, they are warming up under the instruction of the coach.



Scan the QR Code to see how the incubator of RUN MA extended its influence to more than 1 million people

[For detailed information, please turn to page 20](#)

At 8:00 in the morning, the race started. From a bird's eye view, Shenzhen gulf was filled with yellow dots.

The men's 10km world record is 26'18". Professional athletes can complete the race in less than 40 minutes and amateurs usually finish the distance in slightly more than an hour. Those who can make it in less than 45 minutes can be regarded as an excellent runner. After 37 minutes, Jiang Huahua became the first to reach the finishing line. To our surprise, he is an employee of CR Land instead of a professional athlete. Actually, this is not an official marathon race, but an activity organized by RUN MA. But for Jiang Huahua and his colleagues, every activity, including the "Happy Run" 10km Marathon race organized by RUN MA for CR employees, is an opportunity for them to challenge their own limits.

RUN MA is an organization founded by CR employees with a passion for running. Like running a Marathon race, the organization also went through six stages: planning, starting, speeding up, looking ahead, strengthening beliefs and accumulating experience.

In 2013, when Han Yuewei, Vice President of CR Land, joined the Qianhai Project Team, he found that CR employees often have to work overtime. He believed that as a people-oriented enterprise, CR should not only focus on arranging regular health checks for employees and the prevention of occupational diseases, but also the problem of sub-health and psychological pressure. An idea came to Han's mind – organizing running activities.

In 2014, the CR Land Qianhai Team "Running Group" was established. Members of the Group, encouraged by the idea of "work happily and live elegantly", participated in the 2014 Shenzhen International Marathon in November, which made the Group famous in the local area, laying a solid foundation for the establishment of RUN MA.

On 25th April 2015, RUN MA organized the first "Shenzhen Gulf Happy Run for CR Employees in Shenzhen" activity, which immediately won active response from CR staff. Since then, RUN MA has been growing fast under the guidance of the philosophy of "putting employees first" and the support of CR Group and business units of all levels.

By the end of 2016, 27 branches of RUN MA have been established all over China, radiating 10 provinces and municipalities, covering 15 CR SBU and BU with 4500 members. In 2015 alone, CR employees covered a total distance of 600,000 kilometers, equaling to



circling the Earth for 15 times. Apart from organizing races, RUN MA is also committed to the popularization of sports science through organizing more than 10 thematic lectures on running and more than 30 systematic long-distant running trainings and Marathon trainings. Through trainings on Marathon and lectures on sports science, the running technique of RUN MA members was greatly improved. Up to now, RUN MA has extended its influence to more than one million people through organizing races, trainings, lectures and public activities.

Sports make life better. The establishment of RUN MA has brought many changes to CR employees. For example, He Xiaosong from CR Land ran for 310 times, covering a distance of 1,800 kilometers from October 2014 to February 2016, losing 22 kilograms of body weight and reducing body fat by 10%. Running has not only improved his physical condition and appearance, but also his attitude towards life. "Every day, when I go out, I'm always curious and optimistic. In the past, I used to feel tired whenever I started to work, but now, I'm always energetic, especially after running for a while." Said He Xiaosong.

Sports also make CR employees closer. Some found good friends, some found their beloved ones and some encouraged their parents, children and wives and husbands to join RUN MA.

Every RUN MA member is a living advertisement bringing RUN MA to all corners of the country, leading to a positive and healthy lifestyle and promoting the corporate culture of CR in the society.

The name, "China Resources", incorporates the auspicious meaning, "The Great Land of China is Endowed with Abundant Resources". Master Yan's "hua" character "China", is made of four "ren" characters "people" in the middle. It is a reflection of CR people who are willing to take

the responsibility to make the Group stronger and more prosperous. Apart from caring for the physical and mental health of employees, CR also cares for occupational health through organizing occupational training, establishing career development platforms, providing competitive salary and welfare system and creating a favorable work and cultural environment.

Taking a people-oriented approach to care for employees and build an energetic team of employees is the driving force for CR to prosper against the vicissitudes of history in the past 80 years. With the help of the high quality employee team, CR will always bear in mind the nation and the people to expand its influence and become stronger.



Tremendous Responsibility Behind a Simple Story

Apart from organizing RUN MA, CR is also committed to fulfilling the responsibility of employees. CR Group and businesses of all levels organized a series of activities for employees in reference to practical work to have established a unique, popular platform for team building and brand activity projects, including the lecture on health, reading activity and "Happy Farm" organized by CR Enterprise, CR Power, CR Microelectronics and CR Property; The rest exercise and "100 Steps Per Day" organized by the Department of Information, EHS Department, CR Land, CR Bank, CR999 and CR Vanguard as well as the dating parties, employee clubs and sports events organized by enterprises of all levels. These activities aim at helping employees to release their pressure and keep them healthy physically and psychologically. CR not only makes full use of these activities to advocate a healthy lifestyle and create a favorable work and cultural environment, but also focuses on creating a career development channel to promote the growth and occupational health of employees and make great efforts to build an effective, vigorous and happy CR family.

The number of CR employees

407,000

Investment in all kinds of funds to help employees

¥ 15.3187 million RMB

Labor contract signing rate

99.48 %

The coverage of occupational training

96 %

Average training hour

42 hours/person

Providing health check for

54,981 employees

Social insurance coverage rate

99 %

Days of paid leave

8 days

Per capita investment in training

4,790 RMB/person

By the end of 2016, 27 branches of RUN MA have been established all over China

27

radiating 10 provinces and municipalities

10

members with over

4,500

STORY 3

Become a Better West Lake Spring With CR MIXC

“The Spring cakes remind me of the blossoming plumes in the capital”. It is time for taste Spring dishes again. Cooks of MIXC have prepared the freshest food for gourmets. Every day, one ton of fresh food is transported by air from Hangzhou to Shenzhen and being served in celadon dishes produced in Longquan after being cooked carefully.



Scan the QR Code to watch the founder of West Lake Spring telling the story of changing a small restaurant into a famous catering brand

For detailed information, please turn to page 20



white collar workers. Subsequent adjustments were also made to the dishes, the display, the name design and the furnishing of the restaurant.

But Zhang Xiaoguang was still a little confused as for how to run the business. Therefore, CR team took Zhang Xiaoguang to Hong Kong to visit and learn from outstanding restaurants such as Crystal Jade and Zheng Dou Ji. Zhang Xiaoguang learned a lot from these restaurants from layout to furniture and decoration. Coming back from Hong Kong, he felt the idea become a lot clearer. Soon, Jiangnan Cook was opened in MIXC and became popular immediately.

Jiangnan Cook in MIXC is the first successful attempt of West Lake Spring to transform from an ordinary restaurant to a shopping mall based restaurant. After a decade of development, Jiangnan Cook has become a well-known and widely recognized catering brand, winning the title of “Top Ten Chinese Restaurants” and “International Famous Restaurant” from China Restaurant Association and getting the certification of “quality and credible service demonstration organization” given by China Market Credit Construction Organization Committee. Jiangnan Cook has created huge economic value for West Lake Spring.

After the MIXC subway station was put into use, CR assisted Zhang Xiaoguang to open the first “Jiangnan Taste” Brand Restaurant, attracting a large number of consumers.

Those who are wise learn from past experience, the two successful attempts serve as a force to expand his catering landscape. Now, West Lake has established four brands: “West Lake Spring”, “Jiangnan Cook”, “Jiangnan Taste” and “Yuexiu Pinguo” with 20 mid and high level restaurants being opened.

It is still not time for the restaurant to open, but customers who are eager to taste authentic Jiangsu and Zhejiang food served in Spring has already lined up outside Jiangnan Cook Restaurant on the fourth floor of MIXC. This reminds Zhang Xiaoguang, owner of the restaurant, of the early days of the brand 13 years ago.

In 2004, CR Land MIXC was built and put into operation. Based on business positioning and consumer needs, West Lake Spring was invited to open a new restaurant in the complex. By then, West Lake Spring was just an ordinary restaurant on Gangsun Road. CR found Zhang Xiaoguang and asked if he wanted to upgrade the brand and open a new restaurant.

A new restaurant? Zhang Xiaoguang thought it a good idea. But he had no experience in running restaurants in a shopping mall. Besides, it will certainly not be easy to create a new brand. Many questions popped up in his mind: in the short term, where is the location? How to arrange for the dishes? How to furnish? What about the rent, the labor cost and the cost for power and water? In the long term, what is the cultural connotation and core value of the new catering brand?

Zhang Xiaoguang negotiated and discussed with the CR MIXC team over related issues. First of all, in terms of location, CR proposed the location on the fourth floor facing the elevator, which helps to ensure the flow of customers. In order to distinguish the existing West Lake Spring brand from the new one and emphasize the character of Hangzhou dish, CR proposed to change the name of the new restaurant to “Jiangnan Cook”. In concept design, CR helped Zhang Xiaoguang to establish the tone of the new brand – more delicate style targeting at



The initial design of Jiangnan Cook was done with the help of the MIXC team. The glass wall placed in front of the door had been there since the restaurant was furnished for the first time and had been regarded and cherished as a mascot by Zhang Xiaoguang. The friendship with CR is what Zhang Xiaoguang values the most.

“Making friends with customers and making friends with property owners” is the business philosophy of Zhang Xiaoguang. In his eyes, his relation with CR has gone beyond the contract signed between ordinary customers and property owners. Other shopping malls usually give favorable conditions to business owners but increase the rent by a large margin every year. MIXC, however, never had such unequal clause, instead, it never increased the property management fee. Therefore, Zhang Xiaoguang has decided that where there is MIXC, there is Jiangnan Cook.

CR is willing to grow together with every customer and help them to create greater value. Every complex built by CR Land has witnessed the likes of Jiangnan Cook. Leading the business progress and build a better life together, this is the mission of CR Group.

Tremendous Responsibility Behind a Simple Story

In every sector, customers are growing together with CR Group. CR has been committed to carrying out its customer responsibility through actively promoting comprehensive quality control and management in subsidiary business of all levels and establishing and improving product and service standards to extend quality control to upper stream and lower stream industries. CR makes great efforts to better understand the need of customers and constantly innovate service models. In this way, CR is able to meet the diversified need of customers through personalized and value-added services to comprehensively improve the quality of services.

2016 Customer Satisfaction

CR C'estbon



83 %

CR Ng Fung Limited



96.5 %

CR Double-crane Pharmaceutical Co., Ltd.



98.61 %

CR Pharmaceutical Commercial Group Co., Ltd.



97.7 %

CR Power Holdings Co., Ltd.



97 %

CR Land Limited (commercial buildings)



99 %

CR Land Limited (residential buildings)



79 %

CR Land Limited (shopping malls for tenants)



95 %

The percentage of customer complaints being handled

C'estbon

Vanguard

Ng Fung

Power

Chemical Engineering

Cement

Double Crane

Pharmaceutical Commercial



100 %

R&D Spending



1.085 billion RMB

STORY 4

CR Cement Turning Waste into Wealth

Liao Yubei took up a paper cup from the table, turned on the switch of the reverse-osmosis system, filled the cup with water and drank the water in front of the public. “You see, it is safe”, said Liao with a smile. The cup of water he drank was purified water from the filtered liquid of CR Cement Binyang Environmental Protection Project.



Scan the QR Code to watch Liao Yubei telling the story of turning waste into useful resources

For detailed information, please turn to page 28

Liao Yubei was known in CR as “Uncle Bei”. He has been living in Linshan Village, Litang County, Binyang Town for 61 years. With a history of more than 2,000 years, Binyang was an ethnic minority-inhabited area of the Yue Kingdom and later became a town of China in the sixth year of Yuanding during Emperor Wu’s reign in the Han Dynasty. Bordering Hongshui River on the North and having Qingshui River running through its territory, Binyang used to be a place with Lucid Waters and Lush Mountains. However, with rapid economic growth and a growing population, untreated waste became a severe problem threatening local environment and the life of residents.

To solve the problem, CR Cement signed an agreement on the treatment of domestic waste with the government of Binyang to develop the urban-rural domestic waste coordinated treatment project with a daily capacity of 300 tons with CR Hongshui River Cement Company as the major driver.

The Project introduced the HOTDISC from HL Smidth and rubbish crushers and sewage water treatment technologies from Germany to establish a new technical roadmap of “Mechanical Biology + Hotdisc”. The ash of the solid waste being burned can be 100% used to produce cement. At the same time, the filtered liquid is also 100% collected after being treated, realizing circular development while saving more than 10 mu of land for waste dumping.

As a farmer, Uncle Bei had never heard of these jargons when he first heard the news. Instead, he was upset and frightened. Questions began to pop up in his mind: Will waste combustion produce hazardous air? Will waste treatment pollute our water?

The same questions were also lingering in the mind of villagers living near the Cement Factory. The initial poll showed that local villagers had been quite pessimistic. Actually it had been secretly agreed that the villagers would take actions to interrupt the project their expectations were not met.

CR Cement invited villagers to the construction site to help them better understand the principles and operation of the project with simple and easy-to-understand illustrations. Through such efforts, CR Cement was able to gradually dispel the worries of local villagers. Results of the 6th poll show that 100% of local villagers support the project.

All villagers were welcomed to visit the site since the project was put into construction in January 2015. They were totally convinced when they saw the project being promoted as promised, the fish swimming freely in the glass tank filled with recycled water and CR employees confidently drinking the treated water.

After being put into operation in December 2015 and passing the evaluation and appraisal of related authorities in June 2016, the project has treated more than 120,000 tons of domestic waste. Today’s Binyang is known for its beautiful scenery and good environment with the realization of environmental protection and economic prosperity. Moreover, CR is also committed to improving the awareness of villagers in environmental protection to motivate all sectors of the society to care for Mother Earth. With the help of waste classification and treatment, Uncle Bei’s grandsons can now play happily in the woods surrounded by clear rivers.

What about other places?

As a civilization based on agriculture, rice fields, barns, grassland, farms, flying birds and mowing deer are cultural symbols of the Chinese nation. Our ancestors used to extol the grand mountains and rushing rivers, the shining stars and blue sky. However, these commonly seen scenes have become a luxury in today’s world. 40 years of reform efforts made the people richer, but also saw the water, land and forest being polluted and mounting rubbish surrounding cities. Rural China suffered from environmental pollution in the process of development and is even regarded by some as “rubbish dumps with blossoming flowers. However, can economic development only be achieved at the expense of the environment?

The 13th Five-Year Plan pointed out that with accelerated industrialization and urbanization and the continuous upgrade of the structure of consumption, sustainable development is becoming increasingly imperative. Against such background, all sectors of the economy need to make greater efforts to promote energy conservation and emission reduction. We shouldn’t sacrifice long-term environmental benefits for short-term business profit, neither should we pursue business expansion at the expense of depriving the next generation of the right of living in a good environment or increasing business profit by squeezing spending on environmental protection. CR Cement Binyang Domestic Waste Treatment and Disposal Project is an effective solution offered by CR in response to the demand of the country.



The Binyang urban-rural domestic waste coordinated treatment project of CR Cement is a perfect demonstration of the philosophy of “green development” held by the CR Group. Uncle Bei has several longan trees planted in front of his house. “I hope that one hundred years later, my great grandsons will still be able to eat the fruits of the tree”, said Uncle Bei, smiling. His wish can only come true if green and scientific development is pursued.

Only through retaining the respect to and love for nature and the land we live on can we protect our hometown and leave a clean and beautiful country to the next generations and resume the traditional rural culture.

CR will continue to improve energy conservation and environmental protection, optimize industrial structure, knock out backward production capacity and actively promote related experience to other places. We believe that with the efforts of CR, the beautiful scenery that is about to disappear will be recovered.

Tremendous Responsibility Behind a Simple Story

From mounting rubbish to Lucid Waters and Lush Mountains, villagers like Uncle Bei witnessed their homeland becoming more and more beautiful and their lives becoming more enjoyable with the help of CR Group. CR Group has been sticking to the concept of “promoting green ecological construction” to carry out environmental responsibility. Major power consumers such as CR Power and CR Cement constantly improves the efficiency of the use of resource and reduces the emission of pollutant through strengthening environmental protection and energy conservation management. At the same time, CR is also promoting the transition to green development through technological upgrade and help companies to establish green competitiveness with low-carbon and highly-efficient operation model. The development and application of new technologies, new techniques and new products related to energy conservation and emission reduction by the Binyang urban-rural domestic waste coordinated treatment project, CR Power sludge drying incineration coordinated power generation project not only improved the performance of the Group, providing new directions and ideas for the transition and development of energy utilities, but also made life and the environment we live in better.

Total investment in environmental protection

2.74 billion RMB

Investment in technological transformation related to energy conservation and emission reduction

2.4 billion RMB

Output/revenue income energy conservation

1.2952 million tons of standard coal

Clean energy rights and interest installed capacity

5.5997 GW

Energy conservation achieved through technological innovation

279,400 tons of standard coal

Product energy conservation

268,500 tons of standard coal

SO₂ emission

41,253.57 tons

NH₄⁺-N emission

215.89 tons

COD emission

1,992.03 tons

NO emission

99,022.48 tons

STORY 5

**More Friendly and
Transparent**
When CR LAND Promoting
Sunny Procurement

It is often said that CR Land is the most difficult partner to deal with. Some even say “we should avoid undertaking HR projects whenever possible”. Liu Fengzhen, Vice President of Dalian Construction Engineering Group didn’t think so. After undertaking seven CR projects in six years, Liu Fengzhen was deeply impressed by the transparency, fairness and honesty of CR Group.



Scan the QR Code to watch participants of real estate projects to tell how the transparent procurement project changed the industry in the highly competitive market

For detailed information, please turn to page 32

As an experienced businesswoman, Liu Fengzhen clearly understands the complexity of the business world and the complicated relation between different stakeholders that need to be handled carefully. However, the cooperation with CR is totally different. “Simple and efficient” is the best description of the relation between Dalian Construction Engineering Group.

To establish a simple and highly-effective partnership, CR Group launched the Sunshine Declaration in 2011. It not only promoted good business ethics based on “transparent procurement” inside the Group, guiding employees to stick to the principle of “being clean, honest and responsible” to improve corporate profit and unleash the potential of every employee in a transparent way. At the same time, CR invited all suppliers to jointly carry out transparent and efficient competition in an effort to incorporate social responsibility into procurement management concept to realize transparent information publication, fair process and win-win result, which will further promote the comprehensive development and progress of all industries and safeguard a good market order.

When Dalian Construction Engineering Group was invited to bid for the project of CR Land for the first time, it was required to sign on the Sunshine Declaration and the Honest Cooperation Agreement to get the bidder qualification. Those suppliers who could not effectively carry out their commitment were subject to rigid system and are included into the List of Unqualified Suppliers and are not allowed to bid for any other project as potential project undertakers should be selected from the List. Before the bidding process began, CR Land visited Dalian Construction Engineering Group for further research on the financial status, operation condition, technical and operation skills and project experience as well as the management of the construction team.

Liu Fengzhen was a little upset at first, as it was the first time for her to cooperate with such a partner and was still suspicious as for whether CR can carry out the Sunshine Declaration.

After the first project, Liu Fengzhen was convinced. Gradually, with the second and the third project, there were more and more opportunities for cooperation between CR and Dalian Construction Engineering Group. In this process, Liu Fengzhen also had renewed understanding of the word “honesty”. The Chinese has always been regarding business people as valuing only profit and stereotyping business people as dishonest and mean. Some extreme ideas even take the existence of “hidden rules” for granted, thinking that the Chinese society is based on interpersonal relations and that bribery decides the efficiency of project implementation. However, CR has been sticking to the principle of valuing honesty instead of profit to pursue business expansion in a

transparent way. The implementation of the Sunshine Declaration helped Dalian Construction Engineering Group to avoid unfair industrial competition so that the Group can focus only on improving the quality of construction projects, build green and sustainable houses and make life better for the public. With the contract in place, workers’ salary was able to be paid on time. This not only ensured the quality of CR Land projects, but also led Dalian Construction Engineering Group on to a path of highly-efficient commercial development, realizing the maximization of profit in a transparent and honest manner.

The Sunshine Declaration launched by CR inspired Dalian Construction Engineering Group to introduce the concept into the process of procurement and construction to promote sound industrial development. The Procurement Financial Statement of Dalian Construction Engineering Group was very clear with a detailed comparison of suppliers to ensure that material of the best quality be used in doors, windows and power and water supply systems. Before starting project construction, Dalian Construction Engineering Group made comprehensive and detailed plans and prototypes. The construction site is open to all as has been promised.

“With the endorsement of these high-quality projects build through our cooperation with CR, we are able to be increasingly trusted by our industry peers screening”, said Liu Fengzhen, Vice President of Dalian Construction Engineering Group. After six years of cooperation, Dalian Construction Engineering Group was able to constantly make new progresses. Just slightly more than ten days ago, Dalian Construction Engineering Group won the bid for the Third Phase of the 24th Project of CR Land in Shenyang.



CR has integrated the concept of transparent procurement into all sectors of the industrial chain to construct a sound and transparent cooperation system for suppliers on multiple levels including codes, contracts, concept and behavior and establish an anti-corruption mechanism along the supply chain that guide partners to better carry out social responsibility, significantly improve the quality and competitiveness of suppliers, realize win-win cooperation with the suppliers and effectively build a sound and green biosphere of supply chains.

By the end of 2016, a total of 6,340 suppliers participated in the “Sunshine Declaration” Campaign with all contracts following the Sunshine Declaration and the Clean Cooperation Code. The implementation of the Sunshine Declaration created a win-win situation. It not only helped with the promotion and implementation of the concept of fair competition in and out of CR, provided opportunities for fair competition for quality suppliers and created a favorable environment for development, but also helped CR to choose more quality cooperation partners like Dalian Construction Engineering Group to effectively improve the stability of cooperation partners, reduce the risk of contract fulfillment and ensure the implementation of quality CR Land projects.

“Sacrificing profit for the fulfillment of corporate responsibility, pursuing win-win cooperation with great wisdom”. CR is committed to promoting the concept of “transparent procurement” to all sectors of business cooperation under the principle of honesty and fairness. Benefiting all is better than benefiting only oneself. The spirit of CR will be carried on.

Tremendous Responsibility Behind a Simple Story

CR has been attaching great importance to improving business performance while emphasizing the creation of a favorable environment by sticking to the core value of honest operation. Subsidiary companies of all levels have been committed to integrating corporate responsibility into the management of supply chains to establish an anti-corruption mechanism along the supply chain and guide supplier partners to carry out their social responsibility. On the one hand, this can effectively promote fair completion in the industry, thus realizing win-win cooperation in positive competition; on the other hand, this helped CR to select a series of quality suppliers that ensured the implementation of projects. All CR operations are faced with fierce market competition. To ensure long-term joint development with CR, we need to stand out in the competitive market and achieve more fruitful results and at the same time, carry out the social responsibility that needs to be taken by central enterprises to coordinate with partners to improve their own ability and create a mutually beneficial and win-win biosphere.

The ratio of responsible procurement of the profit center



In inviting tenders, CR Power put quality management system certification, environment management system certification, professional health and safety management system certification as rigid indicators. Those who fail to reach the standard will be excluded from the list of candidates. This effectively helped tenders to better carry out their social responsibility.

Economic contract fulfillment rate



In 2016, 95% of all tenders being invited passed the

certification of the three systems



CR Cement is committed to promoting the sustainable development of suppliers to carry out regular performance appraisal to cooperating suppliers to implement differentiated management through evaluating and grading prices, quality, product delivery and services (outstanding, qualified, to be revised and being knocked out) to identify problems and correction methods.



To improve the awareness of environmental responsibility throughout the supply chain, CR Land launched rigid requirements on energy conservation and environmental protection technologies or suppliers. Take the procurement of the central air conditioning system in commercial properties as an example, we require the energy conservation technology of procured equipment to each level one. It is also required that the standard of manufacturing company management reach the requirement of ISO9000 Management System standard and that environmental protection should reach the standard of ISO 14000 Environmental System Certification.

STORY 6

Inner Growth in Her Heart

Lead Comprehensive Growth in Her Village

When the thin morning mist was gradually disappearing from the mountains, CR Hope Town in Baise was bathed in sunshine. At 6:30 in the morning, Tian Qiuxiang went out of the tropical style villa followed by her son, Xiaoma.



Scan the QR Code to watch residents of Baise CR Hope Town to tell the story of starting their own business after coming back home from urban areas as migrant workers

For detailed information, please turn to page 36



An hour later, after breakfast, Tian Qiuxiang sent her son to kindergarten and went back home, put on her uniform and drove to the farm in a minibus, the oldest among the three cars she has. Tian cut the vegetable growing on the farm, bundled them, put them on the minibus, and drove to a hennery where the vegetable would be chopped up and mixed with soy bean meal to feed the 100,000 chicken. The hennery would bring her an annual income of more than 200,000 RMB.

This is more than 10 times her income when she was a migrant worker. Living in a villa and running her own business is something that is beyond the imagination of this woman ten year ago when she was an ordinary migrant worker on the assembly line.

Ten years ago, Tian Qiuxiang's life is filled with anxiety, bewilderment and uncertainty. With old houses and muddy roads, her home village was poor and backward. Like her fellow villagers, she went to the city to work as the income from farming could hardly make ends meet. Leaving her daughter at home, she moved from one factory to another, feeling isolated and helpless in the cities with splashing buildings. During festivals, seeing urban families sitting together, laughing and talking, she couldn't help thinking: how can I live like this? What can I do to make life a little bit different?

It was until 2008 when Tian Qiuxiang sensed the chance for "change": CR decided to start the Hope Town Project in her hometown to aid social and economic development in the local area in response to the call of the Central Government on "promoting agricultural development with industrialization and driving rural economy with urban resources". "Unlike my fellow villagers, who had no idea of what CR is, I know that it is a reliable big company as I always see Vanguard in the city where I work. So I decided to go back home to have a try", said Tian Qiuxiang.

Tian Qiuxiang, who was eager to improve her financial status, started to raise pigs before CR

programs were implemented. But a big challenge emerged several months later – Tian had no idea of how to sell the pigs as she had no experience doing business. When she was about to give up, CR Hope Town Project Team lent a helping hand and helped her to sell all the pigs to CR Ng Fung.

"I made at least 2 RMB/kg from selling pigs". It was the first time for Tian to taste the fruit of success. With increasing trust in CR, she began to raise chicken under CR's advice. But other villagers were not as bold as her as they had no capital, no technology and no sales channels. Faced with the situation, CR promised to subsidize 10 RMB to farmers for every chicken they raise, invited experts to offer trainings and technical assistance and helped farmers to sell the products on the platform of CR Vanguard and CR Ng Fung.

However, CR believes that what's more important than providing financial and technological aid is helping local villagers to unleash their own potential. Therefore, CR not only emphasized improving the capability of farmers but also focused on changing the mentality of farmers. In early 2012, CR helped Hope Town to establish a chicken-raising cooperative. Tian Qiuxiang voluntarily became the chief technical officer of the cooperative, providing technical support to other farmers for free. Soon, warm-hearted Tian Qiuxiang became the most popular person in Baise Hope Town, attracting villagers from neighboring villages to ask for help. Besides, Tian Qiuxiang was elected as a deputy to the People's Congress and proposed the problem of the education of left-behind children to Vice Premier Wang Yang during the Videophone Conference of the First National Poverty Alleviation Day in 2014.

The Baise Uprising 90 years ago was the first attempt for the older generation to implement reforms in this region. Now, 90 years later, CR donated Hope Towns, initiating the second wave of reform in the region. The former allowed Chinese people to have their own land while the later filled the land with hope.

Wide cement roads soon replaced the old bumpy, dusty road; children are reading English texts in modern, bright classrooms and old small houses are replaced by western-style villas. CR's investment enabled local residents to enjoy all modern public facilities as urban residents do. In fact, rural areas riding the wave of the urbanization drive all over China have similar infrastructure, what's the most valuable for Baise Hope Town is not the improvement of hardware, but the enrichment of the mind. Now, more and more young people choose to stay at home to make joint efforts for changes and allow everyone to benefit from the results of development as they are optimistic about the future and have their own beliefs. Now, Tian Qiuxiang would not have to leave her daughter



at home. And has given birth to a son after coming back to her hometown.

China has 900 million farmers. Driven by the wave of development and reform, a large number of farmers like Tian Qiuxiang was compelled to leave her hometown for cities, providing enormous impetus for rural construction with their own villages withering day by day, leaving only poverty to the next generation. CR always had the belief that in the time of changes, not a single farmer should cry.

Agricultural prosperity lies a solid foundation for national development, rich farmers build a rich country and rural stability creates a safe society. Standing at the crossroad of the times, CR has been following the call of the central

government to create a new path for farmers to regain dignity, a path full of hope. The story of Tian Qiuxiang is just an example of CR's efforts to solve problems concerning agriculture, rural area and farmers. Since 2008, CR has built 9 Hope Towns, which are like sparkling fire igniting the light of hope all over the nation to make rural areas as beautiful as they used to be.

Tremendous Responsibility Behind a Simple Story

From a migrant worker to a businesswoman with her own agricultural brand and deputy to the People's Congress of Guangxi Autonomous Region, Tian Qiuxiang is just one of the thousands of farmers who changed their fate with the help of CR, a responsible central enterprise committed to improving the well-being of the public. With the philosophy of "being grateful and contribute to society", CR has been actively carrying out its social responsibilities, focusing on social issues and making full use of its own resources to initiate campaigns to promote poverty alleviation and public welfare. Through developing Hope Towns and carrying out targeted poverty alleviation, CR was able to come up with the fundamental solution to "problems concerning agriculture, rural areas and farmers" to improve people's well-being and realize the harmonious development of business and society.

In 2016, CR Charity Foundation carried out 25 public charity campaigns in poverty alleviation, disaster relief, education aid and environmental protection



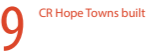
donated a total of



Since 2008, CR has donated



9 CR Hope Towns were established in old revolutionary bases and poverty-stricken areas



Building 9 Hope Towns in 9 years

Directly benefiting



adiating to neighboring towns and villages, helping over



to step on the path of prosperity

SOCIAL RESPONSIBILITY MODELS



探究， 改变背后的 努力

*Efforts
behind Changes*

1

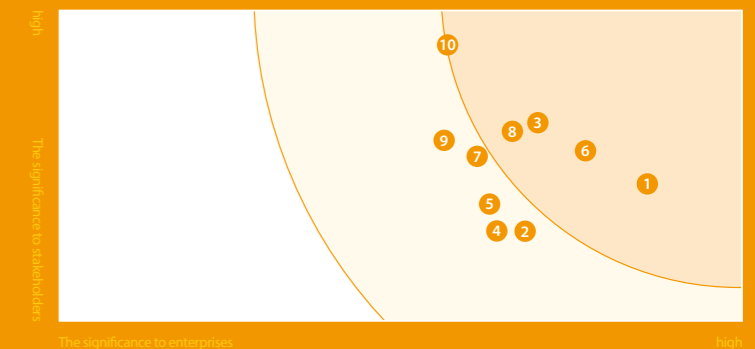
Being Responsible for Shareholders Keeping Ahead on Creating Value

Our Philosophy

As a central enterprise with a history of nearly 80 years, we have been committed to carrying our responsibilities to implement the development concept of “innovation, coordination, green development, openness and mutual sharing” and follow the general requirement of “steadily making progress” to pursue innovative development against all challenges. CR has also been committed to improving the modern corporate system, steadily improving product quality and efficiency and carrying out transformation and innovation to realize value preservation and increase of state-owned assets, foster great wisdom and establish a broad vision.

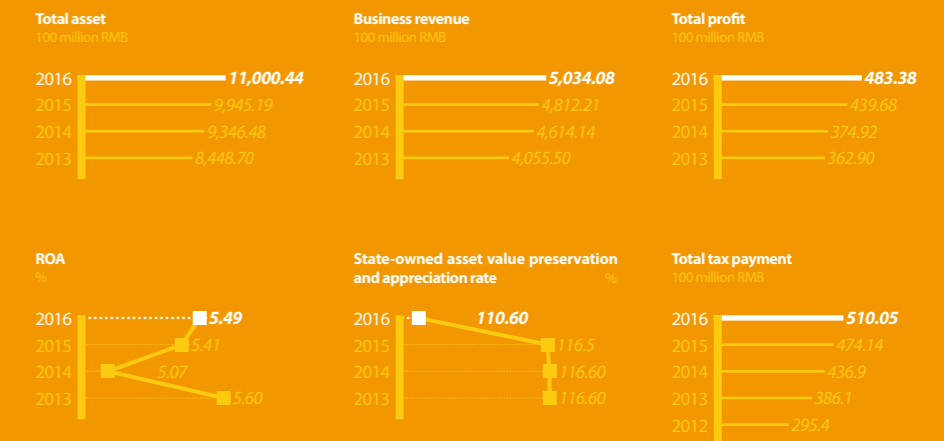
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Materiality Analysis of Topics Concerning Shareholder Responsibilities



1. Corporate performance improvement
2. Comprehensive risk management
3. Strengthened anti-corruption efforts
4. Internal control system construction
5. The construction of scientific decision-making mechanism
6. The deepening of state-owned enterprise reforms
7. Streamlining corporate structure
8. The improvement of quality and efficiency
9. The protection of the rights and interests of small and medium shareholders
10. The release of information on time

Our Performance



Our Actions

Improving Corporate Governance

Regulating the construction of the Board of Directors

1

Improving corporate governance structure. CR regulated the construction of the Board of Directors in 2016 through the introduction of external shareholders to participate in corporate governance with corporate governance institutions such as Corporate Charters and Rules for the Discussion of Affairs in the Board of Directors being revised and updated. CR also identified the duties and authorities of the Board of Directors, the Board of Supervisors and senior executives and established a decision-making and supervision mechanism with the Board of Directors, the Board of Supervisors and senior executives carrying out their own duties and responsibilities, coordinating with each other in business operation and supervising each other.

2

Sticking to the collective decision-making mechanism for major projects. Decisions for major projects are to be made by the Board of Directors or the executive committee authorized by the Board of Directors under the collective decision-making mechanism. Before being submitted to the Board of Directors for assessment and discussion, major projects should be firstly assessed and discussed by the Strategic Committee of the Board of Director chaired by an external shareholder.

3

Establishing an accountability system for decision-making violating rules and regulations. Directors or members of the executive committee abstained or in favor of the decision in a vote that makes the Group suffer from losses as it violates related laws and regulations or Corporate Charters, shall be held accountable. They shall give financial compensations, being dismissed or even sent to law enforcement authorities. Senior executives causing loss to the Group for changing or refusing to implement the decision made by the Board of Directors or the Executive Committee shall be held accountable.



▲ On 26th Feb, 2017, the first session of the first meeting of the board of directors after the establishment of the regulated board of directors of CR was held in the Southern Campus of CR University in Huizhou, Guangdong.

Regulating Information Disclosure

CR business operations shall ensure timely and accurate information disclosure to shareholders and investors with the principle of transparency and reliability. Listed companies shall introduce corporate information to small and medium-sized shareholders through performance briefings, investor surveys and telephone interviews to answer their questions and establish positive interaction with small and medium-sized investors. Moreover, Annual and Semi-Annual Fiscal Reports shall be released to keep creditors and investors informed of the performance and fiscal condition of the company. In an effort to strengthen the communication with investors and regulate information disclosure procedures, CR launched an investor relation system and the Investor Reception Directive to guide the Group, subsidiary companies, regional offices and business operations of all levels to strictly follow rules and regulations in their place of listing to perform the duty of information disclosure.

Deepening the Promotion of Supply-side Reforms

CR Group launched the “Skimming” Plan, cutting the number of companies by 86 by the end of 2016.

- CR purchased the beer business of CR Enterprise
- CR clarified and streamlined the management of CR Financial Holding of financial institutions.
- CR Power merged thermal power and new energy departments and regional operations.
- CR Land implemented the integration of regional business operations
- CR Vanguard put under the direct management of CR Group

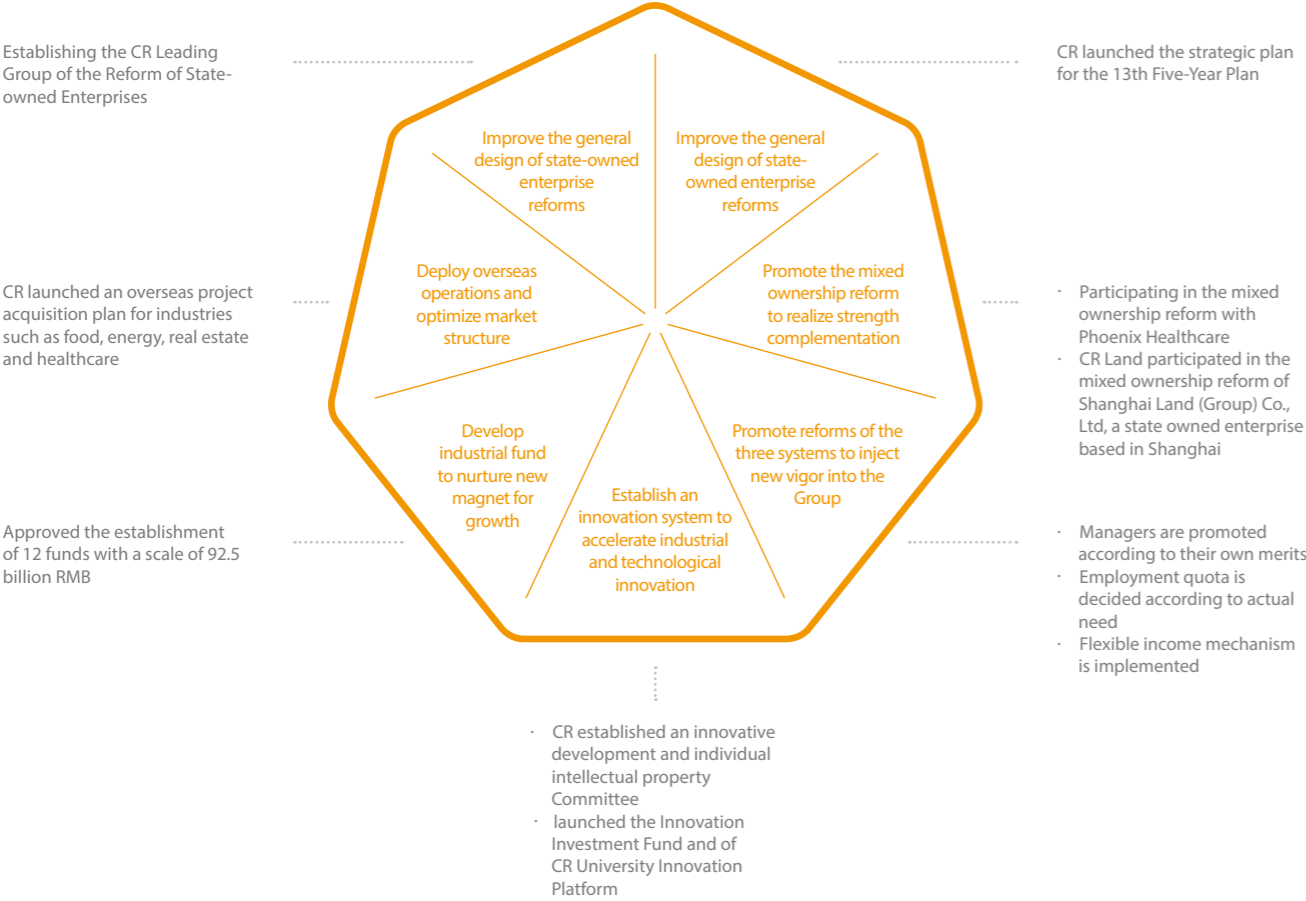


- Shutting down 10 mining wells, reducing productive capacity by 2.89 million tons, completing the task of the reduction of the surplus productive capacity of 2016 ahead of time.
- Handling 10 “zombie firms” and treating 39 companies suffering from financial problems
- Restructuring 5 companies

- CR Land strengthened the control of the size of stock
- CR Vanguard cleared products with high inventory levels
- CR Pharmaceutical Commercial optimized the management of accounts receivable

- CR Healthcare and Phoenix Healthcare completed restructure
- CR sold the equity of Walmart and Anhui Huayuan
- CR disposed equipment used in the third phase of the Huajing Project of CR Microelectronics

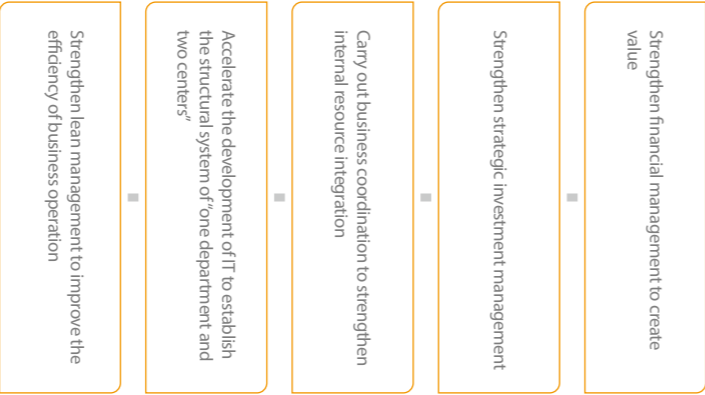
Accelerating the Pace of Reform and Innovation



Promoting the Development of Strategic Operations

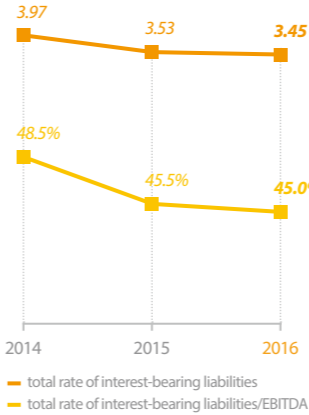


Improving the Quality and Efficiency of Operation Management



Strengthening Internal Control to Reduce Risks

In 2016, CR continued to strengthen auditing monitoring and supervision to prevent internal risks and support business operations through developing a new risk management mechanism after comprehensively analyzing risk-management related efforts during the 12th Five-Year Plan in reference to the development trend of external supervision and control and the experience in risk management of world class global enterprises. Through strengthening internal control management, CR Group was able to improve the safety of its assets with continued decrease in the total rate of interest-bearing liabilities.



Compiling and Launching the Strategic Plan for Risk Management

CR Group compiled and launched the strategic plan for risk management for the 13th Five-Year Plan Period, which identified the strategic goals and concrete measures for risk management during the 13th Five-Year Plan Period to help subsidiary companies of all levels to control risks at a level that is in line with the strategic development goals, improve related risk management solutions and form a risk preference featuring proactive response and prudent operation to avoid systematic, industrial and major risks.



Improving Comprehensive Risk Management

To strengthen risk identification, CR listed and analyzed the top ten risks in 2016, revised and improved a series of systems and procedures and reinforced the control over key risks. Business operations of all levels carried out targeted risk prevention and control based on the internal risk threats identified in auditing with 30 projects having been finished. These efforts significantly improved the investment risk assessment measures, internal trading risk assessment measures and major capital operation EHS assessment measures and optimized the model of "targeted risk control + basic management system".



Establishing the Risk Management Committee

CR has established an internal control and risk management committee with the General Manager as the chairman and managerial personnel in functional units as members. The Committee launched CR (Group) Internal Control and Risk Management Committee Rules on Discussing Affairs and CR (Group) Internal Control and Risk Management Committee Duties and Responsibilities to make general plans for, guide, evaluate and coordinate management. functional departments of CR have all established their own internal control and risk management committees composed of senior executives.



Optimizing Systems and Institutions

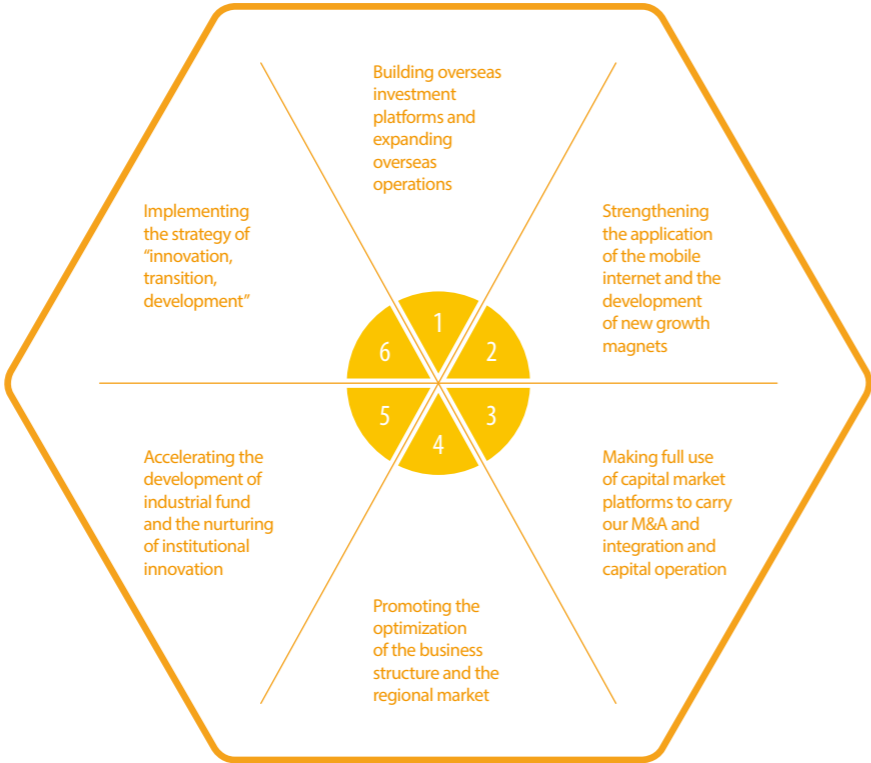
First of all, CR revised CR Group Rules for Regulation and System Management, which prioritizes the clarification and development of system grading management, pre-release approval procedures and the allocation of responsibilities among different functional units and underlines the function and duties of the administrative office as the authority for the management of corporate governance construction. Secondly, CR carried out institutional optimization to launch a list of areas for institutional construction with 22 systems being revised. At the same time, the profit center also finished the improvement of nearly 700 systems and procedures in just a year.

Challenges and Improvement

Currently, CR faces four challenges. Firstly, the pace of transition is slow with the impetus of growth yet to be increased; secondly, the awareness and ability of making innovations need to be improved at an accelerated pace; thirdly, resource allocation and the development plan need to be optimized; fourthly, the organizational structure needs to be improved with the channels of development need to be make smoother. Besides, faced with the challenges and opportunities of the era of internet, CR also needs to adopt a more effective and innovative strategy in response to the development of the sharing economy to promote the emergence of a new business model.

In 2017, CR will promote the transition to quality and high-end business through driving the construction of an excellent operation system, systematically improving productive capacity and operation, actively expanding new markets, focusing on technological R&D and the update of products and adjusting business models with the theme of “innovation, transition, development”. At the same time, CR will also seize opportunities to constantly optimize business portfolio and nurture new areas for strategic growth according to the strategic deployment of the 13th Five-Year Plan. Besides, CR will also promote the transition to an innovative development model through developing funds, constructing CR networks, expanding the overseas markets and leveraging capital market tools. The Group will also comprehensively impose strict governance through institutional and system reforms, streamlining business structure and strengthening internal control and risk prevention.

Our Commitment



Words from Stakeholders

“CR Beer Holdings repurchased 49% of the equity of Snow Beer at a relatively low price and excellent financing structure, creating huge benefit for shareholders with its market competitiveness and outstanding capability of operating the capital market. I would like to thank all CR colleagues for your efforts.”

Li Yue, Executive Director of Hillhouse Capital Group

Thematic Practice 1.

Implement Honest Compliance



Honesty is the way of the Heaven; being honest is the way to be a good person



Mencius • Liloushang

The corporate culture of honesty:
Honesty Leads to Innovation, Honesty Leads to Sustainable Development



I believe that CR people will have a better understanding of “honesty and credibility”. Sticking to the principle of “honesty” is choosing sustainable development and long-term growth and choosing to be true to ourselves.



President Fu Yuning

Promoting Education on Building a Clean and Honest Group

CR has been attaching great importance to improving the awareness of managers in clean and honest operation through including anti-corruption and honest operation into its regular training system. Through carrying out case study, organizing lectures on promoting honesty and credibility and strengthening the communication with auditing departments to encourage managers all levels and employees to always bear in mid the concept of compliance.



We have to have a good start and walk the first step successfully to prevent slipping into corruption. We also need to be able to conduct self-supervision to carry out self-discipline. We also have to mind the details and nip the evil in the bud and be careful to make friends only with those who are upright and honest.



Developing Quality CR Managers Delivered by President Fu Yuning

Organizing Tenure Talks and Talks on Anti-corruption

To further clarify the requirement for the employment of managers and improve the awareness of anti-corruption, CR Group launched the system for tenure talks and talks on anti-corruption for new managers under the direct leadership of CR Group. In 2016, people in charge of discipline inspection and supervision of all levels of CR organized 1150 talks on anti-corruption with leaders of subsidiary operations and 1114 tenure talks with new leaders on the implementation of the accountability system of promoting clean governance.

Carrying out tenure talks with



1,114 new leaders

In September 2016, CR Department of Discipline Inspection and Supervision and Human Resources organized the first collective talk on anti-corruption and tenure talk for new managers under the direct leadership of the Group attended by 85 new managers under the direct leadership of CR.



Continue to Organize “Lectures on Clean and Honest Governance”

CR University continued to organize “lectures on clean and honest governance”, providing clean and honest education for 206 trainees of the Ninth and Tenth “Way of CR Program”, 42 trainees of the Sixth Class for New Managers Under the Direct Management of the Profit Center and 1915 trainees of the “Star of the Future” Camp to establish an anti-corruption promotion platform and create a corporate culture of discipline, compliance and clean governance.

CR carried out anti-corruption and discipline education for 5 profit centers including Vanguard for



7 times

covering the principle, culture and system management of auditing with



365 participants

CR organized managers of all levels to watch the video of *Always on the Road* and the educational movie of *Never Taking the First Step on to the Road of Corruption*, attracting 47,290 people. Subsidiary companies organized thematic training programs and visits to anti-corruption and clean governance education bases and created WeChat Groups for employees, followed the website of the Commission for Discipline Inspection of the Central Committee of the CPC and established a website on anti-corruption and clean governance to carry out all kinds of education programs through case studies.

Carrying out Training Programs on Auditing

CR has been actively analyzing auditing cases to identify commonly seen risks and coping strategies in inviting tenders, procurement, project implementation, marketing, loans and credits, commerce and production safety. It also compiled and launched case catalogues of auditing and risk management and clarified related laws and regulations to improve the awareness of managers and employees in risk prevention and control.

CR implemented training programs to popularize auditing-related knowledge for managers of non-auditing positions in profit centers. Seven training projects for managers of non-auditing positions in profit centers in CR Coal Mining, CR Land, CR Gas, CR Trust and CR Vanguard, covering the principle, culture and system management of auditing with 365 participants.



▲ Case Catalogues of Auditing and Risk Management

Carrying out System and Institutional Optimization

In 2016, CR revised *Rules on the Management of CR Regulations*, giving priority to the clarification of the management of system classification pre-release approval procedures and the allocation of institutional management responsibilities.

CR launched a list of system optimization items with the addition and revision of 22 systems. Nearly 700 systems and procedures on SBU/BU level have been improved in the past year. In the future, CR Group will carry out dynamic optimization to form and release authoritative system catalogues every year base on existing systems.

Mastering Key Areas of Management

CR Group and subsidiary companies prioritized key areas in corporate management, revised and improved related rules and regulations, emphasized the implementation of strategies, procurement, investment and M&A, project construction, capital management, financial supervision and control, marketing, IT construction and the creation of a culture of honesty. CR also strengthened the institutional construction and general design of the management system in areas where corruption is frequently seen, including investment and M&A, procurement and project construction to launch related institutions and systems to manage personnel, affairs and rights to effectively supervise and monitor key areas of internal control.

Punishing Corruption and Dishonesty



CR managers should always remind themselves of the attempt of corruption and listen to the advice of others. We should learn to make progress under supervision and understand that the supervision of the Group also shows its care for employees



Developing a Quality CR Manager Team delivered by CR President Fu Yuning

Organizing Comprehensive Auditing

CR Group adopted a problem-oriented model to focus on basic management with the solving of problems as the priority and strengthen the auditing and inspection of key areas with the goal of promoting business development and compliance construction.

CR Group finished the auditing and inspection of 264 projects with 3,773 findings and 4,230 suggestions being proposed. By February 2017, 696 system procedures have been established and improved, generating 274 million RMB of benefit. In this process, 152 employees were held accountable for misconduct, in which one was transferred to law enforcement authorities for further investigation.

Establishing a Regular Mechanism to Fight Against Corruption

CR released announcements before all major festivals and holidays such as the Mid-Autumn Festival, the National Day Holiday, New Year's Day and the Spring Festival to timely remind staff to strictly follow the Eight-point Code to Cut Bureaucracy and Maintain Close Ties with the People and remain clean and upright during holidays and festivals. It is required that all subsidiary businesses should strengthened efforts to fight against corruption during festivals and name and shame personnel violating related regulations.

According to CR, anti-corruption campaigns should be organized on a regular basis and those violating the Eight-point Code to Cut Bureaucracy and Maintain Close Ties with the People should be named and shamed.

Taking Concrete Measures to Strengthen Party Building and Party Discipline

While emphasizing accountability and the warning effect of the anti-corruption campaign, CR has also been taking concrete measures to highlight the importance of discipline and rules to make supervision and the implementation of regulations more effective.

By February 2017, CR promoted the establishment and improvement of



696 system procedures

generating



274 million RMB of benefit

In 2016, the results of auditing show that a sales manager of a subsidiary business abused his right to purchase a best seller of the company at a price much lower than it should be. After receiving related reports, the business made a thorough investigation to the operations in the charge of the sale manager and asked local procuratorate for further investigation.

In 2016, 59.3% of those violating related regulations were named and shamed



59.3 %

27.8% were given light punishment according to Party Discipline and Rules



27.8 %

12.4% were give heavy punishment and major occupational changes



12.4 %

0.5% were transferred to law enforcement authorities for further investigation



0.5 %

Strengthening System and Institutional Construction

Promoting the Implementation of Targeted Programs for Certain Problems

Organizing Internal Inspection

CR launched the general plan for internal inspection covering all business operations in three years to solve major problems, urge the improvement of management and promote corporate development with inspection as an important threshold to promote law-based corporate governance and strengthen the building of a clean and honesty Party.

In 2016, CR organized two rounds of internal inspection by adopting a problem-oriented approach to focus on key persons, major issues and major problems with a special emphasis on the supervision of top leader of subsidiary businesses to always remind to stick firmly to their beliefs and ideals.

Innovating the Internal Inspection Model

The following content is added as a supplement to the content of inspection issued by the Central Government in reference to the requirements of CR on inspection:

- The implementation of the decisions of CR
- The establishment and improvement of related systems and mechanisms
- The construction of corporate culture
- Major problems in cororate management
- Other problems that the Inspection Group considers as needing special attention

Organizing Special Audit

In 2016, to consolidate the basic management of capital and strengthen compliance, CR organized special audit of capital management in 8 subsidiary profit centers. The special audits focused on payment and receivables, cash management, bank accountant and deposit management, negotiable instrument management, financial market investment management and guaranty and mortgage management to help related profit centers to eliminate loopholes. These projects generated 250 million RMB of comprehensive economic benefit, through speeding up collection of receivables, liquidizing remnant assets and reducing costs. Moreover, 31 punishments have been given, which significantly promoted clean business operation and compliance.

In 2016, CR carried out special audit of capital management in 8 profit centers, generating an economic profit of



Issuing 31 punishments to people in charge with misconduct



Promoting Systematic Adjustments

People in charge of subsidiary businesses of CR initiatively took the responsibility to establish readjustment teams to supervise related work. Following the principle of “accurately identify problems and thoroughly implement readjustment measures”, the teams organized special meetings to work out lists of audit findings, explore the root causes of problems, launch readjustment plans and define the responsibility and duties of different parties and the deadlines. Subsidiary businesses of all levels established long-term management and control mechanisms through improving system procedures, identifying duties and responsibilities for different positions, strengthening the accountability mechanism and promoting related training programs.

CR Group Established the Compliance Committee

CR made great efforts to improve the adjustment work mechanism to identify key issues in the process and establish fixed standard procedures. Now, CR Compliance Committee has been established as the leader of the readjustment efforts with the establishment of an accountability system that requires the head of each business operation to be held responsible for the misconduct of all staff. It is also made clear that the top leader of each profit center is to be held accountable for the implementation of readjustment plans. At the same time, CR integrated available resources to establish a great supervision system with the joint efforts of functional units in charge of internal inspection, discipline inspection and supervision, audit supervision and EHS with strengthened coordination and cooperation in information, personnel and accountability. Those violating related rules and regulations should be transferred to law enforcement authorities for further investigation. These efforts significantly improved the efficiency of internal supervision and readjustment.

Leaders of state-owned enterprises should “be loyal to the Party, be brave enough to make innovations, be able to manage the enterprise well, be capable of making progress and be clean and honest.”

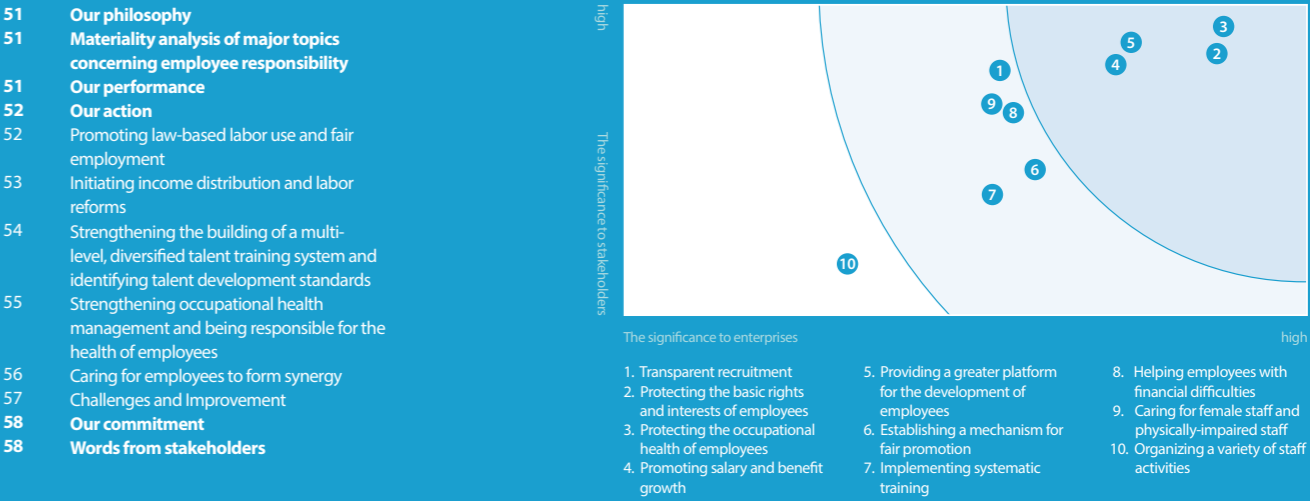
President Xi Jinping’s speech on the National Work Conference on Party Building in State-owned Enterprises

2 Being Responsible for Employees Building a Development Platform Full of Opportunities

Our Philosophy

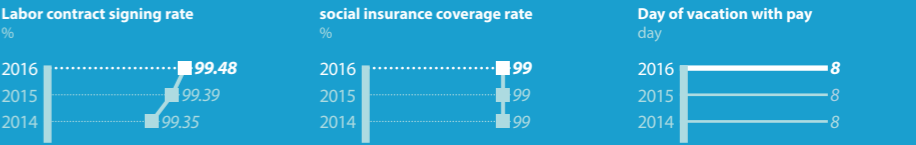
CR regards employees as the key to making extraordinary achievement, respects the efforts of each employee and tries its best to protect their basic rights and interests through strengthening democratic management, establishing a staff salary growth mechanism and developing harmonious labor relations to provide a greater platform and better environment for staff to fully unleash their potential. At the same time, CR also attaches great importance to helping vulnerable staff, improving the happiness index of employees and building an efficient and energetic CR family.

Materiality Analysis of Major Issues of Employee Responsibility

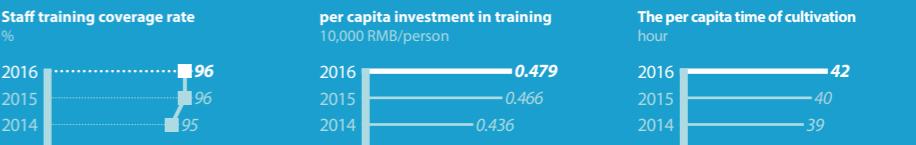


Our Performance

Annual performance of key indicators in protecting the rights and interests of employees from 2014 to 2016



Annual performance of key indicators in promoting staff development from 2014 to 2016



Data related to projects to help employees in need

	2014		2015		2016	
	Number	Volume (10,000 RMB)	Number	Volume (10,000 RMB)	Number	Volume (10,000 RMB)
The number of employees covered by the aid projects	4,721	603	4,722	540	3,793	545.23
The number of households being visited	3,972	386	3,114	265	4,916	320.32
The number of children of staff in financial difficulties being helped	704	85	519	64	477	57.1
The number of sick employees being helped	3,108	839	3,407	593	2,330	609.22

Our Action

Promoting law-based labor use and fair employment

CR Group has been strictly observing related laws and regulations including Labor Contract Law to ensure law-based labor use and protect the legal rights and interests of employees.

Providing fair employment opportunities

CR Group has been sticking to the principle of fair and just employment to recruit and use labor according to the requirement of different positions without discrimination based on age, gender, marital status, race and nationality. By the end of 2016, CR has a total of 407,000 employees, in which female employees accounts for 50%. What's more, 15% of managers under the direct leadership of the Group and 15.08% of managers of CR departments and subsidiary businesses under the direct leadership of the Group are female.

15% of managers under the direct leadership of the Group are female



Protecting the Legal Rights and Interests of Employees

CR Group actively responded to national policies including the “Belt and Road” Initiative, “Aiding the Development of Xinjiang, Qinghai and Tibet” and “Promoting Cross-Strait Exchange and Communication” to create jobs and internship opportunities in key areas of national concern such as Hong Kong, Macao, Taiwan, Xinjiang, Qinghai and Tibet.

CR Group required businesses of all levels to strictly observe laws, regulations, rules and policies of the local area to sign labor contracts with employees with the labor contract signing rate being steadily on the rise. At the same time, CR kept improving the corporate democratic management system with the Workers’ Congress as the basic form. It is required that businesses of all levels should guarantee the right to get access to information, the right of participation and the right of supervision and allow employees to be informed of the current status of corporate development and participate in corporate management through organizing the Workers’ Congress and activities on Staff Reception Day and promoting democratic solicitation of public opinions.

By the end of 2016, CR had a total of



in which 50% were female



In March, 2016, CR Group organized outstanding staff to visit Hong Kong with a series of activities being held. 23 outstanding staff were invited to offer suggestions on reform and development, mechanism innovation, management improvement, cultural construction and staff aid.



Income Distribution and Labor Reforms

In 2016, CR took concrete measures to promote flexible income distribution and the use of labor from the perspective of corporate culture, system arrangement and activity organization. CR is also committed to motivating the initiative and creativity of staff through establishing and improving related mechanisms, so as to make CR more energetic and competitive, leading to significant improvement in per capital labor productivity.

Regulating the Management of Salary

In 2016, CR regulated and standardized the management of salary for members of the managerial team (managers for short) of departments of CR Headquarters, strategic business units (SBU) and first-tier profit centers under the direct management of CR, launched Measures for the Management of Salary for Managers under the Direct Leadership of CR and established a flexible salary system for managers that allows dynamic adjustment of managers’ salary based on positions, performance and capability.

In 2016, CR assessed the merit pay of managers using the above-said mechanism. Based on the results, 1-3 managers should have their merit pay cut and 1-3 managers should have their merit pay increased and another 1-3 managers could not get merit pay as they failed to meet the performance target, thus realizing flexible adjustment of income. Through the adoption of the “double alignment” mechanism, CR was able to establish a binding mechanism that links the merit pay of managers with their performance, encouraging managers to keep a close eye on the performance of major competitors and the development trend of the market. The new mechanism is an incentive for managers to better fulfill their performance target, stand out in the highly competitive market and realize win-win development of managers and CR Group.

Optimizing the cost benefit coordinated budget growth mechanism

CR Group further optimized the budget growth mechanism featuring the coordination of labor cost and corporate economic benefit and strictly implemented labor cost management tracking and assessment based on budget to effectively contain the growing momentum of the increase in labor cost. CR Headquarter established and implemented the “labor cost budget rationale assessment and evaluation mechanism” based on performance for different industries and phases of development to constantly optimize the labor cost management information platform and issue warnings according to the performance of profit centers in meeting profit targets. In this way, CR was able to contain the increase in labor cost within a certain range to ensure that the performance target of different profit centers is met. The profit centers have also established a salary-performance coordination mechanism.

Optimizing the quality of the use of labor to ensure the flexible employment of staff

In recent years, with strategic transition and business adjustment, CR Group has been strengthening the management of labor use in profit centers, strictly controlling the size of staff and sticking to the principle of reducing the size of staff and productive capacity at the same time. CR also made great efforts to integrate departments, streamline management structure and integrate industrial chains to realize the increase in efficiency and the improvement of quality at the same time.

Per capital labor productivity of CR from 2014 to 2016



Per capita pretax profit from 2014 to 2016



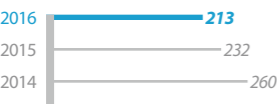
CR Vanguard has the largest number of employees in all CR business operations. However, in recent years, CR Vanguard faced new pressure and challenges posed by the slowdown of macroeconomic growth and the impact of e-commerce. To cope with the situation, Vanguard optimized the deployment of stores, adjusted employment forms and shut down stores failing to meet sales targets. With the help of these measures, Vanguard realized flexible personnel management while improving the efficiency of operations and sales performance. Firstly, linking the number of management positions with sales volume. A store is allowed to have management positions only after it reached the sales target. Stores should identify the factors having the greatest influence on sales and cashier positions to find out the relation between labor cost and influencing factors so as to form standard and scientific personnel allocation methods. Secondly, faced with the threat of conflict between stores and staff being unemployed as the result of the shut-down of stores, CR launched detailed procedures to shut down under performed stores, providing institutional guarantee for subsidiary business units and project teams to implement related plans. Thirdly, a market-oriented employment system based on contracts is implemented in all subsidiary business units to ensure that the shut-down of stores has solid legal basis, thus avoiding challenges caused by unclear identity of employees. From 2014 to 2016, Vanguard was able to reduce 23,270 positions and cut employment by 17,493. In 2016 alone, Vanguard squeezed 5,232 positions and cut employment by 4,839.

Strengthening the building of a multi-level, diversified talent training system and identifying talent development standards

In 2016, CR actively responded to the call of the central government to vigorously promote the development of innovative talents through establishing platforms for innovation, consolidating the foundation for talent development and promoting the building of an informationalized platform based on existing industrial deployment and talent development models. As a result, a diversified talent development and industrial promotion model based on flagship programs and classic courses emerged, promoting the building of a multi-level, diversified talent training system on multiple dimensions.

Major talent development programs of CR and the number of participants from 2014 to 2016

The Training Program for Outstanding Managers person



The Training Program for New Managers of Profit Centers under the Direct Leadership of CR person



“Future Star” Training Camp for New Employees person



Strengthening Occupational Training to Improve the Talent Development System

CR launched the training program for managers under direct management of the Group for 33 trainees to improve their leadership, published *CR Leadership Quality Model Application Guidebook*, finished the development and online delivery of CR Leadership course series, launched *CR Leadership Development White Paper* based on past experience and planed and implemented the project of the integrated development of the senior executive team of CR Healthcare to provide the basis for the competition for certain positions in related profit centers.

In terms of the development of training programs, CR focused on the building of a multi-level, diversified and informationalized talent development platform to vigorously promote institutional construction. Apart from organizing the “Way of CR” Outstanding Managers Program, Training Program for New Managers of Profit Centers and “Future Star” New Employee Training Program, CR also organized survey and research on training programs for frontline staff and external training assessment and evaluation (on-site survey of 18 businesses has been carried out). In 2016, CR introduced, developed and delivered 18 courses of different kinds, trained 381 lecturers and developed and delivered three large-scale case study programs concerning brand marketing, M&A and integration and organizational capability construction.

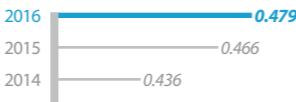
In terms of the promotion of online learning, in 2016, 165,432 people registered on the online platform to attend various courses, an increase of 52,717 compared with that of 2015 with an annual growth rate of 46.7% and an average visit per day of 3000 covering 30% of CR staff, an increase of 24% compared with that of 2015. Besides, a total of 927 online courses have been launched, increasing by 319 compared with that of 2015. By the end of

Key indicators of staff development from 2014 to 2016

The coverage of staff training %



Per capita investment in training 10,000 RMB



Per capita training time hour



2016, 131,574 exam questions have also been put online to evaluate the effect of online study. After careful assessment, CR Gas was selected as the Best Operation Practice, CR Cement was selected as the Best Exam Certificate, CR Power was selected as the Best Development Team and CR Vanguard was selected as the Most Popular Course of the Year. In addition, CR Mobile Study system was officially launched and put into use in the end of 2016.

In terms of project operation, the Xiaojingwan Campus of CR University was put into trial operation in July 2016 and has been officially put into use in October. By the end of 2016, the new campus has hosted 99 training programs and meetings of CR University and profit centers with 5,918 participants. In the future, the innovation lab, action learning lac and advanced teaching spaces will be put into use, facilitating talent development in CR.

In addition, CR University ranked the first in the “List of Best Corporate University in China for the Year of 2016”. CR University also made it to the top on the 2014 List.

Strengthening Occupational Health Management and Being Responsible for the Health of Staff

CR strictly followed national laws and regulations such as *Occupational Disease Prevention and Treatment Law*, carefully implemented the requirements of authorities including State Administration of Work Safety and State-owned Assets Supervision and Administration Commission of the State Council, sticks to the requirement proposed by President Fu Yuning of “great vision and high quality”, keeps to the principle of “combining prevention and treatment with prevention as the priority, and firmly implements the philosophy of “putting people first to care for employees” to carry out occupational health management and organize activities to promote healthcare for all and constantly improve the health of employees.

Strengthening the control of the source of occupational disease to prevent and reduce occupational diseases

CR launched a new system integrating occupational disease prevention and treatment, identified the responsibility of business units of all levels, made great efforts to improve work environment, prioritized the adoption of new technologies, techniques equipments and materials to strengthen the control of the source of occupational disease and stem occupational diseases from the root.

It is required that businesses with new projects and expansion projects including CR Power, CR Cement, CR Gas, CR Breweries, CR Beverage, CR 999 and CR Healthcare should organize initial assessment of the risk of occupational disease and the effect of occupational disease control while organizing the examination and approval of facilities for the occupational disease control. It should be ensured that these efforts are taken along with the design, construction and operation of related projects. Subsidiary companies of CR Power has been actively promoting noise pollution reduction through installing silencers and building noise barriers for noise producers such as primary air fans and induced draft fans and adopting dry mist sprayer and wind and dust suppression net in areas with dust pollution such as coal mines and ash silos to reduce the density of dust to a safe level.

Covered coal yard project of Longyuan in Jiaozuo



The mist sprayer in CR Power Shouyangshan Power Station



Strengthening the management of positions that may cause occupational disease to ensure the safety and health of employees

CR subsidiary business units strengthened the management of positions that may cause occupational diseases, inform employees of the possible harm and effect of occupational diseases and precautionary measures that could be taken. This information should also be included in labor contracts. Construction sites with occupational health threats should put up billboards to release operation procedures, test results of potential occupational health threats and possible precautionary measures. CR subsidiary businesses should also organize comprehensive health checks for staff in positions with occupational health threats and establish comprehensive occupational health profiles for employees.

Strengthening Supervision and examination to promote the improvement of occupational health

CR Group effectively promoted the improvement of occupational health through production safety checks, management system approval, safety assessment and evaluation, special checks, spot checks and mutual supervision.

CR organized production safety checks in August 2016, covering the establishment and implementation of occupational health threat prevention and control system, the delivery, use and record of labor protection articles and the organization of regular occupational health checks and archive management to release information on the problems and potential risks being found and supervise related companies to take reform measures.



▲ On-site occupational health check organized by CR 999

CR Healthcare established health profiles for radiology department staff, organized occupational health for related staff before taking the position, in the position and leaving the position. CR Microelectronics launched plans for emergency aid of acute occupational disease threats for work environment with risk hazards, carry out regular maintenance of facility for emergency aid, and regularly practice the implementation occupational disease threat accident emergency rescue plans. CR 999 launched the Directive for the Use of Protective Articles for Personal Use and actively participated in the construction project of “Promoting Corporate Development with Healthcare” in Longhua District, Shenzhen.

Taking Care of the Staff and Building up the Cohesion Force of the Enterprise

CR Group is committed to making every staff happy through caring for their daily life, emotion and growth, advocating for an active, green and healthy lifestyle and guiding employees to pursue a better life.

Advocating happy work and quality life

CR Group and subsidiary business units organized a variety of activities for staff based on their own practice, including a series of unique and popular team construction platforms and brand projects such as fellowship societies, staff clubs and sports meetings to help employees to relieve their pressure, protect their physical and psychological health, effective strengthen organizational capacity construction and create a good environment to make employees happy and proud. These activities promoting health for all are transitioning from only focusing on making the body stronger to the integrated development of physical and psychological health, from segmented development to regularized development.

CR Property, CR Power, CR Enterprise and CR Microelectronics held lectures, reading activities on health related knowledge and other activities promoting physical and psychological health such as “Happy Farm”. CR Information Department, EHS, CR Vanguard, CR Bank, CR Land and CR 999 held daily activities such as in-work exercise and “walking 10,000 steps a day”. CR Land established RUN MA and football, basketball and Ping Pong clubs. CR Chemical Engineering established 10 employee clubs on yoga, basketball, badminton and outdoor sports, CR Microelectronics established long walk, hiking, bicycle, badminton, swimming and bodybuilding clubs and psychological counseling studios. CR Enterprise established “Yuepao Association”, covering regular audio and video programs such as “Talking with Entrepreneurs”, the establishment of online WeChat Groups and the organization of offline sports clubs to share ideas with each other.



▲ The first announcement issued by CR Group on organizing health-related activities with the participation of all staff.



▲ “CR Family Day” Activity organized by CR Power Heze Project

Caring for Special Groups

CR Group and subsidiary business units attach great importance to the protection of female employees, retirees and employees stuck in poverty because of disease, strictly follow related national laws and regulations related to the protection of their rights to protect the rights and interests of staff and carefully organize daily activities to help employees and establish a long-term mechanism to help those in need and promote mutual caring. In this way, CR can make life better for special groups with organizational efforts.

CR Bank Charity Donation

In 2016, the 16-year-old daughter of an employee in the Zhuhai Department of Management of CR Bank was diagnosed with meningeal metastasis, putting the whole family into poverty and difficulty. The Trade Union of CR Bank made strengthened efforts to help the family to get in touch with better hospitals and renowned specialists. The Bank also organized donations in banking sector and non-banking sector institutions with nearly 220,000 RMB being raised. To help the family cover the treatment cost after the surgery, CR Bank initiated an “Easy Raise” project on WeChat to raise 200,000 RMB that was able to save the young girl and her family.

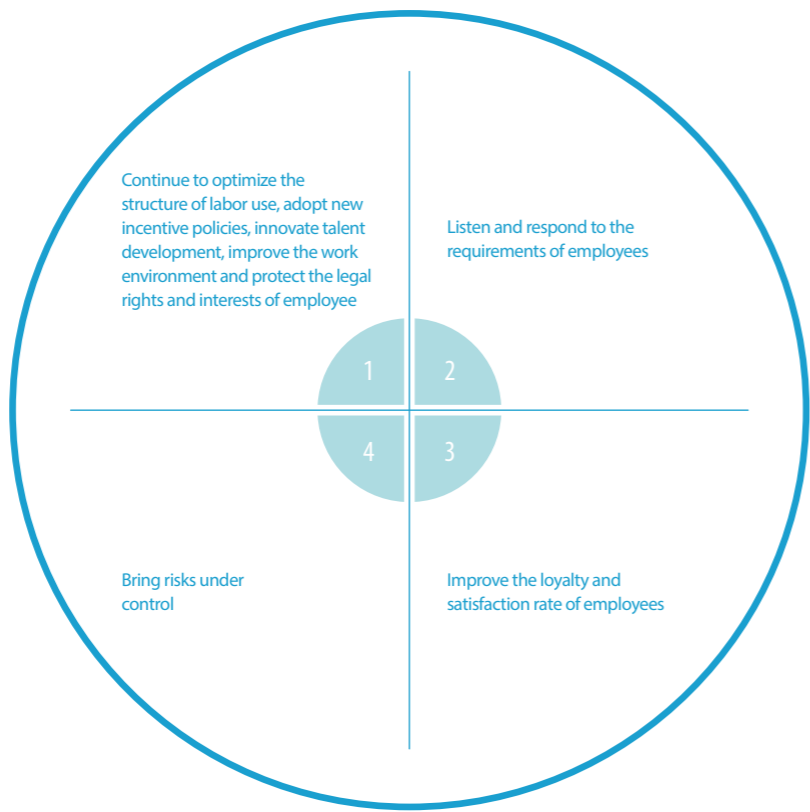
CR Breweries established a “Xuehua Fund” to help employees with financial difficulties and special groups in 2006. CR Ng Fung established “CR Ng Fung Charity Fund” to help families suffering from major diseases and natural disasters. CR C’est Bon started the “Reciprocal Fund for Employees” in 2009 to help families affected by major diseases, disasters and accidents. CR Vanguard “Charity Reciprocal Fund” organized donation and financial assistance to employees affected by major diseases and natural disasters. CR Cement established “CR Cement Gratitude Fund” to support poverty stricken and disease-affected employees.

Challenges and Improvement

CR Group has extended its business to many industries and sectors. Some business operations in labor-intensive industries have a large number of grass-root level employees. Currently, CR Vanguard and CR Textile are in the period of strategic contraction due to lackluster development in the whole industry. This brings the need to cut the number of employees, leading to high employee turnover rate that may cause conflicts. At the same time, a concrete and operable work system and directive to help employees to go through difficult times is yet to be formed. What’s more, the work environment and related facilities in some subsidiary businesses in remote areas need to be improved. In addition, some profit centers of CR are using outsourced labor from agencies of different quality, making it hard to protect the legal rights and interests of employees.

In 2017, we will continue to optimize the structure of labor use, adopt new incentive policies, innovate talent development, improve the work environment and protect the legal rights and interests of employees through listening and responding to the requirements of employees, reduce risks and improve the loyalty and satisfaction rate of employees.

Our Commitment



Words from Stakeholders



I attended the 10th “The Way of CR” Training Program for Managers. CR University designed courses seriously and organized activities such as innovation project design and research result report to encourage independent thinking and the application of theoretical knowledge in practice. The training program fulfilled its promise to ‘respect the value, unleash the potential and improve the quality of trainees’. As an effective training system, the program stands out in its vision, design and supporting facilities with effective organization construction, system design, course development, lecturer training, appraisal and evaluation.



He Yadong, Vice General Manager of CR Suzhou Li'an Pharmaceutical and Trainee of the 10th “The Way of CR” Training Program



I'm Zhu Tingdong, an ordinary worker in Yangzhou Fuchun Food of CR Ng Fung. In May, 2016, I was diagnosed with malignant myeloma during a regular health examination. Leaders of our company provided me with much support. They went to the hospital to see me twice and helped me to apply for 50,000 RMB of financial aid from “CR Ng Fung Reciprocal Fund”. As an ordinary worker at the frontline of production, I was deeply impressed by the care and support from the company. Now that I've started the seventh course of chemotherapy, I'm still optimistic with the firm belief that I can survive. I want to thank the company and thank CR for giving me so much care and support.



Zhu Tingdong, Worker of Yangzhou Fuchun Food of CR Ng Fung

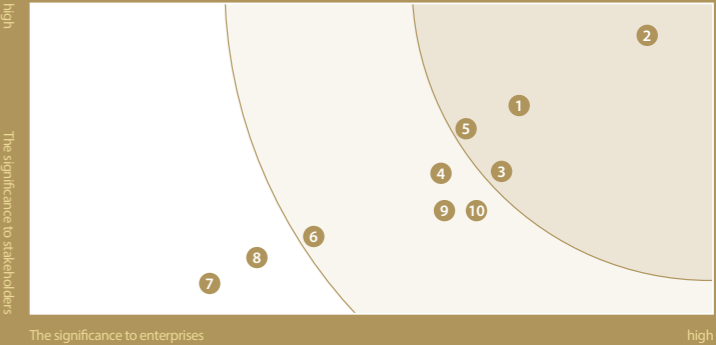
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Being Responsible for Customers
Being a Global Enterprise with Accumulating Public Trust and Popularity

Our Philosophy

Becoming a trusted and popular global brand has always been our goal as most of our operations are closely related to everyday life. we are committed to providing quality and safe products and services and identifying the potential demand of customers; we encourage more people to participate in innovation in an open way to integrate new technologies with outstanding business models to achieve impressive results; we attach great importance to creating better consumer experience and listening to their advice so as to improve the consumer relation management system and develop together with consumers. These are the key to excellency.

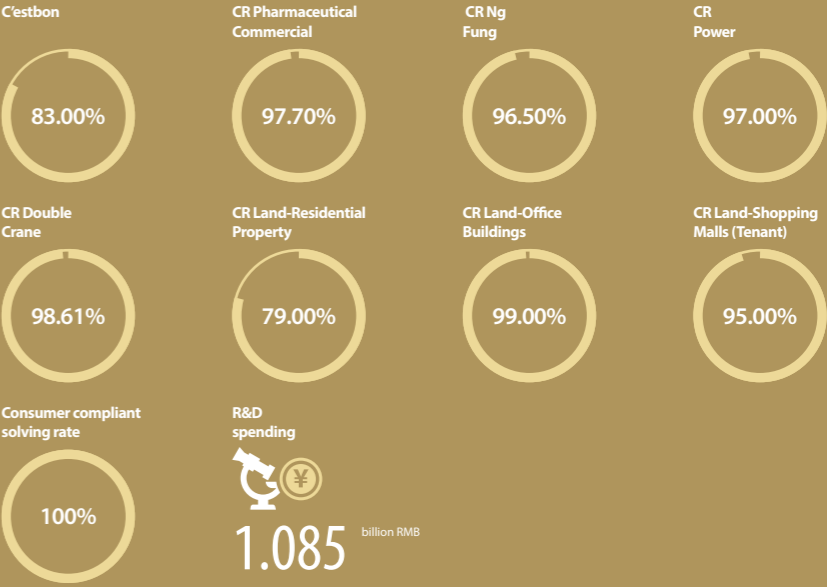
Materiality Analysis of Topics Concerning Customer Responsibility



- 1. Protecting the information security and privacy of consumers
- 2. Ensuring the safety and quality of food, beverage, medicine and residence
- 3. Industrial chain quality risk control
- 4. The construction of product quality tracing mechanism
- 5. The construction of customer complaint handling channels and mechanism
- 6. The construction of online service channels
- 7. Regular communication with customers
- 8. Advocating responsible consumption
- 9. Investment in and mechanism of product and service innovation
- 10. Product and service innovation measures and results

Our Performance

Customer satisfaction rate in 2016



Our Action

Providing Reliable Products and Services

CR subsidiary businesses of all levels have been constantly improving the quality control system, innovating management models, strictly controlling risks and comprehensively improving the quality to provide reliable products and services to the public through sticking to the principle of “high quality and high standard”.

Providing stable and safe products

CR subsidiary businesses of all levels strictly observe laws and regulations and industrial quality standards such as *the Quality Law and the Food Safety Law* to implement the directives of the Central Government on “adopting the most accurate standard, exercising the strictest supervision, imposing the most severe penalties and carrying out the most serious accountability”. CR has been sticking to the principle of “never pursuing for profit at the expense of sacrificing the health of the public and never pursuing for unsustainable prosperity at the expense of the damage of corporate brand” to actively carry out comprehensive quality management, establish and improve product and service standard and extend quality management to lower and upper reaches of the industrial chains to strengthen quality risk identification and management and control in the source, the production and operation process and the market, effectively implement quality improvement measures and constantly improve quality management to protect the health and safety of consumers.

Wuxi CR Gas,the rate of arriving at the site within less than 30 minutes increased from 33% to



84.5 %

The number of third-party damage accidents decreased by 39% from 106 incidents per year to



65

incidents per year decreased by



39 %

Leakage self-check rate increase by 366% from 20% to



93.14 %

increase by



366 %

CR Vanguard strengthened quality control from the root. While developing its own agricultural product bases, it strengthened the quality assessment of agricultural product bases in cooperation to control food safety risks from the root. CR Vanguard also organized on-site food safety inspections in different stores. Suppliers or factories unable to pass the inspection are required to come up with remedies within a certain period of time; factories with unsatisfactory performance for two years in a roll are to be docked out and related stores are asked to launch and implement correction measures in response to problems entailing high risks such as repackaging and the selling of expired products.

CR Land carried out third-party inspection of the electromechanical and curtain wall systems of all residential and commercial property projects as well as unannounced inspection of construction materials to maintain outstanding quality from the selection of material to project delivery. Besides, CR Land has finished the development of a comprehensive quality control system and promoted the implementation of high quality strategies with the joint efforts of departments responsible for project design, cost control, bidding and procurement.

In 2016, Qingdao Yuefu Project of the North China Region and the First Phase of Nanning Xingfuli Project of South China Region won Guangsha Award; the First Phase of Qingdao CR Center, Beijing Gongyuan Jiuli, Rizhao CR Center of North China Region, the First Phase of Kunshan Guoshe in East China Region and the Second Phase of Dalian Kaixuanmen of Northeast China Region won gold prize for outstanding residential community of Zhan Tianyou Civil Engineering Award.

Wuxi CR Gas established the “Internet + emergency repair” system under the framework of “cloud management”. The system build the most advanced centralized control smart platform in China that realized the application of real-time data collection in the internet of things and remote control technologies with the help of geographic information system, GPS and data collection, monitor and control system, as well as modern technologies such as sensors, remote control valves and real-time monitor and testing and smart mobile devices. The centralized control platform can take quick response when it detects faults in the power supply system so as to be able to send out production resources before consumer demand was raised. This significantly reduced the time needed to assign tasks, deliver materials and response. With the help of the system, the average time for order dispatch is reduced to 2 minutes, the average time for the repairmen team to reach the site is reduced to 23.55 minutes and the rate of arriving at the site within less than 30 minutes increased from 33% to 84.55%. In addition, the system also automatically shares information related to emergency repairing with operation departments to nip potential risks in the bud: the number of third-party damage accidents decreased by 39% from 106/year to 65/year and leakage self-check rate increase by 366% from 20% to 93.14%.

CR Breweries broke up the fetters of traditional techniques and innovated production technologies through replacing starches with syrup, which played an important role in improving quality, energy conservation and increasing productive capacity, leading the direction of the future development of the brewery industry. Currently, the technology has been adopted by 63 factories, improving product quality by 4%, freshness and purity by 4% and 3% respectively and production efficiency by 37% on average. The adoption of the new technology also reduced gas consumption for the production of every ton of beer by 32% and comprehensive energy consumption by 19% on average.

Providing Quality Services

CR subsidiary businesses in the service industry carefully analyze the need of customers for services, jumped out of the box to come up to make innovations and constantly enriched the content of services with the principle of “people oriented”. Through providing customized services and value-added services and implementing customer care projects, CR is able to meet the diversified need for services and comprehensively improve the quality of services.

CR always attaches great importance to transparent information disclosure and protecting the right of consumers to choose freely. CR is committed to protecting the right of customers to get access to related information with the principle of “reason, openness and transparency” under the guidance of national and industrial policies, laws and regulations and protecting the right to choose products and services freely with the principle of “fairness, justice and openness”.

CR Anhui Pharmaceutical Volunteer Association collaborated with the Food and Drug Administration of Hefei Economic and Technology Development Area to organize a lecture with the theme of “Safe Drug Use Starts with Teenagers” in Hefei No. 68 Middle School in an effort to help teenagers to form a scientific perception of drug consumption and improve the awareness of drug safety.



CR Gas guided more than 200 subsidiary companies to launch “service commitments” to identify the development goals for 17 services from seven aspects including stable gas supply, safety guarantee, reservation services, the after-sales service of gas appliance, service hotline, the quality of service and advice from customers. It is also required that the service commitments should be made public.

From Shenzhen MIXC to MIXCs all over China, the cooperation of CR Land and West Lake Spring has lasted for more than a decade. While being committed to providing quality products and services, CR Land has been sparing no efforts to help West Lake Spring to promote brand upgrade and innovation, which led to the creation of new brands such as “Jiangnan Cook” and “Jiangnan Taste”. This is a win-win cooperation driving the growth of both CR Land and West Lake Spring.



CR Bank organized a variety of activities to popularize basic financial knowledge among consumers and kept carry out anti-telemarketing fraud campaigns through newspaper and media reports, WeChat public accounts and official website to help the public to quickly figure out and take actions against telemarketing frauds. In addition, CR has also been advocating rational and moderate consumption to avoid waste and create a green, coordinated and sharing social economy.



Promoting Innovative Development to Impress Consumers

CR has always been regarding innovation as the driver of sustainable development and has always been keeping an eye on consumer needs and changes of the market environment to constantly improve the mechanism of innovation, increase R&D spending and creating new and better consumer experience.

Improving the Innovation Management Mechanism

Policies related to innovation promotion

To accelerate the implementation of the strategic plan of CR during the 13th Five-Year Plan period and the management philosophy of “innovation, transition and development” to promote the transition, upgrade and innovative development of traditional industries, CR established the Innovative Development and IPR Committee in CR University affiliated to the Human Resource Department. Besides, the Group also launched *CR (Group) Innovation and IPR Directive*.

CR (Group) Innovation and IPR Directive guides subsidiary businesses of all levels to form consensus and identify their own duties and responsibilities in the promotion of “mass innovation and entrepreneurship” in eight aspects, including the definition of innovation, organizational guarantee, the innovation of the investment mechanism, the innovation of the incentive mechanism, the innovation in talent development, the management of IPR and the creation of a favorable environment for innovation. The Directive also helps subsidiary businesses to develop their own innovation systems to promote innovation and entrepreneurship, especially technological innovation and encourages them to organize activities of all kinds to promote technological innovation, systematically improve the institutions for innovation, strengthen the ability of technological innovation and R&D, produce new technological innovation results and improve the core competitiveness of businesses.

Creating New Models to Promote Innovation

To explore new models to promote innovation in business management, CR Group established the CR University Open Innovation Platform composed of “Innovation Education”, “Innovation Fund”, “Project Implementation Acceleration Procedures”, “Innovative IT Platform, Expert Think Tank and the Integrated Platform of Industry, University and Research Center” and “Innovation-friendly Culture and System”. CR is committed to nurturing a series of outstanding innovation projects and teams to promote the development of CR business operations and drive the transition and upgrade of existing industries while creating new business opportunities and growth magnets to facilitate the implementation of the CR Strategic Plan for the 13th Five-Year Plan period.

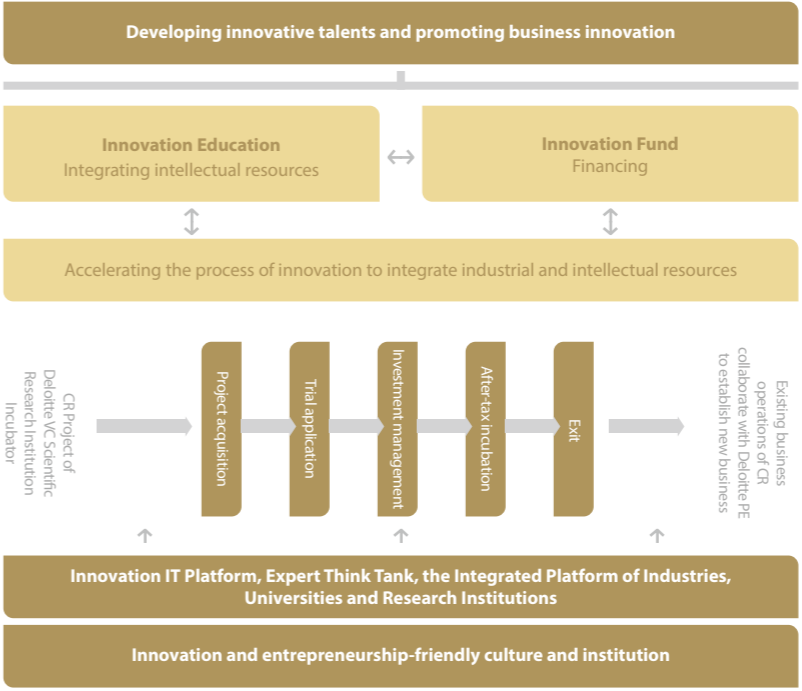
In 2016, CR University organized the CR Innovation Competition in collaboration with related departments and profit centers to find innovative ideas from all staff and all business units. 506 innovation plans and projects emerged from the competition with 72 of them being identified as innovation projects to be implemented and 12 identified as key projects to be followed up. 70 internal experts and 10 external experts were involved in the assessment of plans and projects in the competition.

506 innovation plans and projects emerged in the competition

506

72 were identified as projects to be implemented

72



The Innovation of Products and Services

In 2016, CR BU and SBU launched product innovation plans according to the strategic requirements of CR through adopting a series of measures in product innovation, innovation model designing, the innovation of supportive technologies and the launch and operation of new products with significant progress being made.

- The Cefazolin Sodium Pentahydrate for Injection produced by CR 999 won the second prize of the National Scientific and Technological Advancement Award
- CR Cement developed a series of new products including cement for submarine projects, colorful porous concrete and cement for furniture
- CR Pharmaceutical established the B2B e-commerce platform for business consumers
- CR Healthcare developed the mobile medical care information system for Kunming Children's Hospital
- CR Breweries launched refined beer and stout

Innovation Results

CR BU and SBU effectively promoted independent innovation and industrial upgrade through the application of new patents and the dAdevelopment of new standards.

CR Data Center was selected as a National Green Data Center Trial Project

Being put into operation in 26th July 2016, CR Data Center was selected as a national green data center trial project after going through provincial and Ministerial assessment and approval, signaling that the Center has become a top large green data center in China. CR Data Center made innovative attempts in promoting the comprehensive use of energy resources, the control of greenhouse gas emission, the pollution control and recycle of electric and electronic appliances and the development of operation and maintenance technologies. In the future, the Center will be committed to providing applicable, low-cost, flexible and quick IT infrastructure sharing services to meet the need of business customers in achieving long-term and rapid development.

By October 2016

CR Cement acquired 70 applicable new technological patents and

70 patents

12 patents of invention

12 patents

CR 999 got 175 patent authorizations

175 patents

CR Double Crane acquired 150 patents

150 patents

CR Power owned more than 130 patents and copy rights

130 patents and copy rights

DEEJ developed the world's first black donkey frozen semen production standard

By the end of 2016, CR has applied for 3,892 patents in China

3,892 patent application

with 2,272 state-authorized patents

2,272 patent granted

Improving the Relation with Customers to make Consumers Satisfied

CR and subsidiary businesses has been strictly following *Consumer Protection Law* to provide consumers with comprehensive services before, during and after sales. While ensuring the basic rights of consumers including the rights to buy safe products and the rights of free choice, CR has been actively exploring for new ways to safeguard the rights of consumers of fair trade, acquiring information and supervision and criticism to truly protect the rights and interests of consumers in daily practice.

Policies and Institutions for the Management of the Relation with Customers

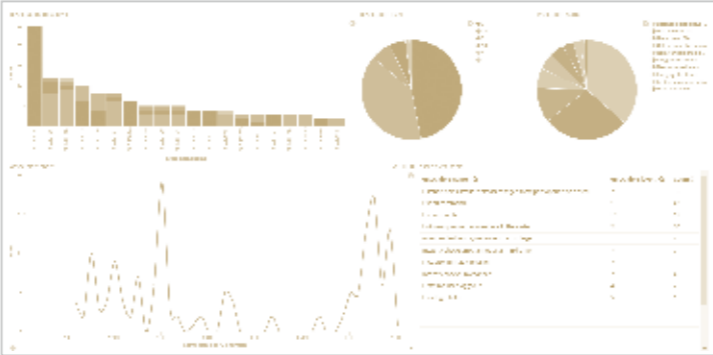
CR BU and SBU have been attaching great importance to the management of the relation with customers. They are constantly improving the systems and policies for the management of the relation with customers with rich experience accumulated during all these years and optimizing customer services through listening to their demands. With these efforts, CR was able to establish closer ties and better interactions with customers. For example, CR Cement developed a three-tier customer-revisit mechanism on sales, consumer services and corporate management and CR Chemical Engineering established a differentiated customer relation model, making effective attempts to improve the management of the relation with customers in every aspect of daily work.

Protecting the information security and privacy of consumers

“Internet +” accelerated the flow of information on the internet, leading to an increase in the potential risk of the leakage and abuse of business and private information. To cope with the situation, CR launched higher requirements for information security management through developing CR information security plan and promoting profit centers to accelerate information security planning and construction. In

January 2016, CR launched *CR Group Information Security Standard* and began to gradually promote the establishment of information security systems in profit centers to lay a solid foundation for the formation of a major security threat identification and handling mechanism (the first line of defense) and the major security risk identification and handling mechanism (the second line of defense).

“Huaruntong” has always been regarding the protection of the personal information and privacy of consumers as an important part of its comprehensive strategy to protect the privacy and integrity of customer data through adopting internationally-recognized cybersecurity standard or best practice. “Huaruntong” designed and established the security defense system covering business security, application security, maintenance and operation security and personnel security and adopted security defense measures in all aspects including security check (loophole scanning, backdoor detection and port security detection), security defense (ensuring data security and user privacy with encrypted transmission, encrypted storage, access control, intrusion detection and data desensitization) and security supervision and control and audit. With such efforts, a comprehensive defense and protection system is established to protect the information security and privacy of customers.



CR Land developed a series of customer information protection systems and rules to require subsidiary projects to train and supervise staff according to the Site Management Rules to raise the awareness of customer information protection. CR Land also strengthened the centralized management of related staff, computers and information access to ensure that the data of customers is safely stored, avoid the legal risks caused by the leakage of customer information and effectively protect the privacy of customers.

Product Information Popularization

Related profit centers of CR introduced CR products and services to consumers through the organization of various training and interaction activities to help consumers to use related products in a more scientific manner, deepen their understanding of CR and establish stronger relation with customers.

- CR Ng Fung invited consumers to visit its pig raising base and meet processing factory to show how “safe and quality” meet products are produced.
- CR 999 established a new type of business alliance on the platform of “999 Business Philosophy” through the organization of programs such as Tsinghua Training Program for Presidents and Elite Training Camp to improve customer satisfaction rate and the quality customer service so as to achieve mutual learning and win-win development.

Customer Satisfaction Survey

CR Group and subsidiary business units began to carry out regular customer satisfaction surveys to take concrete actions to improve customer satisfaction rate since 2005. Through constantly optimizing the methods of conducting surveys, improving the ability of data analysis and making the survey more scientific and accurate, CR was able to improve its customer service system and the customer satisfaction rate. While strengthening the management of the relation with customers, CR also made effective attempts to analyze the feedback from customers from multiple perspectives and used the results of the survey to improve customer satisfaction rate so as to realize the comprehensive management of customer relation maintenance.

CR Land 2012-2016 customer satisfaction rate survey for residential buildings



Complaint and Dispute Settlement Mechanism

To protect the rights and interests of consumers, CR established and improved the after-sales service system and launched related policies to improve the quality of service and protect the rights and interests of consumers.

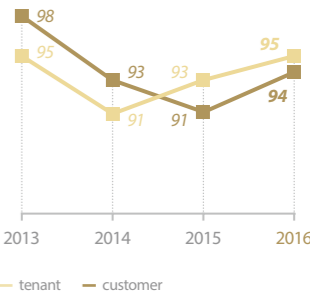
CR Double Crane established an after-sales service network integrating R&D, production and marketing with specialists being assigned to handle complaints. It launched a series of documents including Regulations on the Management of After-sales Services, to further detail and standardize the services, adopted complaint handling procedures of different levels based on the results of medicine complaint risk assessment and implemented the development of *CR Double Crane Customer Complaint Digital Registration System* to realize the standardized management of customer complaint registration throughout the Group.

By 2016, CR Land has carried out customer satisfaction rate survey for 12 years in a roll. In 2016, CR Land made the attempt to conduct satisfaction rate surveys at crucial points and developed 300 plans for satisfaction rate improvement including the organization of training programs for staff responsible for customer services and the publication of membership rights and interests. With the help of these measures, customer satisfaction rate reached 94.3 points, 2.3 points higher than that of last year.

CR Land 2012-2016 satisfaction rate of office building customers



CR Land 2013-2016 satisfaction rate of shopping mall customers



Challenges and Improvement

Currently, CR Group still doesn't have a clear definition of the duties and responsibilities of the supervision of consumer responsibility fulfillment with the synergy still needs to be formed. The quality of products and services can't be guaranteed with potential safety risks and the long-term risk prevention mechanism still needs to be improved. What's more, CR is still weak in product and technological innovation and has not yet established effective management and assessment systems concerning consumer satisfaction rate, consumer complaint mechanism and product quality supervision.

In the future, CR will continue to strengthen and improve where it is weak and promote product quality improvement in food, medicine and construction, develop online service platforms and new ways to improve capacity building and make strengthened efforts to better understand the need of consumers to provide valuable products and services.

Our Commitment



Theme Practice II

Huaruntong, Creating an Online Platform Based on Real Life



Why Huaruntong?

With China's transition into a new normal, the central government has been vigorously promoting the supply-side structural reforms to adapt to the new economic development model driven by consumption. The key to realize the goal is to effectively link consumption and production and innovate the consumption model from the supply side to meet the demand of the public for personalized, diversified and quality products and services against the background of the emergence of "new retail" and improve consumer experience to drive consumption growth. With the rapid development of the internet and logistics, the most promising solution is to provide services that are able to meet the demand of the public in different scenarios.

Currently, there is a lack of a comprehensive e-commerce platform providing vertical services that is able to cover all aspects of daily life. At the same time, there are few companies being able to provide online services based on real life scenarios as it requires the integration of business operations with urban life. CR is one of the few businesses that is able to establish such a platform.

Real life scenario based services refers to the provision of various products and services with the help of mobile connectivity and long-distant delivery based on individual needs to create an environment that adapts to changes in consumption models. The platform enables the display of a variety of consumption and service scenarios, online payment and quick delivery of quality products and services to reduce the distance between product and service suppliers and consumers through human-oriented online and offline real-life scenarios.

Mission

Developing a platform to integrate customer resources and explore the value of customers with the help of the Internet and loyalty plans.

Vision

Effectively improve customer loyalty

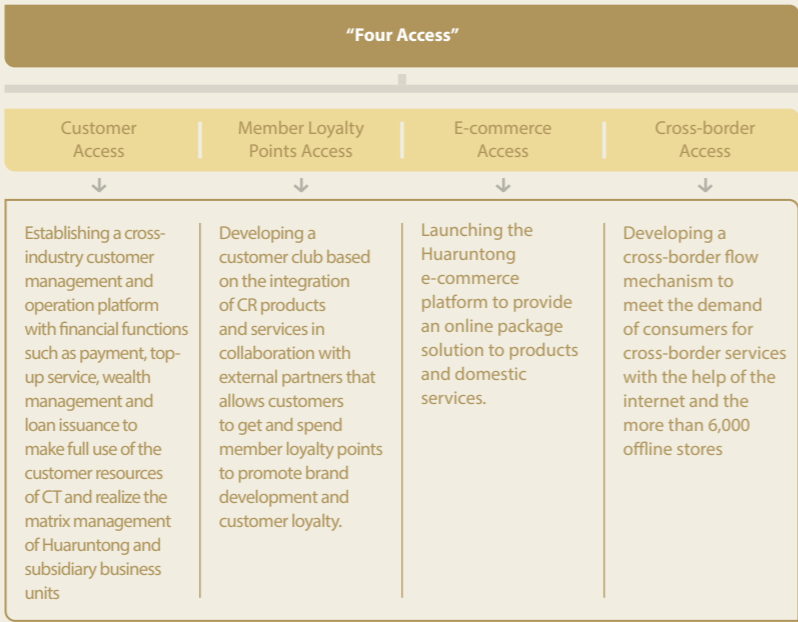
Establishing a "N + Internet" platform covering all operations of CR to meet the demand of consumers

Developing a user credit system to further promote the coordination of industrial development and finance based on integrated user information and multiple-scenario trade data.

Nature

A comprehensive e-commerce platform of CR, an Internet-based customer management platform

How to Carry Out the Mission?



What's New about Huaruntong?

Integrating 14 independent membership/customer management system into a single loyalty plan

Getting access to 53.03 million existing members, laying a solid foundation for membership activation

Integrated Member Loyalty Plan

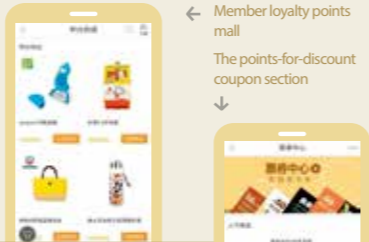
Huaruntong integrated independent customer management system of different business units into a single customer loyalty plan shared by all CR business units to realize quick member identity verification and quick identification of membership and rights and interest sharing between actual and virtual membership card. Huatuntong integrated the membership system of CR Vanguard, CR Land Commercial, Pacific Coffee, CR Gas and Hotel Kapok, laying a solid foundation for the coordinated marketing of different CR SBU.



Apart from using Huaruntong Membership Card, members can also get member loyalty points from offline payment with the QR code of Huaruntong App

Developing a Member Loyalty Points Alliance

Huaruntong established a general member loyalty points system to unify the value of member loyalty points and define the rules for accumulation, spending and exchange of member loyalty points. The system provides the best transition plan and protection policy for CR profit centers and actively seeks for corporation with external partners to expand the coverage of the platform.



Establishing the member loyalty points mall with 300+ SKU being introduced



Developing member loyalty points games to attract members to participate in lucky draw to bring web traffic to the platform

Establishing a Comprehensive E-commerce Platform to Innovate the O2O Model

Launching channel such as “Made in CR” and “Vanguard Selection” to the services of the e-commerce channel (Runwu) of CR to expand the marketing channels of BU

Innovatively integrating 9 major service scenarios, including online property sales, hotel reservation, property service, shopping guide, gym reservation, medical appointment, gas services, product exhibition and EV battery charge consulting on Huaruntong App. The App has also opened seven financial services including online settlement, bank wealth management products, consumption loan, payment, trust, fund and insurance

Launching Medical Appointment Programs

The new programs helped to popularize and promote the brand of CR Phoenix Healthcare, attracted more patients and provided existing members with more convenient and better channels to get access to healthcare services. The programs also innovatively launched registration appointment and healthcare services in private hospitals in Hong Kong.

Launching five projects including online property sales, MIXC Pro App, hotel reservation, gym reservation and property services

- Expanding the coverage of the offline marketing and promotion CR Land to reach more customers.
- Promoting the interaction of online and offline business of business units to attract more customers to CR.
- Enabling MIXC members to enjoy more rights and interests through adopting a unified CR membership system to improve the loyalty of MIXC.
- Optimizing the existing manual telephone reservation system of Shenzhen Gulf through adopting the more efficient and more direct online reservation system to effectively reduce the idle gyms of Shenzhen Gulf.

CR Healthcare

CR Gas

CR Land

CR Microelectronics

Chinese Arts & Crafts

Launching Gas Service Programs

The programs improved the popularity of PERCEN, helped to raise the sales volume of the brand and provided users with comprehensive gas services.

Launching EV battery charge programs

Improving the promotion of the brand of CR charging services and creating more consumption scenarios for consumers.

Chinese Arts & Crafts

- Opening stores on Huaruntong e-commerce platform to expand sales channels and drive marketing
- Increasing the exposure of high-value products of Chinese Arts & Crafts in the market and among customers to help Chinese Arts & Crafts to attract potential customers to offline portals.

Achievements

CR has opened 257 internal and external stores (42 internal stores and 215 external stores) with 48,600 SKU expected to be launched and more than 16,000 SKU having been launched.

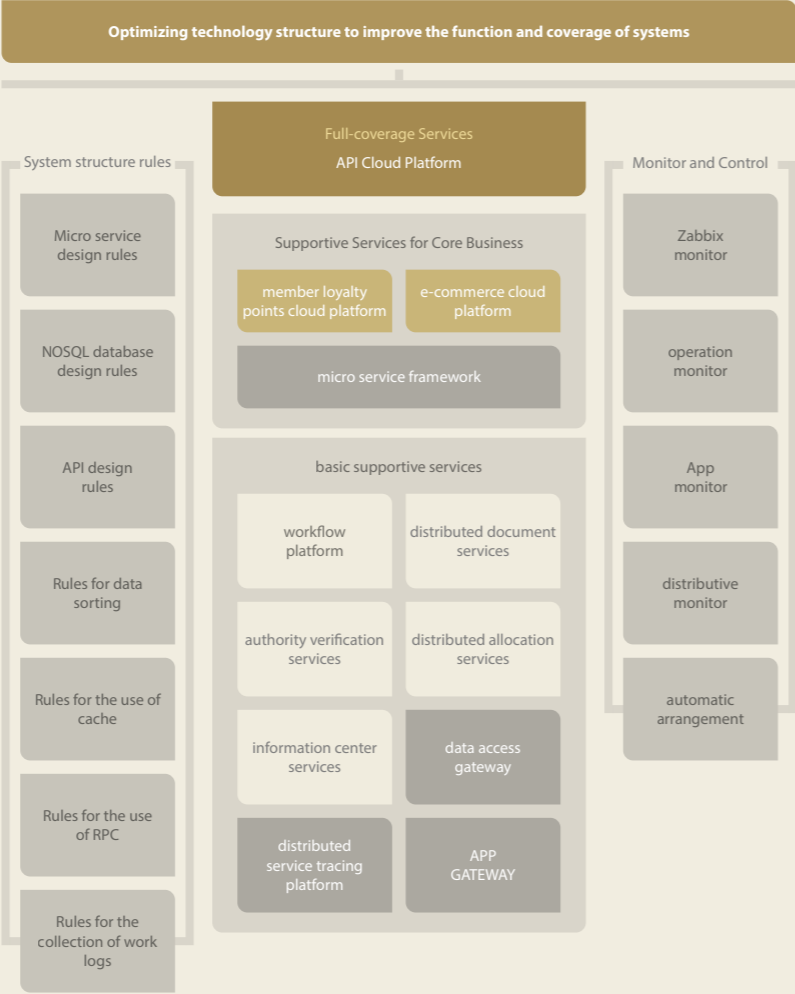
Integrating Internal and External Resources to Explore Approaches to Cross-border Business

CR launched cross-border bonded e-commerce and direct delivery services to introduce quality products from all over the world to the Chinese market with the help of its well-established international supply chains and the rich experience of CR Care and CR Ng Fung in Hong Kong to meet the need of domestic consumers.

- With the help of CR Vanguard, Vanguard Causeway Center Store in Wan Chai District, Hong Kong became a self-delivery center of cross-border products for Huaruntong members, realizing direct delivery of overseas products to Hong Kong from some online shops on Huaruntong Platform.
- CR initiated innovative programs to allow consumers in the Mainland to have access to quality healthcare services in Hong Kong to meet the need of consumers in the Mainland for online appointment of services of high-end healthcare institutions in Hong Kong.

Promoting R&D in the Design of Internet Technology Structures to Master Core Technologies

Huaruntong established a large internet technology development team from scratch with the principle of “developing an independent R&D team to master core technologies and system source code”. The team was able to establish a series of Apps and online platforms for program development, comprehensive e-commerce, clearance and settlement, member loyalty points and big data analysis.



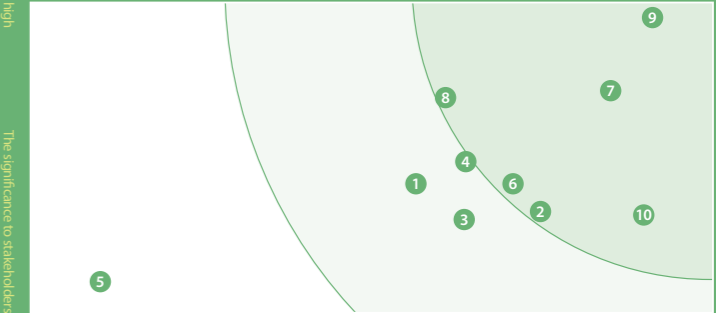
4 Being Responsible for Environment Taking Green Operation to Build Sustainable Development

Our Philosophy

In CR, we believe that we work not only to improve ourselves, but also to make life better for the general public and create a better environment for human beings. Therefore, carrying out environmental responsibilities and pursuing sustainable corporate development has always been our goal. We are committed to carrying out our social responsibilities, improving our competitiveness in green development and promoting the harmony between CR and nature through strengthening the management of environmental protection and energy conservation and emission reduction, improving the efficiency of the use of resources and reducing pollutant discharge.

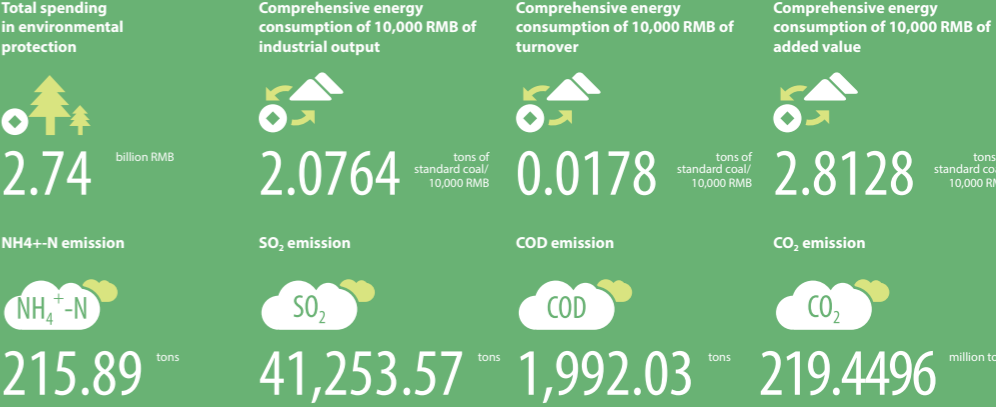
Materiality Analysis of Key Indicators of Corporate Environmental Responsibility

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- 1. Developing systematic environmental development plans
- 2. Taking active response to climate change
- 3. Reducing energy consumption
- 4. Preventing tertiary pollution
- 5. Protecting biodiversity
- 6. Promoting low-carbon and circular economy
- 7. Property handling poisonous and hazardous chemicals
- 8. Implementing green procurement
- 9. Providing green products
- 10. Promoting green offices

Our Performance



- CR won Hong Kong Green Awards “Outstanding Environmental Protection Management Award · Gold Prize”, “Outstanding Environmental Protection Safety Award · Gold Prize” and “Corporate Green Governance Award for Environmental Monitoring and Reporting” organized by Hong Kong Green Council
- CR Cement, CR Power and Hezhou Power Plant won Outstanding Sustained Performance Award
- 67 CR businesses won 98 awards in energy conservation and emission reduction given by governments of all levels with a bonus of 25 million RMB

Our Action

Green Management
Establishing Long-term Mechanisms

CR Group constantly improved environmental management systems and institutions to regulate the behavior of businesses, form long-term mechanisms to promote green development and make greater contributions to protecting our inhabitants with blue sky and clear water through adopting a green management strategy and sticking to the principle of green production and operation.

Improving and Implementing
Environmental Management Systems

CR constantly improved environmental management systems, carried out energy conservation and emission reduction responsibility goals, strengthened training and promotion, carried out supervision and control and responsibility assessment, which laid a solid foundation for the development environmental protection and energy conservation and emission reduction. CR developed a EHS information reporting system of grass-root businesses and implemented management and supervision based on energy consumption and major pollutant discharge to improve the efficiency and effectiveness of governance. CR assigned energy conservation and emission reduction tasks to profit centers that are further assigned to subsidiary businesses. CR conducted annual evaluation and assessment of the fulfillment of goals for all profit centers with the results of evaluation being included in the annual performance contract of each business, which effectively promoted the improvement of energy conservation and emission reduction management.

Increasing Environmental Protection
Spending

CR businesses increased their spending on energy conservation and environmental protection, took continued efforts to promote the application of energy conservation and emission reduction technologies, techniques and products and improve the efficiency of energy conservation and emission reduction. In 2016, CR profit centers spend 2.74 billion RMB on energy conservation and emission reduction and implemented 222 related projects with satisfying results.

In 2016, CR profit centers spend 2.74 billion RMB on energy conservation and emission reduction.



CR invested 1.8 billion RMB to implement 43 energy conservation and emission reduction projects with fruitful results. Wenzhou Power Plant saw major air pollutant emission indicators outperform those of gas generator sets after the completion of the transformation to ultra-low emission with the emission of SO₂, NO_x and dust being reduced to 80%, 56% and 85% lower than the national standard.

CR Cement invested 620 million RMB to implement 66 energy conservation and emission reduction projects. Yangchun Factory adopted the mature limestone gypsum wet desulfurization technique in the construction of the desulfurization system of the clinker production line, which increased the desulfurization rate of the system to 98% with the density of SO₂ emission being reduced to less than 50mg/Nm³, far lower than the national limit of 200mg/Nm³.

CR Power invested 1.8 billion RMB in energy conservation and emission reduction



Implemented 43 energy conservation and emission reduction projects



▲ The wet dust collector of CR Power Wenzhou Power Plant

CR Cement invested 620 million RMB in energy conservation and emission reduction



Implemented 66 energy conservation and emission reduction projects



▲ Upgraded desulfurization facilities of the Yangchun Factory of CR Cement

Strengthening Trainings on Energy
Conservation and Emission Reduction

CR businesses have been actively organizing trainings related to environmental protection and energy conservation and emission reduction to implement related national laws and regulations, corporate environmental management systems and the latest energy conservation and emission reduction technologies, advocate a cost-efficient, low-carbon and green work and lifestyle and constantly improve the ability and proficiency of the leaders of subsidiary businesses and EHS managers of all levels and improve the awareness of CR staff in energy conservation, emission reduction and environmental protection.



▲ CR Land EHS Training

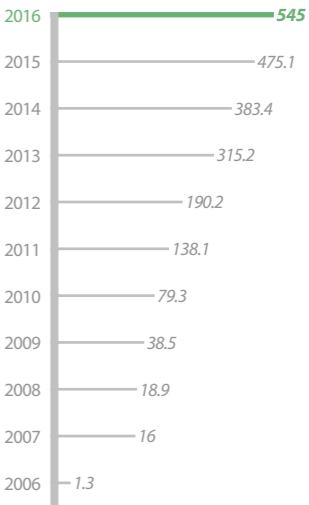
CR held lectures for new employees to popularize basic knowledge on environmental protection and the EHS philosophies of CR to improve their awareness and knowledge of safe production and environmental protection.

Taking Active Response to Address
Climate Change

CR has been vigorously developing low-carbon renewable energies to increase the share of clean energy in the energy mix, reduce pollutant discharge and take concrete actions to actively respond to climate change and protect the ecological environment.

In 2016, CR Power put into operation the 760.8 MW wind turbine generator set and 150 MW PV generator set, increasing the installed capacity of wind power, hydropower and PV power generation to 5.45 GW, accounting for 13.07% of the total installed capacity of CR Power. Power generation from renewable energies (including wind power, hydropower and PV power) reached 11.45 TW, equivalent to saving 3.66 million tons of standard coal, reducing CO₂ emission by 8.588 million tons. From 2006 to 2016, CR Power increased its installed capacity of renewable energy from 13 MW to 5.45 GW with a compound growth rate of 83% through strategic optimization and adjustment.

The installed capacity of renewable energy
10 MW



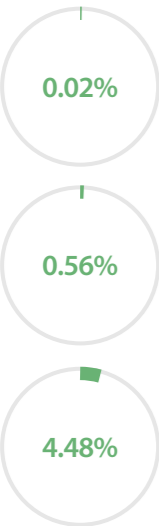
Green Operation
Developing Environmental-friendly
Businesses

CR implemented the concept of green operation in the operation and management of subsidiary businesses of all levels to promote the construction of the ecological civilization, lower pollutant emission of per unit production output and reduce resource consumption. CR also promoted joint efforts among partners to protect the environment and realize green and low-carbon development through the adoption of green procurement with no major environmental pollution incidents for the whole year.

Improving the Efficiency of Energy Use

CR made great efforts to improve the efficiency of energy use and reduce energy consumption through promoting industrial restructure, docking out outdated productive capacity and vigorously carrying out technological transformation. In 2016, CR comprehensive energy consumption for per 10,000 RMB of production output, per 10,000 RMB of turnover and per 10,000 RMB of added value decreased by 0.02%, 0.56% and 4.48% respectively from 2015 levels, showing continued improvement in the efficiency of energy use.

In 2016, CR comprehensive energy consumption for per 10,000 RMB of production output, per 10,000 RMB of turnover and per 10,000 RMB of added value decreased significantly from 2015 levels:



Investment in CR Power



Implement the energy saving and efficiency improvement unit



Decrease the amount of coal consumption in the year



CR Cement production line is equipped with waste heat generator set



Improve the efficiency of resource use

In 2016, the power of parallel network will be realized



Equivalent to saving standard coal of



Reduce carbon dioxide emissions by



Reducing Pollutant Emission

CR organized subsidiary businesses to implement energy conservation and emission reduction projects, adopt advanced environmental protection technologies, upgrade environmental protection facilities, strengthen operation maintenance and management and reduce the emission of exhaust, waste water and solid waste. In 2016, the emission of SO₂, NO_x, COD and NH₄+N decreased by 10.12%, 7.71%, 6.04% and 5.34% respectively from 2015 levels, showing that emission reduction efforts have made significant progress.

CR Power invested 1.17 billion RMB to adopt and implement new technologies and transform coal-fired generator sets to significantly reduce the emission of SO₂, NO_x and dust. By the end of 2016, 52 coal-fired generator sets of CR realized ultra-low emission, enough to reduce the emission of dust, SO₂ and NO_x by 8525 tons, 11952 tons and 10058 tons respectively on an annual basis.

By the end of 2016, CR power had already



of Coal-fired units achieve ultra-low emissions

Reduced soot emission by



Reduced sulphur dioxide emissions by



Reduced nitrogen oxide emissions by



- CR Cement actively made fruitful attempts to develop circular economy. It has long been committed to researching and exploring the application of industrial residue in cement production to realize the recycle of materials and resources through replacing accessories with industrial residue to produce cement. Such residue includes desulfurized gypsum, fly ash, slag, sulfate slag and boiler bottom ash. Currently, all factories of CR Cement are able to consume a large amount of industrial residue with more than 18 million tons being consumed in 2016.
- The Binyang Coordinated Domestic Waste Treatment Project of CR Cement can save 10 mu of land for waste dumping, reducing CO₂ emission by 131,000 tons and saving 14,000 tons of standard coal. The project realized 100% recycle of waste water after being treated. The slag could be used as fuels to produce cement, realizing the zero-emission of water, slag and hazardous gas and solving the problem of mounting waste from the root.

In 2016, all factories of CR Cement consumed 18 million tons of industrial residue.



Promoting the Coordinated Treatment of Waste

CR Power and CR Cement have been promoting the scientific treatment of waste through using boilers and cement kilns to treat waste to realize harmless treatment of waste, the reduction of waste and the recycled use of waste, to relieve the burden on environment.

CR Power Nanjing Thermal Power Plant Sludge Recycle Program is devoted to the treatment of sludge produced by the sewage water treatment plant in the city proper of Nanjing with a capacity of 360 tons/day and annual treatment of 100,000 tons. The project adopted highly efficient, energy-saving sludge drying coordinated power generation technology to use the excessive thermal of the Power Plant to dry sludge, which would then be burned to generate power. After going through the final assessment for acceptance, the Project became the first "Sludge drying combustion coordinated power generation project" innovation demonstration project in Jiangsu and was included in the list of demonstration projects of strategic emerging industries in Jiangsu.



▲ CR Power Nanjing Thermal Power Plant Sludge Drying Treatment Combustion Coordinated Power Generation Project

Actively Promoting Green Procurement

CR has been promoting green procurement in subsidiary businesses of all levels to deliver the message of green, environmental-friendly and sustainable development to suppliers so as to lead partners to take joint efforts to carry out their social and environmental responsibilities.

CR C'est Bon requires new suppliers to provide environmental impact assessment reports and pollutant discharge permits issued by local environmental protection authorities. Those unable to provide related documents would be disqualified.

CR Double Crane improved procurement standards and systems through promoting energy conservation and environmental protection throughout the industrial chain from product design, procurement, production, packaging, logistics to marketing, service, reuse and recycle and taking joint efforts with upstream and downstream businesses to carry out the social responsibilities of environmental protection, energy conservation and emission reduction and build a green supply chain.

CR Trust fulfilled its responsibility as a financial lever to offer credit to support the development of green and environmental-friendly industries. By the end of 2016, the size of green finance has reached 1.3 billion RMB with capital exclusively going to green and environmental-friendly industries such as wind power development and water treatment.

By the end of 2016, the size of green finance of CR Trust has reached



Continuance Trust Project



Green Office
Improving the Awareness of
Environmental Protection

CR subsidiary businesses of all levels have been actively advocating energy conservation through improving the awareness of employees in taking environmental responsibilities and protecting the environment from making small changes in daily work, such as saving electricity, water and paper and carrying out waste classification and the recycle of resources, to establish a long-term mechanism to promote energy conservation and emission reduction and create a good environment for the promotion of environmental protection.



▲ CR Cement launched Low-carbon Development Promotion Brochure

CR subsidiary businesses of all levels have established the office automation system and teleconference system to facilitate daily work and the organization of conference and training programs and save resources. By the end of 2016, CR realized online approval and issuance of more than 60 million document and bill copies on office work such as document management and HR an administration with the help of the office automation system, which not only saved paper but also significantly improved efficiency. In 2016, CR Headquarters held 627 teleconferences of all kinds, effectively reducing transportation and accommodation cost.

Besides, CR subsidiaries have also been promoting the use of compact fluorescent lamps, water-saving taps and garbage sorting facilities with the establishment of an energy conservation management and garbage sorting system, posting signs reminding people to save electricity and water near air conditioners, lighting switches and water facilities and encouraging staff to take joint actions to save energy and water and carry out garbage sorting so as to promote environmental protection in daily work.

By the end of 2016, CR realized online approval and issuance of more than 60 million document and bill copies on office work such as document management and HR an administration with the help of the office automation system



60 million documents

In 2016, CR Headquarters held 627 teleconferences of all kinds



627 teleconferences

Challenges and
Improvement

With the expansion of CR operations, the launch of stricter national policies on environmental protection and the rising demand of the public for a good ecological environment, the tension between corporate growth and energy conservation and emission reduction is becoming increasingly prominent. Problems are unavoidable against such background. CR pursues diversified development with business covering many industries, therefore, the priority of environmental protection differs among industries and the performance in environmental protection and energy conservation and emission reduction also differ among subsidiaries. At the same time, the energy sector, including thermal power and cement, also face the pressure of further improvement after already becoming an industrial benchmark in energy conservation and emission reduction.

In 2017, CR will make great efforts to implement the concept of “green development” of the 13th Five-Year Plan proposed by the central government, optimize industrial structure under the principle of environmental protection and promote innovations in ecological construction in the process of transition during the “13th Five-Year Plan” period. At the same time, CR will also increase the share of renewable energy operations such as the development of wind power and solar power, promote the development of circular industrial parks and the coordination of different business segments in environmental protection, increase its investment in energy conservation and emission reduction and dock out energy-consuming equipment and facilities with much pollutant discharge to improve the efficiency of the protection of the ecological environment. Meanwhile, CR also plans to drive industrial upgrade to lead green development and maintain its industrial leadership through strengthened R&D and innovation, improve the environmental pollution emergency management system and carry out the inspection of environmental risks to ensure effective, prompt and accurate response to environmental pollution emergencies. Last but not the least, CR strengthened the investigation and punishment of environmental pollution incidents and emphasized energy conservation and emission reduction supervision and management to improve the governance capability of businesses in environmental protection and energy conservation and emission reduction in an effort to become energy conserving and environmental-friendly businesses with greater competitiveness.

Our Commitment



▲ CR EHS Monthly Teleconference





“

I was deeply impressed by CR Cement Binyang Factory Coordinated Domestic Waste Treatment Demonstration Project. The project managed to make full use of the water, gas and residue produced by domestic garbage and realize zero discharge of pollutants in a country where garbage sorting has not been popularized. The project generated significant environmental and social benefits, eliminated misunderstandings towards coordinated domestic garbage treatment programs and promoted the development of the cement industry in China.

”

Jiang Minglin, Counsellor of the State Council

“

I was overwhelmed by the environmental protection project of CR Cement in Binyang. During the on-site visit, I found that it was even better than has been described on television and newspaper reports. The garbage treatment factory is tidy and clean, which is totally different from what I thought it should be. The new technologies developed by CR realized zero discharge of waste gas, slag and waster and 100% recycle of domestic waste, which is a lot more competitive than traditional projects where domestic waste is only used to generate power.

”

Peng Qinghua, Secretary of the Party Committee of Guangxi Zhuang Autonomous Region

“

CR Nanjing Thermal Power Plant is a model in carrying out corporate social responsibilities to help the government and the society to solve environmental problems with significant economic and social benefits. The attempts of CR Nanjing Thermal Power Plant provide us with a new approach to energy and environmental governance.

”

Wang Dahao, Secretary-General of Nanjing Society for Environmental Sciences

“

The visit to the Power Plant is a C'estbon new experience. I've never thought that a power plant could “eat” sludge. This is really a fantastic project as it can solve the problem of urban sludge treatment, improve our living environment and make contributions to the construction of ecological civilization in our hometown. I sincerely support the project. We are so lucky to have it in our city.

”

Zheng Jian, local resident

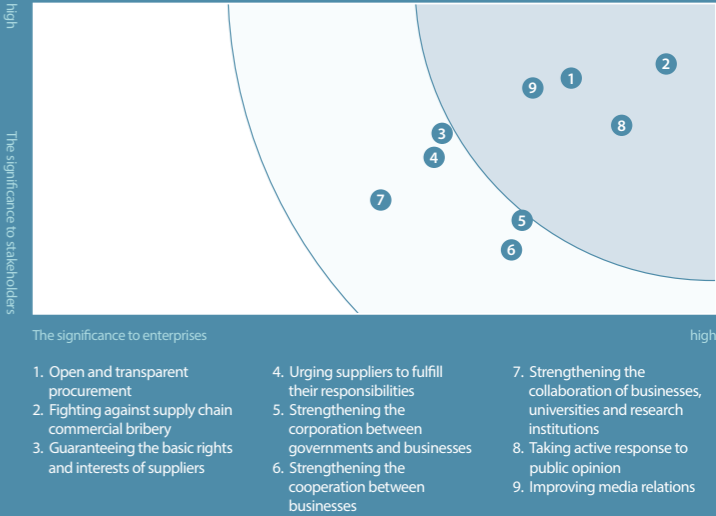
5

Being Responsible for Partners Working Collaboratively to Create Mutual Benefits

Our Philosophy

Every day, our supply chain is filled with unlimited opportunities and possibilities. We require suppliers and partners with the most strict standard, cooperate with them to develop strategy sharing mechanisms and platform and promote fair competition to realize sustained growth and industrial progress and development, so as to jointly build a mutually-beneficial and win-win biosphere and become a respected, trusted and popular enterprise.

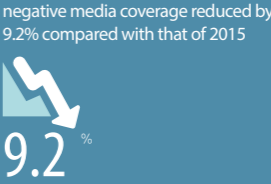
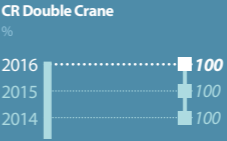
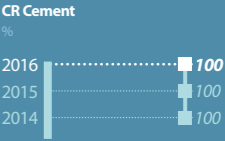
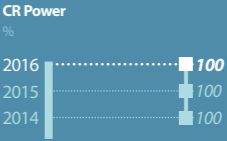
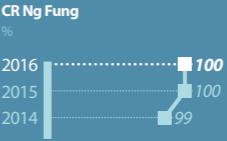
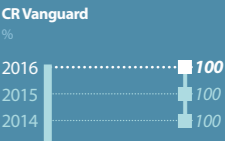
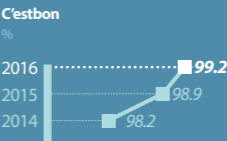
Materiality Analysis of Topics Concerning Partner Responsibility



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Our Performance

2014-2016 percentage of responsible procurement in CR profit centers



Our Action

Implementing Strategic Cooperation to Realize Mutually-beneficial and Win-win Development

Business operations of CR face fierce competition from industrial peers. Therefore, to ensure the long-term and firm support of partners, we not only have to stand out in the highly competitive market and expand our territory, but also have to shoulder the social responsibility of a central enterprise to actively help partners to improve themselves for win-win cooperation. This is the challenge we have to face up to, this is also the historic opportunity we have to seize to become stronger, bigger, better and more sustainable.

Strengthening the Cooperation with Governments

CR has been attaching great importance to maintaining a good relation with governments. It is committed to solving major problems in project construction and investment and promoting the expansion of CR business operations while contributing to local economic growth through conducting field research and visits, participating in activities organized by the government and signing comprehensive strategic cooperation framework agreements or agreements on deepening strategic cooperation with local governments.

In 2016, high-level leaders of CR visited more than 20 provinces, municipalities and autonomous regions to expand the market and create new opportunities for CR business units, explore new ways to solve major problems through collaboration and promote the implementation of new projects. These visits also focused on finding solutions to historic problems, discussing possibilities for new projects and promoting the development of related business operations.



▲ President Fu Yuning and General Manager Luo Xi visited Qinghai



▲ On 27th February, 2016, Guangdong-Central Enterprise Strategic Cooperation During the "13th Five-Year Plan" Period Symposium was held in Guangzhou. Related people in charge of 88 central enterprises and 11 central financial institutions attended the Symposium. The cooperation agreements signed on the Symposium will provide new driving force for medium and high-speed economic growth in Guangdong and the transition to medium and high-end development. CR signed agreement with Guangdong on strategic cooperation during the 13th Five-Year Plan Period.



▲ General Manager Luo Xi attended the Australia China Economic and Trade Cooperation Forum and delivered a keynote speech.

High-level leaders of CR visited related departments and leaders of the Ministry of Commerce, China Council for the Promotion of International Trade and China Chamber of International Commerce to learn more about the functions of each department, establish relations with them and acquire more information in an effort to help related profit centers of CR to improve their capability of internationalized operation and risk prevention and control in line with the internationalized development strategy of CR.

High-level leaders of CR visited countries and regions including Myanmar, Thailand, the United Arab Emirates, Brazil, Japan, the Middle East and South America, visited local government institutions and businesses, carried out research on the local market and promoted strategic cooperation. These efforts enabled CR to get first-hand information and human and information resources to help the Group to go global and invest in local projects.

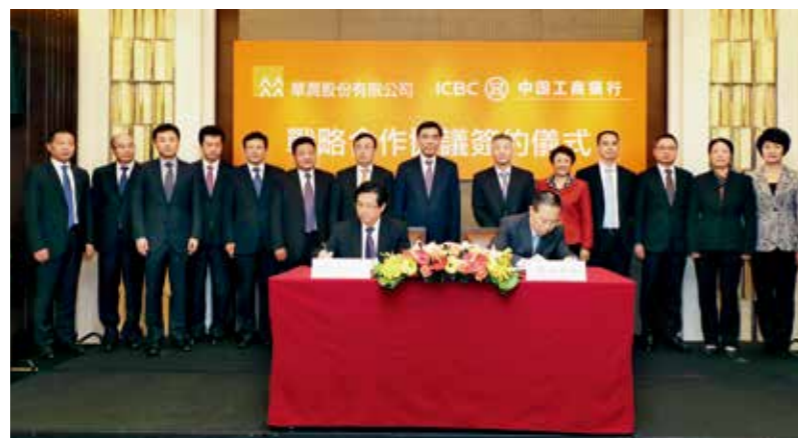
During his visit in Brazil, President Fu Yuning took a photograph with Jorge-Lemann, co-founder of 3G-Capital, and Warren Buffet.





Strengthening Business Corporation

CR Group actively promoted cooperation and exchange with well-known companies in the exploration of new business models, marketing and comprehensive R&D through motivating business units to provide customers with quality products and services on the basis of integrating internal resources for coordinated development. Through the coordination and cooperation between companies, we are able to make full use of our strength to complement each other to realize resource sharing and mutually-beneficial, win-win development.



CR signed strategic cooperation agreement with ICBC. The two sides will strengthen communication and resource sharing in promoting the application of information technology and internationalized development on the basis of deepening the cooperation between banks and businesses.

CR Group signed strategic cooperation agreement with Deloitte. The both parties will make full use of their strengths to jointly explore innovative business models.



CR Double Crane

CR Double Crane steadily promoted the building of the platform for the cooperation among businesses, universities and research institutions through trusted R&D, technology transfer and joint application. Currently, it has established cooperation relations with more than 10 advanced pharmaceutical companies at home and abroad.



CR Ng Fung Shenzhen Company

R Ng Fung signed cooperation agreements with Qingyan Environment affiliated to Research Institute of Tsinghua University of Shenzhen to apply the RPIR rapid biochemical waste water treatment technique in the treatment and recycle of slaughter-house waste water.



CR Anhui Pharmaceutical

CR Anhui Pharmaceutical and Anhui Medical University jointly established the pharmacy teaching center to jointly build the pharmacy comprehensive experiment skill center



CR Land

CR Land carried out the specialized assessment of the influence of fine decoration materials on indoor air quality in the second phase of the Runfu Project in Dayong, Shenzhen together with Shenzhen Academy of Aerospace Technology.



CR Chemicals

CR Chemicals established the Research Institute for new chemical materials to promote the development of the platform for the cooperation among businesses, universities and research institutions. Currently, Southeast University has showed initial intention for cooperation for the PET beer bottle project.

Establishing a Platform for Cooperation Among Businesses, Universities and Research Institutions

“Innovation and development” is one of the core themes of CR Development Strategy during the “13th Five-Year Plan” period. In 2016, CR further strengthened resource sharing with external research institutions to poll intellectual resources through technological innovation integration, improve the comprehensive R&D capability of CR and lay a solid foundation for the long-term and sustainable development of the Group.

Supporting Fair Competition to Promote Industrial Development

CR always requires subsidiary businesses to observe laws and regulations to conduct fair competition and not to adopt unfair means to gain advantage over others. At the same time, CR also actively promotes subsidiary businesses to join industrial organizations to participate in the development of industrial standards and the construction of industrial cooperation platforms and make greater contribution to driving the development and progress of the whole industry.

the Tender & Procurement Management Department and Shouzheng Tendering Company in December 2014, CR Power has launched a series of management regulations including CR Power Holdings Tender and Procurement Management Methods and Tender and Procurement Project Assessment Methods Development Directive to carry out law-based tender and procurement and provide institutional and procedural guarantee for transparent procurement and zero commercial bribery and corruption.



Brand Promotion Activities

CR and subsidiary businesses have always been strictly observing *the Advertising Law* in brand promotion and business propagation, to present only true and accurate information, avoid the use of exaggerated words that mislead consumers and realize fair competition and law-based promotion and propagation.

Daily Operations

Labels are the ID cards of food products. Therefore, CR and subsidiary businesses strictly observe *the Food Safety Law* and *Administrative Provisions on Food Labeling* to replace old food labels with new ones according to the requirement of new regulations and standards. The new labels clearly show the nature, ingredient and related information of products, making it easier for consumers to quickly know the quality and features of product. With these efforts, CR is able to promote its brands according to law and realize fair marketing.

Tender and Procurement

CR and subsidiary businesses always follow the principle of fair and equitable competition and observe industrial rules and business ethics to safeguard market order. It firmly rejects unfair competition such as colluding with other bidders to submit bid price quotations, predatory pricing, monopolistic competition and unfair cross subsidization. Since establishing

Fighting Against Commercial Corruption to Realize Clean Development

CR always gives priority to commercial corruption and misconduct in internal risk control to emphasize the importance of business ethics and constantly improve tender and procurement system and procedures and promote the clean development of the Group.

Strengthening the Improvement of Awareness

CR always attaches great importance to organizing trainings on credibility and compliance for managers to promote the building of a clean enterprise while pursuing business expansion. In 2016, CR organized 8 thematic discussions on building a clean and honest enterprise with 95 directives on combating corruption being made by leaders and arranged meetings with 85 new managers under the direct leadership of the Group to raise their awareness in combating corruption and being disciplined and responsible. At the same time, CR also continued to carry out the “Clean and Honest Governance” lecture series on the platform of CR University and organize thematic activities on building a clean and honest enterprise in training camps for new employees to guide the conduct of managers and employees of all levels.

Developing a Warning System

CR comprehensively strengthened institutional and system construction to identify and remedy loopholes, streamline management and strengthen system risk prevention and control. While taking serious measures to solve related problems, CR is committed to developing a warning system for major risks in tender and procurement with auditing as the threshold through strengthening online supervision and control to prevent major risks. CR subsidiaries also took concrete measures to strengthen the management and control of key areas and sectors according to their own conditions to give full play to the role of auditing.

Building an Anti-Corruption Mechanism along the Supply Chain

 CR Power	CR Power carefully organized inspection on the supervision and compliance of the “Triple One System” (major administrative decisions, major appointment and dismissal of cadres, major investment decisions and the use of large sums of money) to promote compliance management.
 CR Double Crane	CR Double Crane implemented strict supervision and management of, organize regular trainings for and signed <i>Salesperson Compliance Liability Statement</i> with medical representatives to promote fair competition with industrial peers and safeguard healthy market environment and order.
 CR 999	CR 999 required managers and employees to strictly observe <i>Ten Prohibits of CR</i> , <i>15 Bottom Lines for Anti-Corruption in the Medical Sector in CR</i> and <i>Rules on Clean Conduct for CR 999 Employees</i> to promote clean conduct in the company.
 CR Vanguard	CR Vanguard launched Code of Conduct for Business Partners of CR Vanguard to effectively prevent commercial fraud.
 CR Ng Fung	CR Ng Fung strictly observed the requirements of Tender and Procurement Management Rules issued by CR Group with the Transparency Declaration being included in all tender documents and procurement agreements. Tenders are only qualified after signing the declaration.

Strengthening Accountability

CR has been giving priority to the supervision of business sectors concerning the management of suppliers such as tender and procurement and project construction to strengthen the investigation and punishment of misconducts such as commercial fraud in upper stream and lower stream industries, surround-bidding and accompanying-bidding and biased decisions and effectively promote the purification of the business environment and the execution of the Transparency Declaration.

Some staff of a CR subsidiary assisted a supplier to get factoring through faking the amount of accounts receivable and acted beyond their authority to approve related documents and assist the supplier to create the false image of returning the financing on time through false transfer. After the issue was found by auditing departments, the subsidiary immediately transferred the case to law enforcement authorities for further investigation and organized comprehensive-self-check with “zero-tolerance” to similar problems.

Promoting Responsibility Fulfillment along the Supply Chain to Improve the Capability of Carrying out Responsibilities

Extending Discussions on Responsibility Fulfillment to the Supply Chain

CR integrates the concept and requirements of carrying out social responsibilities into the process of procurement with the promotion of responsibility fulfillment along the supply chain as a priority through promoting related policies to better supervise the fulfillment of responsibilities and reach consensus.

For many years, CR has been extensively promoting the “Transparency Declaration”, requiring all subsidiaries to sign Clean Conduct Statement in carrying out economic cooperation with a third party and informing all suppliers and partners that unfair and illegal conducts are prohibited in the cooperation with CR subsidiaries. In the procurement of products and services, CR Group and subsidiaries have been strictly sticking to the principle of transparency to ensure regulated tender and transparent procurement. CR launched the “commercial service-transparent procurement” platform on its official website and CR Land and CR Power also established their own supplier portals and information collection platforms, putting non-confidential information and tender and procurement procedure under public supervision. At the same time, CR Power, CR Land, CR Cement and CR Ga effectively controlled bribery and corruption through revising centralized procurement lists, promoting position rotation systems, adding credibility clause in procurement agreements and establishing e-mails and hotlines for the supervision and reporting of misconduct.

CR required all subsidiaries to organize irregular trainings on related laws, regulations and institutions and industrial policy lectures to improve the awareness of employees in compliance and observance of law and strengthen the management of sales contracts with fruitful results being achieved in compliance construction in 2016.



CR Power

CR Power organized assessment and evaluation of suppliers from product quality, service quality, the capability of carrying out commitments, the protection of the rights and interests of workers, occupational health and safety and environmental protection to choose the best suppliers in procurement and promote the fulfillment of social responsibilities along the supply chain.



CR Land

CR Land promoted “transparent procurement” among subsidiaries and suppliers through launching the *Code of Clean Conduct for Employees* to improve the tender and procurement system and signing Agreement on Clean and Transparent Cooperation with suppliers.



CR Breweries

CR Breweries established and implemented separate standard for the qualification, certificate and assessment of suppliers in different stages of management to constantly improve the quality of the management and services of suppliers.



CR Gas

On the basis of the centralized procurement of 43 materials, CR Gas

Reassessed



Added



Increasing the percentage of centralized procurement from



To



Significantly improved product quality



CR Double Crane

CR Double Crane informed suppliers of the requirements and management procedures of environmental protection to urge them to take environmental-protection actions in line with the requirement of CR Double Crane, promote the idea of green and environmental-friendly growth sustainable development and make joint efforts with partners to carry out environmental and social responsibilities.

Policies and Institutions related to Responsible Procurement



CR 999

CR 999 implemented quality risk control throughout the chain of medicine manufacturing. It strictly observed national laws, regulations and policies from the selection and procurement of raw materials and accessories and warehouse entry examination to the production, storage, transportation and sales of medicine.



CR Chemicals

CR Chemicals signed *Clean Governance Agreement* with partners and *Agreement on Safety Management of Businesses in Collaboration* with suppliers to strengthen safety management.



CR Ng Fung

CR Ng Fung revised and improved procurement management systems, carried out self-check and assessment and analyzed potential problems and pitfalls in procurement.



CR Pharmaceutical

CR Pharmaceutical launched *Tender and Procurement Management System of CR Pharmaceutical Holdings*, optimized and adjusted the approval procedures and released work templates.



CR Double Crane

CR Double Crane launched contract templates to regulate the management of contracts and took concrete measures to promote the informationalized management of contracts through adopting IT technologies and scientific methods. With these efforts, the Headquarter of CR Double Crane realized 100% online management of contracts.

Safeguarding the Basic Rights and Interests of Suppliers



CR Cement

CR Cement established the communication mechanism among customers, logistics companies and the Logistics Department of CR Cement through holding regular meetings to strengthen communication.



CR Vanguard

CR Vanguard strengthened the management of the product tracing system, improved the certificate and license management module of the Vendor Service System (VSS) and established the system for the recording to product examination and acceptance in different stores.



CR Ng Fung

CR Ng Fung strictly implemented the *Tender and Procurement Management System of Croup* with tender and bidding as the major model of procurement assisted by inquiry purchasing.



CR Gas

While attaching great importance to the management of suppliers, CR Gas also values safeguarding the basic rights and interests of suppliers.



CR Microelectronics

CR Microelectronics implemented transparent procurement with the information of related projects being published on www.chinabidding.com.cn and the official website of the company to invite as many potential vendors to bid as possible.



DEEJ

DEEJ conducted on-site technological guidance and information and resource sharing for traditional Chinese herbs to ensure the quality of herbs and the competitiveness of vendors among industrial peers. DEEJ launched incentive policies for key suppliers to promote strategic cooperation, provide vendors with financial support and establish closer ties between the company and vendors.



CR Cement

CR Cement focuses on the sustained growth of vendors through carrying out regular performance assessment of cooperating suppliers to classify vendors into four grades (excellent, qualified, to be improved and to be dropped out) and carry out differentiated management, identify problems and make improvement.



CR Gas

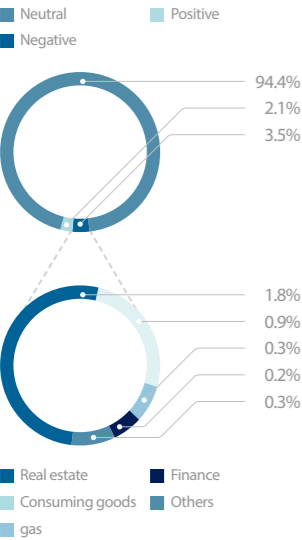
CR Gas implemented the mutual assessment between CR Gas subsidiaries and vendors, in which subsidiaries assess and evaluate the product quality, after-sales service and cooperation of vendors and vendors assess and evaluate subsidiaries from the perspective of credibility and compliance, commitment fulfillment and procurement management.

Improving Media Relations to
Strengthen Information Disclosure

Taking Active Response to
Public Opinion

In 2016, public opinion towards CR was generally positive with several major moves in the capital market becoming media headlines. There were 800,000 news about CR online on an annual basis, with the negative media coverage decreased significantly to only 3.5% of the total, reducing by 9.2% compared with that of 2015, mainly in real estate, consuming goods and gas. “The Shareholder Dispute at China Vanke” became a topic of the year with nearly 100,000 related online news. News of CR Pharmaceutical going public, the M&A of CR Breweries and Baoneng increasing holdings of the shares of DEEJ grabbed media headlines.

Propensity analysis of the news media coverage of CR in 2016



Faced with the changing capital market, CR accepted media inquiries and made quick and direct response, winning the respect and support of the media with a candid and professional attitude. CR also made full use of its official social media accounts to respond to rumors, correct misleading information and dispel doubts.

In 2016, CR collaborated with profit centers to make systematic plans for the promotion of major moves such as “CR Pharmaceutical going public” and “the launching of Huaruntong”, which effectively promoted related events and improved brand popularity through promotion warming-up, full-media coverage and exclusive interviews with executives.

CR published Directives for the *Announcement of Negative Media Coverage of CR* last year, which effectively regulated the procedure of the feedback and announcement of media coverage, updated and improved the risk warning system and promote the use of “CR Media coverage supervision and monitoring system” with the efficiency of work being significantly improved. In the future, CR will start the monitoring of foreign media coverage in response to the corporate strategy of “going global”.

Response to Media Coverage of
“The Shareholder Dispute of China
Vanke”

CR has always been sticking to the principle of “honesty, openness and respect” to interact with the media and state facts and express opinion with a market-oriented approach. In response to emergencies, CR actively released the latest information on its official accounts on new media platforms to ensure its transparency.

The shareholder dispute of China Vanke soon grabbed media headlines. The selling of the shares of Vanke it held is a decision made by CR with comprehensive consideration to the need of future development and industrial upgrade and the maintenance and appreciation of state-owned assets following the principle of “respecting market rules and safeguarding fair competition”.

Therefore, being in the center of public opinion, CR actively received media inquiries and objectively disclosed related information. The response of CR to media coverage was greatly appreciated by the public.

Cooperating with the Media to Realize
Win-win Development

Last year, CR actively cooperated with the media to present a true CR Group in from of the media and the public through organizing a series of activities such as high-level dialogue and on-site visit to CR factories. Such cooperation also extended to other fields. It became the exclusive sponsor of “Zhengwu Channel”, with CR brand appearing in related news for more than 100 million times. Besides, *the New weekly* article interpreting the social responsibility of CR was read for 1.15 million times. The strategy of full-channel promotion significantly improved the influence of the CR brand.

CR brand appeared for more than



The *New weekly* article interpreting the social responsibility of CR was read for



Cooperating with PHTV to
promote CR Brand Three the
Filming of *Da Zheng Shang Dao*

CR cooperated with the production team of *Da Zheng Shang Dao* program of PHTV to film a two-episode documentary showing the promise of CR to different stakeholders in carrying out social responsibilities after visiting Gangxi Hezhou Circular Economy Park, Ningxia Haiyuan Targeted Poverty Alleviation Project, The Southern Campus of CR University, Qianhai e-Vanguard cross-border e-commerce demonstration zone and MIXC. The program was well-received by the public and effectively improved the popularity of CR brand.



Unleashing the Potential of New Media
Channels to Strengthen Brand Promotion

The official WeChat account of CR achieved increasing influence. Last year, it not only designed several innovative and authentic thematic reports, but also published important announcements as an authoritative platform to actively respond to the media and the public. The official WeChat account tweeted 245 articles in 2016, which have been read for more than 2.7 million times with more than 110,000 followers, an annual increase of 122%. Under the leadership of CR, profit centers of CR all made full use of new media platforms to strengthen information release and promote the positive image of CR.

The official WeChat account of CR published 245 articles in 2016



Which have been read for



With more than 110,000 followers



An annual increase of



“Artisanship” Authentic Short
Video Clips

President Fu Yongning proposed the idea of promoting the sustainable development of CR with “artisanship”. To promote the spirit of “artisanship” inside the Group and introduce the good products and services of CR to the outside world, CR official WeChat account planned the filming of the “Artisanship” short video clip series to present the public with the development of CR vividly and launched promotion documents of products including “Xuehua Lianpu”, “Ng Fung Chinese pepper oil”, “Pacific Coffee” and “Ejiaogao” with good effect.



Challenges and Improvement

With the development of CR and the expansion of its influence, risks from the supply chain are increasingly becoming major components of the operation risks faced by CR Group. In carrying out partnership responsibilities, CR Group strengthened the management of supply chains and promoted the cooperation among businesses, universities and research institutions. However, there are still quite a number of problems in its supply chains, such as unclear definition of the duties of compliance departments, lack of priority in the fulfillment of responsibilities and problems concerning fair competition, anti-corruption and procurement quality as well as a lack of a long-term risk prevention and control mechanism. In 2017, we will further identify the duties of departments in charge of the fulfillment of partnership responsibilities, disintegrate responsibilities and further strengthen anti-corruption along the supply chain to prevent business corruption. CR will also carry out responsible procurement, urge vendors to shoulder social responsibilities and build a responsible supply chain. At the same time, CR also carefully listened to the appeal of the public, find loopholes in the fulfillment of responsibilities and strengthen the management of social responsibility risks to stem the emergence of negative media coverage from the root.

Our Promise

1	2	3	4	5	6
Strengthen the development of institutions and platforms for strategic sharing	Actively cooperate with governments, businesses and research institutions to realize mutual development	Contribute experience and new ideas to the industry	Further promote the concept of social responsibility along the supply chain and improve the competitiveness of the supply chain	Strengthen the management of public opinion and the cooperation with the media, actively and quickly respond to media coverage and improve the transparency of operations	Build a mutually-beneficial and win-win biosphere

Words from Stakeholders



“

I was deeply impressed by the outstanding performance and expertise of CR staff during our cooperation. Faced with a shrinking market for large volume injections (LVI), CR Double Crane made full use of its strength in corporate management and procurement to take concrete measures to address challenges against all odds and consolidate its status as a market leader. With the health of the public in mind, CR Double choose vendors according to product quality and safety. As the largest, most comprehensive and disciplined LVI material supplier in China, our company is willing to establish long-term strategic cooperation with CR Double to realize mutually-beneficial and win-win development.

”

Jiang Xin, Executive VP of Renolit Beijing

“

CR is different from other companies. It is always sincere and honest in front of the media even in the face of disputes ad doubts. Professional and practical attitude is what makes a successful large company.

Against the background of China’s transition to the new normal, CR could still contribute several 10 billion RMB of tax to the central government, create several 10 billion RMB of profit for shareholders and more than 100,000 jobs for the society every year. This is the greatest responsibility a state-owned enterprise could take for the development of the society.

CR carried out its commitment to the society in environmental protection, safe production, fair trade, community service and charity and is committed to become a trusted and popular enterprise. Having made itself into the Global Top 100, CR has a greater goal: becoming a global enterprise. In this process, corporate social responsibility of a higher standard will definitely help CR to become a global brand.

”

Zhou Jiangong, CEO of Yicai

6

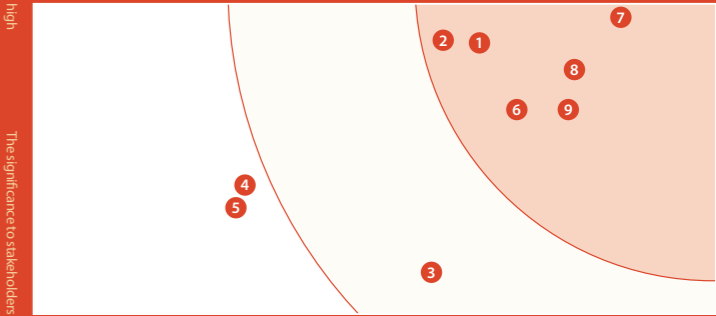
Being Responsible for the Public Building Harmonious Communities

Our Philosophy

While seeking sustainable development, enterprises cannot grow without the participation and support of communities, and communities need the creation and contributions made by enterprises. CR actively responds to national policies and pays taxes according to laws and support communities; we continuously increase the level of safety management to ensure safety production; we focus on key issues in the social development and carry out poverty alleviation and volunteer activities with our resources and expertise to improve people’s livelihood. We are always grateful and give back to the society, we are devoted to make our shares of contribution to communities and ensure harmonious coexistence with communities.

Materiality Analysis of Topics Concerning Public Responsibilities

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1. Participating in poverty alleviation
2. Participating in charity
3. Encouraging employees to participate in volunteer activities
4. Increasing investment in communities
5. Carrying out transparent communication with communities
6. Paying taxes according to laws
7. Enhancing safety production management
8. Ensuring investment to safety production
9. Providing more education on safety production

Our Performance

2014-2016 donations made by CR Charitable Fund
yuan RMB



2012-2016 investment production safety
100 million RMB



Our Action

Supporting the Government

Serving National Strategies with the Platform in Hong Kong

CR actively responds to the “Belt and Road Initiative” and the strategy of “going global”, and takes “internationalization” as an important part of the group’s “strategies in the 13th Five-year Plan period”. While allocating and utilizing resources, markets and technologies in countries (and areas) along the “Belt and Road Initiative”, CR fully uses Hong Kong’s advantages in financing planning, resource integration and professional services, which lowers risks in “going global” and raises the status of Hong Kong as the service platform for the “Belt and Road Initiative”.

Promoting the Communication between Hong Kong and Mainland China Enhancing Connectivity

When CR develops business in Hong Kong, on one hand, it attracts local talents, provides opportunities for professional development, promotes employment and economic development in HK; on the other hand, it attracts overseas returnees and people from mainland China to work in HK through the Admission Scheme for Mainland Talents and Professionals, and enhances exchange of commercial culture. Moreover, the group organizes various activities for employees to promote the communication between young people in mainland and HK.

In 2016, 169 young employees from CR went to Guangxi and visited the group's enterprises and programs built with its donations in 4 groups, which helped HK employees better understand mainland China and its business in mainland, and enhanced the sense of belonging.



In October, 2016, the group mobilized 42 employees from HK and mainland China to participate in the activity “I Have a Date with the Panda”, these people experienced the daily work of panda breeders in “Dujiangyan Base of China Conservation and Research Center for the Giant Panda” and “Wolong Hetaoping Wild Training Center for the Giant Panda” and had close contact with the giant panda, which enhanced the young employees’ environmental awareness that human beings should live in harmony with the nature.



Participating in Charity Undertakings in HK Serving the Public

CR fully utilizes its advantages in business and its resources in HK, actively participated in and supported the charity undertakings and made its shares of contributions to social and economic development in HK.

In terms of promoting education and employment, CR organizes “CR Guide You the Journey to Mainland China” activity to support start-ups and employment and “CR Helps You to Study in Peking University and Tsinghua University” scholarship program, sets up “CR Scholarship” in Hong Kong Lingnan University and “CR Scholarship for Ethnic Minorities” in the City University of Hong Kong, donating nearly 20 million RMB. Moreover, the group adopts a recruiting plan for “two groups of graduates” and provides job opportunities.

In terms of culture, arts and sports, CR is the title sponsor of the debut of *Romeo and Juliet* produced by the National Theatre of China in Hong Kong. Moreover, it sponsored the 44th Jazz Concert of Hong Kong Arts Festival, and sponsored the HK delegation to attend the 12th and 13th National Games.

CR donated nearly 20 million RMB in the scholarship programs in universities in HK.



In terms of culture, arts and sports, CR is the title sponsor of the debut of *Romeo and Juliet* produced by the National Theatre of China in Hong Kong. Moreover, CR sponsored the 44th Jazz Concert of Hong Kong Arts Festival, and sponsored the HK delegation to attend the 12th and 13th National Games.



▲ CR establishes “CR Scholarship for Ethnic Minorities” in the City University of Hong Kong

In terms of charity activities, the group organized and participated in “Journey of the Public Welfare Fund”, donated over 400,000 HK dollars to service foundations in HK, and provided emergency economic assistance to families in difficulties. Meanwhile, the volunteer group under the Employees’ Society of the group independently organized or participated in charity activities, such as shoreline cleaning, wastewater treatment, “Gao Fen Fearless Dragon Charity Run”, and “Running in Green” charity activities.

In the future, the group will support the construction of Dawan District, vigorously support projects in energy, real estate, retail and logistics, medical care and medicine and finance to improve the infrastructure of Dawan District and the integration of urban areas.

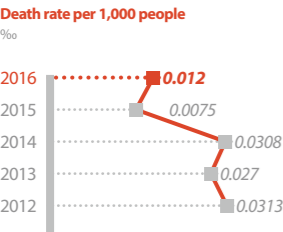


Implementing Safety Production

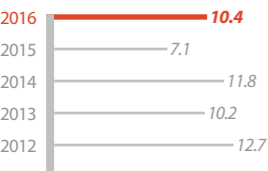
General manager Luo Xi made the following requirements on EHS work that there should be:

- Regulations for actions
- Windows for monitor
- Efficient monitoring
- Effective control
- Appropriate rewards and punishment

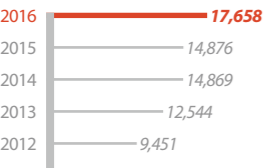
Key Safety Production Data of the 2012-2016



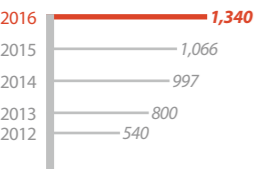
Investment on safety production 100 million



Number of emergency exercises time



Number of registered safety engineers person



Strengthening Infrastructure Preventing Accidents

Enterprises at all levels uphold the principle of “putting prevention first”, strengthen the foundation of safety production and systems, fulfill responsibilities of safety production at all levels, enhance safety check, control safety risks and reduce hidden dangers and prevent accidents from the source.

Improving organization capacities

All strategic business units, and primary profit centers have established a security commission with the top leader as the commission director; CR Enterprise, CR Snow Breweries, CR Ng Fung, CR Beverage, CR Power, CR Land, CR Cement, CR Gas, CR Pharmaceutical, CR Sanjiu Medical & Pharmaceutical, CR Vanguard, CR Chemicals, and CR Textiles have established an independent safety supervision and management department, built a professional group on safety production and improved the organization capacities to manage and control safety. Now the group has 2,527 employees dedicated to safety production and 1,340 registered safety engineers.

CR has employees dedicated to safety production



2,527 people

CR has registered safety engineers



1,340 people

Improving the management system

The group issued CR Environment Health and Safety Hazards Management System, CR Comprehensive Emergency Plan for Safety Production Accidents and CR Comprehensive Emergency Plan for Abrupt Environmental Affairs, forming a system of safety production in the group. For now, China Groups has 10 active safety systems in the group level, headquarters of SBU and BU now have 226 systems and enterprises at lower levels now have 14,654 systems, providing system guarantee for the standard operation of EHS work in enterprises.

Fulfilling responsibilities of safety production

Enterprises at all levels follow the laws and regulations and requirements of related authorities, adopt “equal responsibilities of the party and managers, dual responsibilities of one position, joint management, and accountability for dereliction of duty”, build the responsibility system combining “vertical and horizontal dimensions” and strictly implement the safety responsibility system.

Organizing and carrying out safety inspection

The group and enterprises at all levels intensify safety inspection through various forms including large-scale inspection, internal examination, surprise inspection and “repeated inspection”. In 2016, 365,000 hidden dangers were identified in enterprises at all levels and all were removed as required. A series of safety inspection and hazard screening and inspection helped reduce the number of hidden dangers and possibility of accidents.

In 2016, enterprises at all levels identified



365,000 safety hazards

Supporting Weak Links in Safety Avoiding the Cask Effect

Supporting weak links is the requirement made by Chairman Fu Yuning to employees in charge of safety issues, and it's an important way to avoid the cask effect and quickly increase the overall safety production management capacity in enterprises. Professionals in the group analyze and identify weak links in safety management, make a plan and deliver well-targeted support.

Guiding strategic business units, primary profit centers to check the background of stakeholders, manage affairs according to the classification, strictly monitor the operation process and invite advanced companies to share experience

Visiting and inspecting the grass-roots hospitals of CR Pharmaceutical, providing safety training and reviewing its management system, helping identify problems, and making recommendations for improvement

Discussing with CR Capital to make a support plan, organizing and implementing the plan, and supervising the renovation of problems by considering the fact that the ship-repair business is vulnerable to fire, explosion, collapse and falling accidents, visiting the work site, and interviewing the front-line staff

Working together with CR Land to revise and improve the safety management regulations for large-scale performances in CR Shenzhen Bay Sports Center and special emergency plans



Providing Education and Training on Safety Production Increasing Employees' Safety Awareness and Capacity

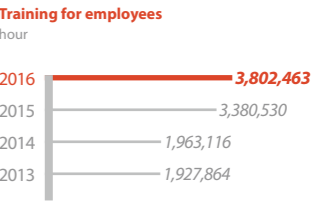
In 2016, CR adopted multiple measures to provide training and education on safety production, provided classified trainings for employees, totaling 3.8025 million lesson periods. With these efforts, the employees at all levels are better aware of safety and responsibilities.

Performing Safety Production Projects Increasing the Level of Safety

The safety production projects of CR include engineering project with large investment and lean projects for lowering energy consumption and emission, removing hazards, enhancing management, improving quality and the environment. In 2016, enterprises at all levels implement over 1500 EHS projects.

Every year, CR chooses 10 key projects from safety production projects implemented by SBU/BU for follow-up inspection to make sure that the expected results can be achieved. The projects that can be used for demonstration and wide application will be shared in meetings or as best cases. The safety projects with outstanding achievements will be rewarded, such as the cloud management system of Wuxi CR Gas, hazard source and potential safety hazard management system of Vanguard, dust filters installed with multichannel spark detectors of CR Textile (Hefei).

Data related to 2013-2016 education and training on safety production



Training on safety
The group provided lessons on safety-related laws and regulations for managers, lessons on safety management for grass-roots enterprises, lessons on safety knowledge to newly recruited employees.

Education on safety
The group published a collection of cases, built a system to notify accidents and incidents, and gave alerts of external accidents and incidents.

Organizing Charity Activities
Supporting the Development of
Communities

CR will hold charity activities and participate in building communities, which is an integral part of performing its CSR. While seeking development, the group actively focuses on social and livelihood issues, fully utilizes its advantages in business, expertise, capital and human resources, carries out activities for public welfare to support the community and give back to society with its love and actions.

Management of Charity Activities

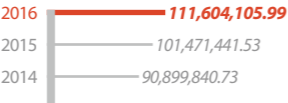
For years, CR actively responds to the national call and highly prioritizes poverty alleviation. With the CR Charity Fund as a platform and *CR Regulations on Charity Activities* as guidance, the group mainly focuses on the following two areas in poverty relief: first, building CR Hope Towns in old revolutionary base areas and poverty-stricken villages; second, completing the fixed-point poverty alleviation task assigned by the State Council, and carrying out the fixed-point poverty alleviation work in Haiyuan in Ningxia Hui Autonomous Region and Guangchang in Jiangxi Province.

CR improves its organization, structure and system, standardizes the operation process, enhances supervision on donations, strictly examines and approves projects, puts more efforts on information disclosure, builds projects archives, and adopts various measures to better manage and operate charity projects including disaster relief, poverty relief, assisting students, and new rural construction.

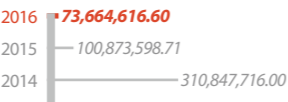
- In 2016, CR was awarded the Five-star Enterprise in Charity by the Chinese Academy of Social Sciences, its index of charity development ranked first.
- CR Hope Town project was awarded the Five-star Charity Project by the Chinese Academy of Social Sciences.
- CR Charitable Fund was awarded the National Advanced Social Organization by the Ministry of Civil Affairs.

Financial data of 2014-2016 CR
Charitable Fund

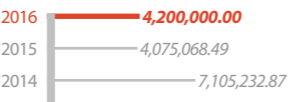
Net asset
Yuan RMB



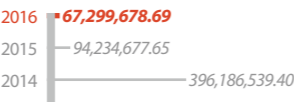
Donation income
Yuan RMB



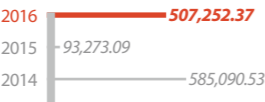
Income from investment
Yuan RMB



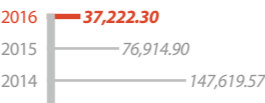
Donation outlay
Yuan RMB



Expenditure of management
Yuan RMB



Expenditure of administrative fee
Yuan RMB



Other expenditure
Yuan RMB



CR Hope Town

Building Hope Towns is a beneficial practice made by CR to leverage its advantages in resources to deal with issues related to "agriculture, rural development and farmers", and actively participate in building new rural and urban areas. Since 2008, CR has built Hope Towns in Baise in Guangxi, Xibaipo in Hebei, Shaoshan in Hunan, Gutian in Fujian, Zunyi in Guizhou, Jinzhaihua in Anhui; now the group is planning to build Hope Towns in Jinggangshan in Jiangxi, Haiyuan in Ningxia, Jianhe in Guizhou. Building 9 towns in 9 years, CR has donated a total of 560 million RMB, directly helped 2,679 families in rural areas, or 10,307 people, lifting over 100,000 people out of poverty in areas surrounding CR Hope Towns.

Building 9 towns in 9 years, CR
has totally donated



560 million RMB

Directly helped



2,679 families

Tian Qiuxiang, a villager in Baise in Guangxi, once worked in an assembly line, in a restaurant and in a decoration industry in Shenzhen. When she learnt that CR would come to Baise to provide support and build a hope town, she returned to her hometown and joint the program to feed pigs and run a chicken farm. Thanks to techniques and her diligent spirit, she became a famous poultry breeder in years, created her own brand, and was elected NPC deputy representing Guangxi Zhuang Autonomous Region. Qiuxiang is just one of those whose life was completely changed by CR.



▲ Multiple-use building in Jinzhai CR Hope Town and the Hope School at night

CR Hope Town 2.0 – Jinzhai CR Hope Town in Anhui

On June 24, the construction of Jinzhai CR Hope Town was completed. During the construction, CR focused on protecting and inheriting the traditional local culture, built ancestral halls, set local talents as examples, rectified the family tradition and built connections among local people. Moreover, the "Weicun" program of Tencent was introduced to the town, and "village+ Internet" created a favorable virtual environment for local people.

CR also introduced environment upgrading and industrial support. With the CR cooperative society and the established modern ecological kiwi fruit planting base that covers an area of 1,000 mu, the group created 2,432 job opportunities to registered low-income families, and 132 people also benefited from the program, among which 18 families, or 71 people, have been lifted out of poverty.

In 2016, Hope Primary Schools and kindergartens had 412 students, among which 37 returned to the hometown with their parents who used to be migrant workers. These returned migrant workers found jobs or started their own business, making 4,300 to 4,600 Yuan per month. The net income per capita in the town reached 9,368, up by 78% compared with 5,252 in 2013.

Jinzhai Hope Town realized four visions during construction: environment renovation, industrial support, reorganizing the system and reshaping the spirit. The town is known as Hope Town 2.0.

These returned migrant workers found jobs or started their own businesses, making 4,300 to 4,600 RMB per month.

¥ 4,300-6,000 Yuan RMB

The net income per capita in the town was

¥ 9,368 Yuan RMB

An increase of 78% compared with 5,252 in 2013

78 %

On March 22, 2017, Deputy Director Xu Fushun of the State Council and his party visited Jinzhai CR Hope Town, went to villagers' home to learn about their work and life, and were briefed by CR on the construction of hope towns and poverty alleviation in old revolutionary base areas in Xujiadayuan. Moreover, they paid a visit to medical personnel from CR Pheonix Huaibei General Hospital for Miners providing free services. Deputy Director Xu Fushun praised CR for actively participating in poverty relief in old revolutionary base areas and constructing hope towns, and encouraged CR to continue the work in poverty alleviation.

Haiyuan in Ningxia

By the end of 2012, the State Council Leading Group Office of Poverty Alleviation and Development and State-owned Assets Supervision and Administration Commission listed Haiyuan County in Ningxia as CR's second target of poverty alleviation. CR and Haiyuan jointly made the Five-year Plan for CR Supporting the Development of Haiyuan County. According to the plan, the group set targets that take poverty alleviation through industrial development as the core and cover reducing poverty with investment, talents and charity.

Measures taken by CR to reduce poverty in Haiyuan		
Four areas	Total investment	Projects
Reducing poverty through industrial development	385 million RMB	With the beef cattle breeding program as the core, the largest base with modern facilities and forage-livestock production in the 5 provinces in northwest China was built. A "cow bank" was established to help poverty-stricken families
Reducing poverty	7.9 billion RMB	With wind power program
Reducing poverty with charity	120 million RMB + 40 million RMB	With CR Hope Town as the core + ecological forest
Reducing poverty with talents		With talents taking a temporary post and providing technical support as the core, CR choose people to work temporarily in Haiyuan and invited officials in the county and college graduates to take a temporary pose in CR or work in CR

Cow bank, transforming "transfusion" to "hemopoiesis"

CR donated 300 million Yuan to Haiyuan for one time in 2014 and built a breeding base with 10,000 beef cattle in 2016. Now the base is one of the largest bases in the 5 provinces in northwest China with modern facilities. Moreover, CR built a cow bank to provide villagers with quality simmental cows in the way of selling on credit. Each family has 3 to 5 cows, and the family paid certain amount of money to buy cows, CR provided an interest-free loan of 6,000 Yuan for 3 years for each cow and gave registered low-income families subsidies for forage grass. The cows were used to produce calf and store cattle, then the growing cattle were sold to the base, and later the cows could be available in the market. When the loans are paid, the rest of the money will be used to improve people's living and expand the breeding scale.

In 2014, CR donated 300 million Yuan to Haiyuan Country for one time

300 million Yuan

In 2016, CR built a breeding base in Haiyuan with a capacity of 10,000 beef cattle

10,000 beef cattle

By the end of 2016, CR helped introduce 56 batches of cattle to Haiyuan, totaling 9,752 cattle



9,752 cattle

2,272 families bought 6,640 cows on credit



6,640 cows

covering 16 towns in Haiyuan County of which a total of 67 administrative villages



67 administrative villages

In January 2016, Haiyuan CR Hope Town was set to be built in Guanqiao Township, Haiyuan County, Ningxia. The project may benefit 1,200 people in 343 families



343 families



1,200 people

For now, several rounds of household investigation and planning have been completed



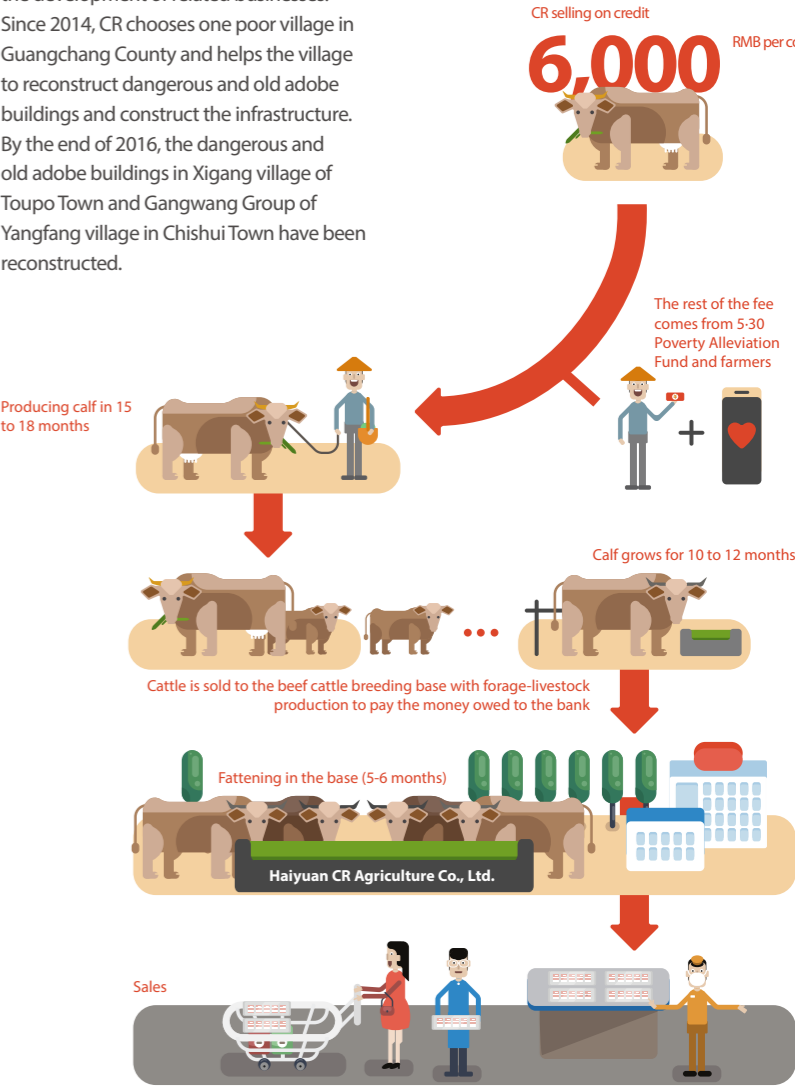
In April 2016, the first calf called "Runrun" was born in Haiyuan Cattle Base, the first achievement made in the support project.



The planning map of Haiyuan CR Hope Town

Guangchang in Jiangxi

Guangchang in Jiangxi is the first county supported by CR in the poverty alleviation program. For over a decade, CR carried out fixed-point poverty alleviation tasks in areas like medical care, education, the industry of white lotus, and vigorously promoted the development of related businesses. Since 2014, CR chooses one poor village in Guangchang County and helps the village to reconstruct dangerous and old adobe buildings and construct the infrastructure. By the end of 2016, the dangerous and old adobe buildings in Xigang village of Toupo Town and Gangwang Group of Yangfang village in Chishui Town have been reconstructed.



Educational assistance

CR actively helps students in difficulties and help them get chances for equal education.

CR donated 3.6 million HK dollars to the City University of Hong Kong



supported 12 outstanding students of ethnic minorities to finish studies in HK



“CR Scholarship for Ethnic Minorities” in the City University of Hong Kong

In May 2013, China Resources donated 3.6 million HK dollars to the City University of Hong Kong and set up the “CR Scholarship for Ethnic Minorities” to help students of ethnic minorities in Guangxi, Yunnan, Guizhou, Ningxia to get higher education in Hong Kong, encourage them to develop their hometown and give back to the society after graduation, and promote the development of minority areas on a faster track. By the end of 2016, 12 outstanding students have completed courses thanks to the scholarship.

Dream Center in Jinzhai CR Hope Primary School

CR built a “Dream Center” (striving for dream classroom) in Jinzhai CR Hope Primary School and a music room, and provided quality education to students.

Volunteer services

China Resources and its subsidiaries build volunteer organizations and encourage employees to participate in volunteer services.

CR C'estbon Assistance of National Sporting Event

CR C'estbon Beverage uses its brand and products to attend national marathons. It provides quality C'estbon pure water, Mulene functional drink and official supply depot services for competitors in each race, promotes the right way to re-hydrate from the professional perspective, and deliver services and guarantees for competitions. In 2016, CR C'estbon Beverage sponsored 176 marathon races in China, including 10 gold medal races, 5 silver medal races, and 8 races in provincial capitals, covering almost half of such races held in China and meeting the demands of 1.5 million competitors. With these efforts, its brand image of “trust · share” gains popularity and is well received by all parties.



▲ CR Land Volunteer Organization held a summer camp “children’s paintings in rural areas” in a kindergarten in Jinzhai CR Hope Town

CR Land Volunteer Organization

CR Land Volunteer Organization was established on December 31, 2015, under the mission of “serving the society and promoting culture” and philosophies of “CR Land· Devoting to Charity”, it independently holds or sponsors non-profit organizations to hold charity activities such as disaster relief, poverty alleviation, caring for special population, environmental protection and protection of animals, and organizes training, forum and communication on charity.

In 2016, CR Land Volunteer Organization held over 60 volunteer activities in 14 cities in China, attracting over 1000 participants.

Runxin Medical Social Worker

In August 2016, CR Healthcare “Runxin” Medical Social Worker Organization was officially established. According to the mechanism of “group building a platform, member hospitals implementing specific measures”, “Runxin” medical social worker organization has become a unique charity project of CR Healthcare.

In 2016, CR Land Volunteer Organization held over 60 voluntary activities in 14 cities in China



attracting over 1000 participants



▼ Chairman Fu Yuning talked with a student from Jinzhai CR Hope Primary School



▼ CR C'estbon Beverage sponsored national marathon race



▼ Social worker offers psychological consultation to a sick child



Challenges and Improvement

The business develops slowly in Hong Kong, and the group needs to be further involved in affairs in HK; CR needs to be more active in supporting the government; activities of volunteer organizations in the group need to be more diversified and influential; it needs to be more systematic in employing local people, public welfare in communities, environment protection, creating business opportunities and guiding visions in the investment destination. In 2017, we will further support government policies while doing business. When jointly building communities with other parties, we'll enhance communication and exchange with local enterprises of the group, and encourage enterprises to do charity based on their business to provide more business opportunities and jobs for local communities.

Our Commitment

1	2	3	4	5
As an enterprise directly under the central government that operates in HK, we'll fully use our advantages to support the prosperous and stable development in HK	We'll further develop business in HK	We'll increase the level of safety management	We'll hold charity activities using our professional advantages	We'll create more business opportunities and jobs for local communities

Words from Stakeholders



“

I visited several towns, and CR Hope Town is among the best, which is mainly reflected in four aspects: first, hope towns are developed with vision, theme, measures, procedures, careful planning and systematic arrangement, which realizes unified allocation of resources and brings favorable social results. These towns help remove poverty in rural areas. Second, CR Hope Towns integrate improving infrastructure, reshaping rural areas and industrial development. Third, the industrial development in Hope Towns is connected to that in China Resources so that the advantages of CR can be fully used and people can better benefit from these towns. Fourth, the Hope Town nurtures many young talents for CR. In areas like poverty alleviation effects and making contributions to the society, CR Hope Town has achieved successes, which can be summarized for others to use for reference.

”

Guo Tao, outside director of CR

“

Since China Resources started to support Haiyuan, the group focuses on targeted poverty alleviation and related targets. With beef cattle breeding as the starting point, it builds a “cow bank”, starts a new poverty relief mechanism with leading enterprises as the core to help local villagers, triggers endogenous power, and explores a way of poverty alleviation through industrial development that is highly encouraging, beneficial and well applauded by the public. Thanks to these efforts, the high-end beef cattle breeding has become a leading industry to help lift people out of poverty. After summarizing the ‘cow bank’ model, China Resources breeds cows for people in special difficulties, which demonstrates its CSR, helps Haiyuan gain experience in supporting enterprises, and makes an excellent model.

”

Xu Haining, secretary of the party committee of Haiyuan Country, Ningxia

7

CSR Management Guides the Integration of Practices

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Our Philosophy

Responsible for shareholders	Keeping ahead on creating value building a valuable CR
Responsible for employees	Valuing talents to achieve success building a people-oriented CR
Responsible for customers	Accumulating public trust and popularity with good products and service, building a satisfactory CR
Responsible for partners	Working collaboratively to create mutual benefits building a Win-win way CR
Responsible for the environment	Taking green operation building a sustainable development CR
Responsible for the public	Promoting public welfare building a harmonious development CR

Core Topics

Identification of Topics

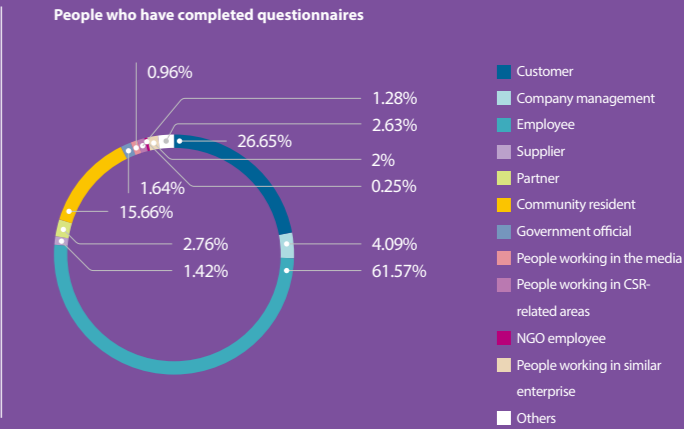
We'll continue to collect topics of the corporate social responsibility (CSR) report through various channels



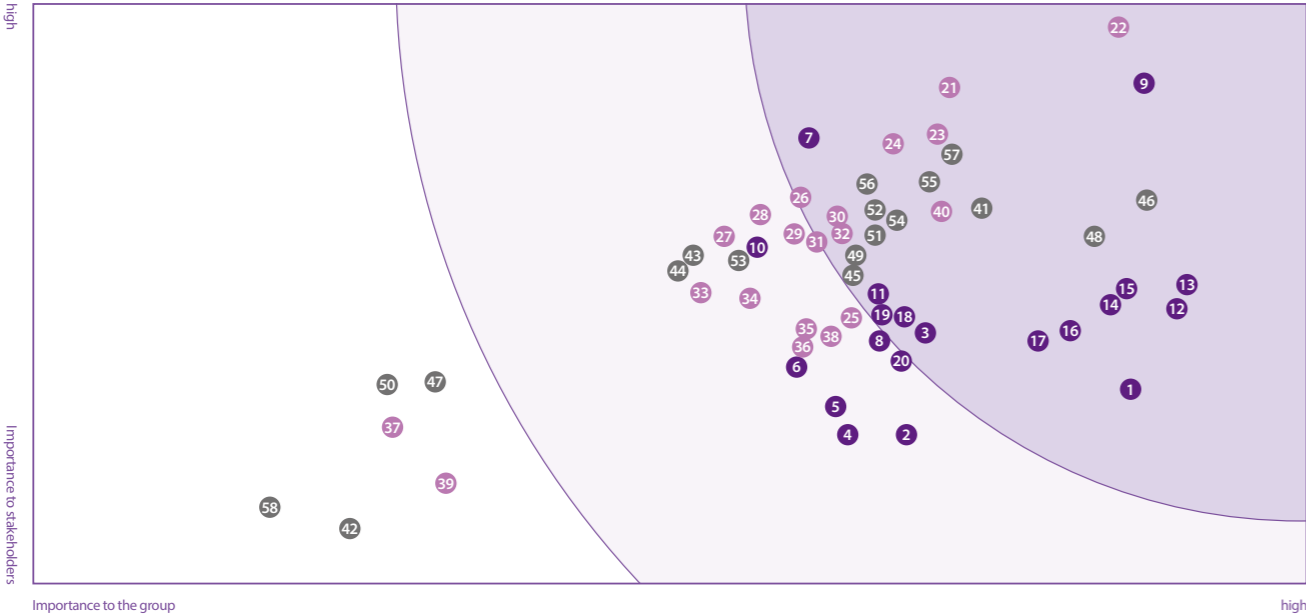
Based on the requirements of international standards, policies and standards in China and other countries and areas, as well as the practice of CR and the communication between CR and stakeholders, we choose 58 highly relevant topics on sustainable development.

Analysis of Topics

In 2016, to better understand the opinions of stakeholders, CR prepared a questionnaire and delivered it through the WeChat platforms of the group and Chinese Academy of Social Sciences to stakeholders. And 6386 valid questionnaires were collected. The topics were analyzed and summarized based on the results of questionnaires, and a model was established accordingly to identify topics highly concerned by stakeholders and highly relevant to the sustainable development of the group. These topics will be prioritized when the group and its subordinate enterprises disclose information. Meanwhile, the above-mentioned topics are integrated into the annual working plan of the group and the business plan of profit centers, and specific plans were developed. All these measures, as part of the annual management optimization program of CR, are being implemented.



Topics in the Order of Importance



Topics of high importance

- 1. Ensuring the quality and safety of food, beverage, medicine and houses
- 2. Enhancing the management of safety production
- 3. Ensuring the safety of consumers' information and protecting their privacy
- 4. Ensuring the investment on safety production
- 5. Protecting employees' health
- 6. Promoting education on safety production
- 7. Protecting employees' basic rights
- 8. Building channels and mechanism to handle consumers' complaints
- 9. Providing platforms to support employees' development
- 10. Enhancing cooperation between the government and enterprises
- 11. Controlling the quality and risks of industrial chains
- 12. Increasing salary and welfare
- 13. Contributing to social welfare
- 14. Building a mechanism to trace the quality of products
- 15. Deepening the reform of SOEs
- 16. Participating poverty alleviation
- 17. Building a fair promotion mechanism
- 18. Promoting green offices
- 19. Improving the operation performance
- 20. Enhancing the cooperation of the industry, universities and research

Topics of medium importance

- 21. Providing systematic training
- 22. Promoting low-carbon and recycling economy
- 23. Preventing three wastes pollution
- 24. Promoting suppliers to shoulder their responsibilities
- 25. Measures and achievements of products and services innovation
- 26. Establishing an inner control system
- 27. Fighting against commercial bribe in supply chains
- 28. Encouraging employees to volunteer
- 29. Developing systematic environment development policies
- 30. Open and transparent purchasing
- 31. Putting more efforts to fighting corruption and upholding integrity
- 32. Building a transparent recruitment system
- 33. Paying taxes according to laws
- 34. Helping employees in difficulties
- 35. Investment and mechanism to encourage innovation in products and services
- 36. Taking care of female and physically challenged employees
- 37. Encouraging responsible consumption
- 38. Improving quality and efficiency
- 39. Hosting various activities for employees
- 40. Fighting against climate change

Topics of low importance

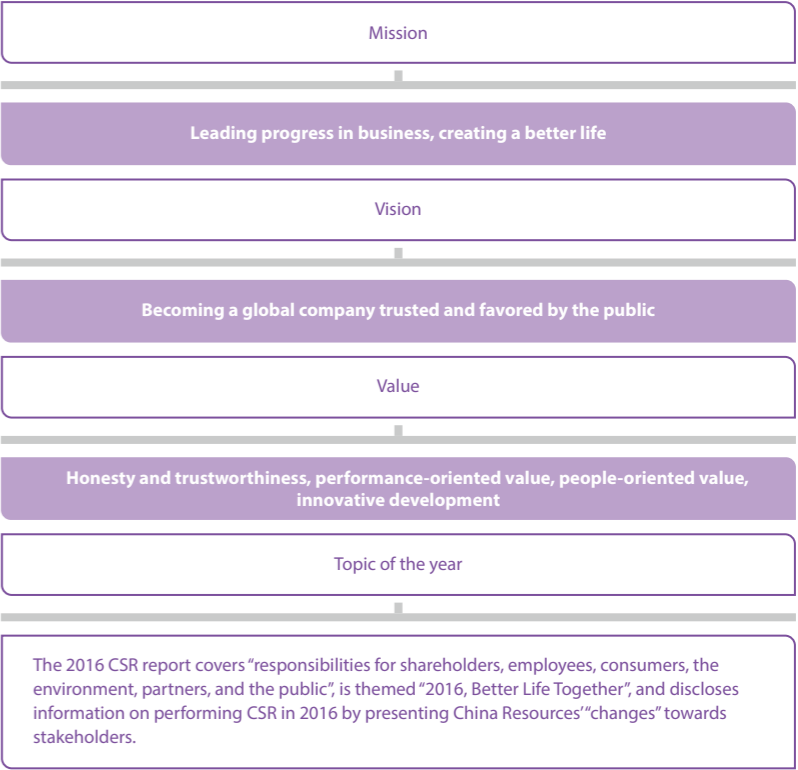
- 41. Disclosing information accurately and in time
- 42. Regular communication with consumers
- 43. Actively dealing with public opinions
- 44. Protecting the interests of minority shareholders
- 45. Providing green products
- 46. Reducing energy consumption
- 47. Increasing investment in communities
- 48. Enhancing cooperation among enterprises
- 49. Total risk management
- 50. Open and transparent community communication
- 51. Properly handling poisonous and harmful chemicals
- 52. Protecting the basic rights of suppliers
- 53. Building a science-based decision making system
- 54. Improving its relations with the media
- 55. Building on-line service platforms
- 56. Adopting green purchasing
- 57. Encouraging fitness programs
- 58. Protecting biodiversity

Our Action

Responsibilities Originating from Mission, Based on Strategies

CR always takes "social responsibilities" as an integral part of its development strategies and is willing to join hands with more people to create a better life.

Responsibilities Rooted in Management, Shaped by Mechanism



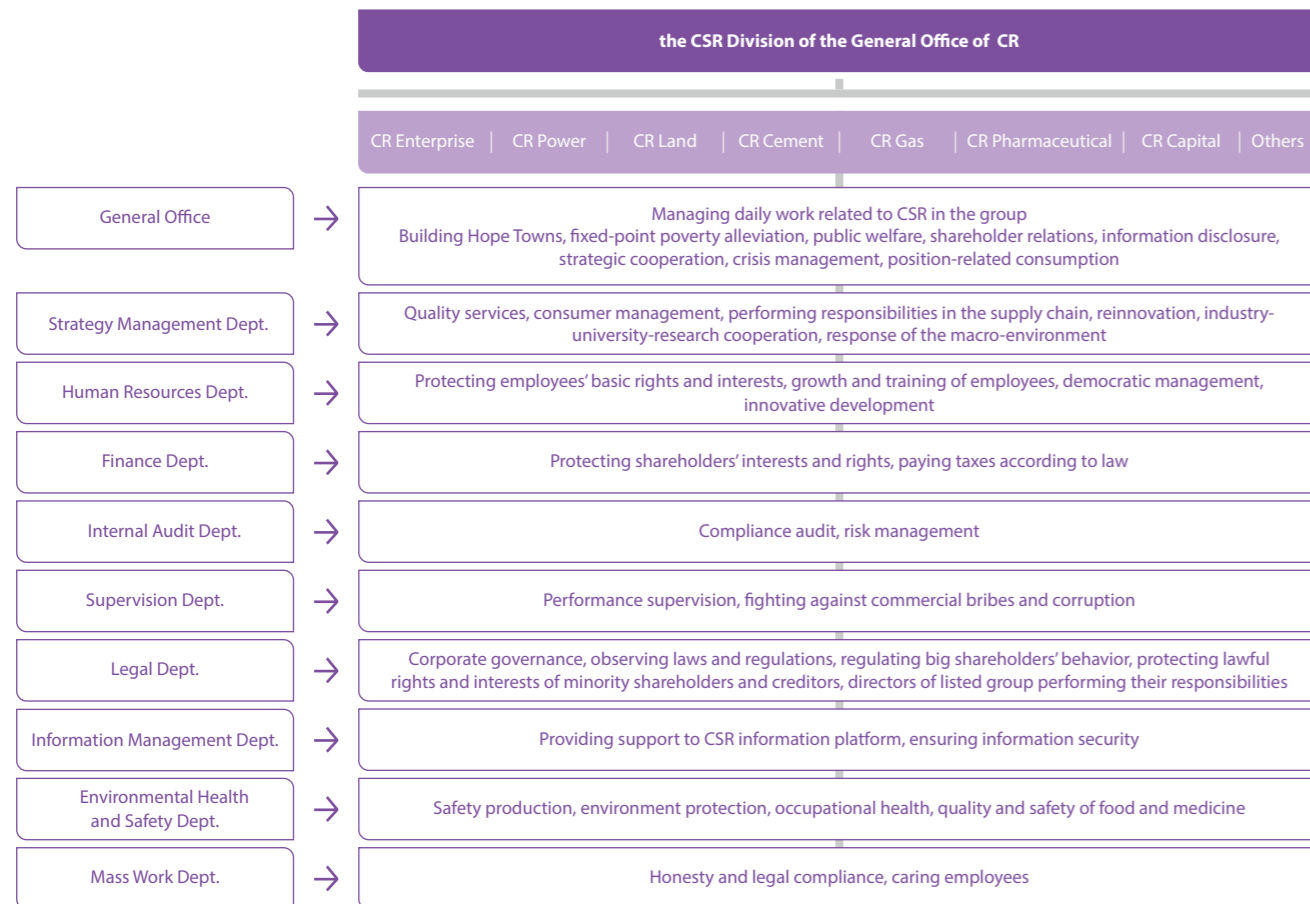
Accountability System

In 2016, CR published the CSR Plan during the 13th Five-Year Plan Period, a framework document that guides the group to perform its CSR in the next 5 years. Moreover, CR revised Regulations on Work Related to CSR in CR, which covered issues like organizational guarantee for CSR, planning and promotion, system of indicators, communication and publicity, examination and evaluation, performance evaluation, and financial support. The document integrated social responsibilities in corporate operation and effectively manages influences on stakeholders.

Leadership Mechanism

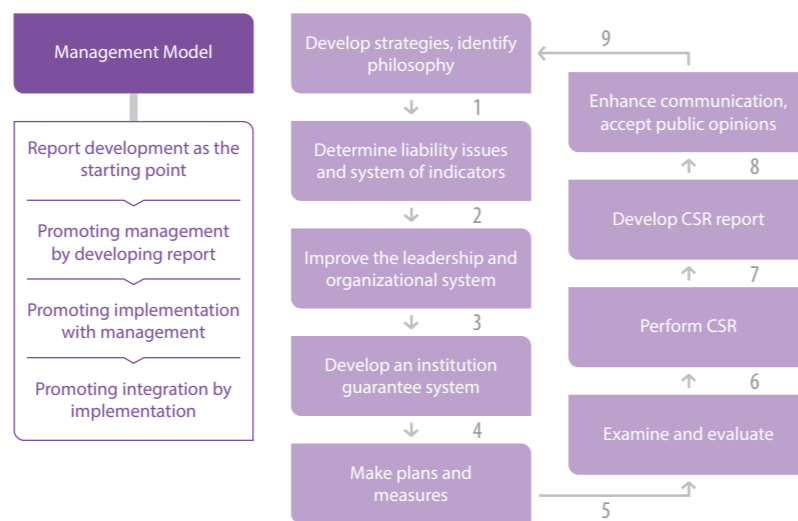
Organizational system

To enhance the publicity of CSR management, CR established the Division of Corporate Social Responsibilities in the General Office in 2016, which coordinates the daily work related to CSR. The division is under the supervision of the General Office. All other divisions and departments supervise and promote the implementation of CSR in specific areas. The strategic business units, primary profit centers and functional departments in the group connect their functions with CSR and are under the guidance and evaluation of the group in performing CSR.



Management mode

Based on years of CSR management and practice, CR forms a “four-in-one” management mode with its own features that “takes report development as the starting point, promoting management by developing report, promoting implementation through management and promoting integration by implementing”.



Working platform

CR adopts the “CSR report” shared drive as the platform for developing the report. The platform has functions including uploading, browsing and sharing, and its easy accessibility and large memory space have increases the efficiency of CSR management and report development.



▲ CR won the “Top 10 Enterprise of the Year” in the 2017 Most Responsible Brands initiated by the Chinese Academy of Social Sciences, sharing the first place.

Responsible Brand, beyond Responsibilities and Brand

Building a Responsible Brand

In this year, CR will continue to build a responsible brand and integrate it into CSR brand strategies with Hope Towns as its core brand. Moreover, the group will promote profit centers that have already launched CSR-themed practices to continue the efforts in the area, like C'estbon's “100 Library Initiative”, Snow Breweries' Ancient Building Photography Competition, CR Power's Public Open Month, encourage profit centers to hold theme activities based on their business features to deal with key challenges in the production and operation, build a responsible brand, and establish images of a responsible corporate.



Training and Symposium

From March 6 to 7, 2017, CR held the 2017 CSR Working conference in Xiaojingwan in Huizhou, and over 70 leaders and contacts from the departments, strategic business units, primary profit centers of the group and guests were present. This is the first CSR conference held by CR. The meeting reviewed the group's work in 2016, proposed priorities and requirements in 2017, and pointed out that properly dealing with the relationship of economic responsibilities and social responsibilities, of CSR report and CSR practices, and of the group's CSR and SBU/VU's CSR. Experts from the Research Center for CSR of the Chinese Academy of Social Sciences, EY, Beijing Daliangzao Brand Consulting Company were invited to give lectures. CR Power and CR Land shared their experience in performing CSR.

Enhancing the Communication of CSR

Creating new ways

To better reflect and promote China Resources' performance of CSR, and increase the influence of the group's brand, innovations were made in the content and promotion channels of the CSR report.

In terms of promotion channels, besides soft and hard copies, the introduction version and H5 version, the videos are available when users scan the QR code (on the CSR report).

In terms of content, besides the main section, 6 stories (2,000 words per story) about CSR were added based on the 6 topics (responsibilities for shareholders, employees, customers, environment, partners and the republic), and 6 videos were produced (with a length of 3 to 5 minutes each).

CSR report covers 3 tiers of organizations

Since 2007, China Resources has developed the CSR report for 10 years consecutively, established a management mode for the life cycle of the report, and fully utilized the role of the report in communicating with stakeholders and monitoring CSR performance. Moreover, it encourages subordinate enterprises and affiliated enterprises to independently release CSR report or brief report. In 2016, 28 independent CSR reports were issued within the group, covering 3 tiers (the headquarter, SBU and BU, commercial activities and regional companies).

In 2016, 28 independent CSR reports were issued by China Resources Group



▲ CR attended the exchange activities in the 100 People Forum held by the Chinese Academy of Social Sciences

Enhancing communication on CSR

Participating in communication and exchange activities on social responsibilities

In 2016, CR actively attended CSR exchange and sharing activities held by the Chinese Academy of Social Sciences, China WTO Tribune and GoldenBee Corporate Social Responsibility Consulting, Beijing Rongzhi Corporate Social Responsibility Institute and other organizations on CSR, and those held by Jiemian, New Weekly, the Economic Observer and other mainstream media, including participating in launching the 100 People Forum on CSR of the Chinese Academy of Social Sciences and becoming a member of the council, attending the International Symposium on CSR Report in China, Annual Conference on the Sustainable Competitiveness of Chinese Enterprises, China CSR Award & Forum 2016 and New Weekly Life Trend-Better Life Special Contribution Award Ceremony and other activities. The group actively communicated with its counterparts to exchange and share its philosophy and practice and learnt cutting-edge concepts and practices.



▲ CR participated in launching the 100 People Forum on CSR of the Chinese Academy of Social Sciences and becoming a member of the council

Developing CR White Paper on Targeted Poverty Alleviation

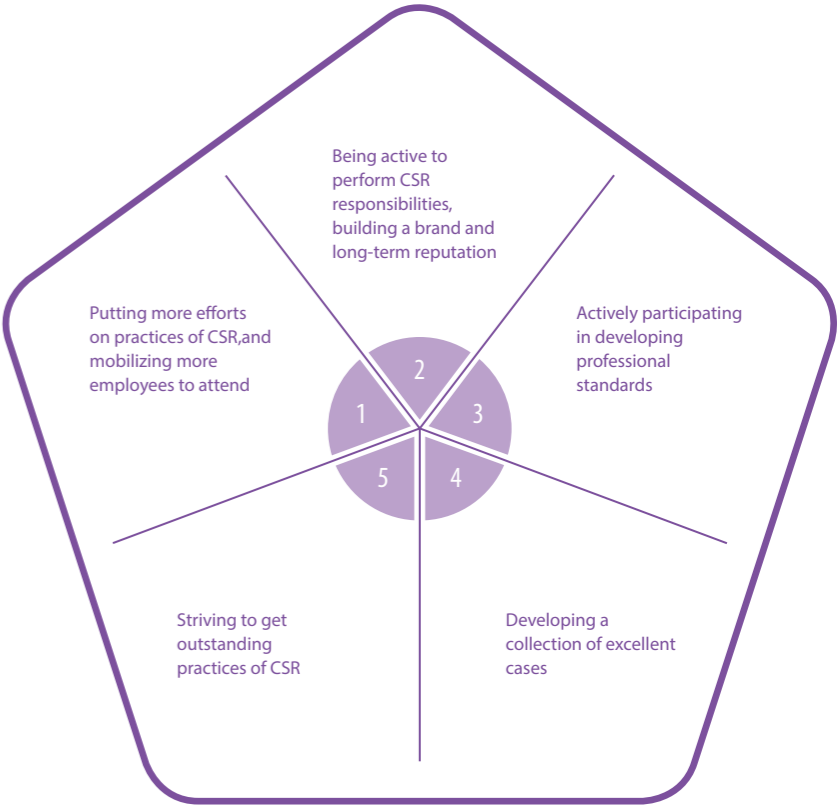
In 2016, CR issued CSR report and prepared CR White Paper on Targeted Poverty Alleviation, which summarized its achievements in eliminating poverty, aiming to promote communication with stakeholders and increase its social influence. The white paper is expected to be completed and released in the middle of 2017.



Challenges and Improvement

The CSR management system is not fully implemented, the CSR evaluation and examination system is to be improved, and the CSR content to be integrated and channels of CSR performance are to be optimized. In 2017, considering the targets and requirements of the “13th Five-year Plan” CSR Planning, CR will deal with the above-mentioned challenges, further split up the task, give full play to the leading role of the Division of Corporate Social Responsibilities, examine the flaws and deficiencies in CSR supervision within the group, focus on key topics, promote the integration of practices, explore efficient ways of combining CSR performance with evaluation and incentives, implement the CSR-related work through evaluations, lower the risk that may emerge from public opinions, shape CR as a responsible brand and boost its images.

Our Commitments



About the Report

This report is tenth annual social responsibility report published by China Resources (Holdings) Co., Ltd. The report included important information of CR's efforts to carry out responsibility management and fulfill shareholder responsibility, employee responsibility, customer responsibility, environmental responsibility, partner responsibility and public responsibility.

Reliability of the Report

CR promises that the report contains no false information, misleading statements or major loopholes and is thus responsible for the accuracy and comprehensiveness of the report.

The Time Span Covered by the Report

The time period of the data used in this report lasts from 1st Jan to 31st Dec, 2016.Some contents may extend to June 30, 2017.

The Cycle of the Report

CRC Social Responsibility Report is an annual report that is released in June or July every year.

Explanation of the Statistics

The statistics used in the report come from internal documents and the information & data system .

Reference of the Report

Directive Suggestions on the Fulfillment of Social Responsibilities by Central Enterprises issued by the Stated-owned Assets Supervision and Administration Commission of the State Council; CASS-CSR3.0 issued by the Chinese Academy of Social Sciences; Sustainable Reporting Guidelines (G3) issued by GRI; CR Social Responsibility Plan during the 13th Five-Year Plan Period and Regulations on the Management of Social Responsibilities of CR.

Special Note

In the report, China Resources (Holdings) Co., Ltd is referred to as “China Resources”, “CR” “The Group” “CR Group” and “we”.

Access of the Report:

China Resources (Holdings) Co.,Ltd.- Hong Kong
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China Resources (Holdings) Co.,Ltd.- Shen Zhen
Address:28/F., China Resources Building, 5001 East Shennan Road,Shenzhen,China
Tel:(852)2879 7888(Hong Kong) ; Tel: (755)8266 8888(Shen Zhen)
Website: http://en.crc.com.cn/ whatwebelieve/ourresponsibility/ csrreports/
Fax: (755)8269 1811

Future Plan

- Developing foreign investment platforms to expand overseas operations
- Accelerating the development of industrial funds and innovation mechanisms
- Making full use of capital market platforms to carry out M&A and capital operation
- Optimize property owner structure and regional market structure
- Strengthen the application of mobile interconnection and nurture new magnets for growth
- Implement the strategy of“transition, innovation, development”

- Improve customer service and solve problems of concern
- Improve consumer information security and privacy protection in banking and trust
- Promote product quality improvement in food, medicine and beverage
- Develop online service platforms and promote capability construction
- Implement the strategy of“transition, innovation, development”
- Strengthen R&D and promote product and service innovation

- Strengthen the development of institutions and platforms for strategic sharing
- Actively cooperate with governments, businesses and research institutions to realize mutual development
- Contribute experience and new ideas to the industry
- Further promote the concept of social responsibility along the supply chain and improve the competitiveness of the supply chain
- Strengthen the management of public opinion and the cooperation with the media, actively and quickly respond to media coverage and improve the transparency of operations
- Build a mutually-beneficial and win-win ecology

- Put more efforts to integrate practice, and mobilize more employees to attend
- Be active to perform CSR responsibilities, building a brand and long-term reputation
- Actively participating in developing professional standards
- Developing a collection of excellent cases
- Striving to win outstanding social practice projects

Shareholder Responsibilities

- Optimize employee structure, launch new incentive policies, adopt innovative talent development models, improve work environment and protect the legal rights and interests of employees
- Listen and respond to the appeal of employees
- Bring the risk of labor use under control
- Maintain the loyalty and satisfaction rate of employees at a steady level

Employee Responsibilities

Customer Responsibilities

- Optimize industrial structure under the principle of environmental protection; promote innovations in ecological construction by seizing the opportunity of transition
- Increasing the share of renewable energy operations such as the development of wind power and solar power, promote the development of circular industrial parks and the coordination of different business segments in environmental protection
- Increasing the investment in energy conservation and emission reduction and dock out energy-consuming equipment and facilities with much pollutant discharge to improve the efficiency of the protection of the ecological environment.
- Driving industrial upgrade to lead green development and maintain its industrial leadership through strengthened R&D and innovation

Environmental Responsibilities

Partner Responsibilities

- Improving the environmental pollution emergency management system and carry out the inspection of environmental risks to ensure effective, prompt and accurate response to environmental pollution emergencies.
- Strengthening the investigation and punishment of environmental pollution incidents and emphasized energy conservation and emission reduction supervision and management to improve the governance capability of businesses in environmental protection and energy conservation and emission reduction

Public Responsibilities

- As an enterprise directly under the central government that operates in HK, we'll fully use our advantages to support the prosperous and stable development in HK.
- Develop business in HK.
- Increase the level of safety management.
- Hold charity activities using our professional advantages.
- Create more business opportunities and jobs for local communities.

Responsibility Management

Key Performance Indicators in 2016

Economic Responsibility

	Unit	2014	2015	2016
Total asset	100 million RMB	9,346.48	9,945.19	11,000.44
Benefit of shareholders	100 million RMB	2,706.54	2,956.81	3,173.04
Business turnover	100 million RMB	4,614.14	4,812.21	5,034.08
Total profit	100 million RMB	374.92	439.68	483.38
Net profit	100 million RMB	250.95	298.15	337.82
ROE	%	9.80	10.53	11.02
ROA	%	5.07	5.41	5.49
Rate of maintenance and appreciation of state-owned assets	%	116.60	116.5	110.6

Social Contributions

	Unit	2014	2015	2016
Total number of employees	10,000 people	50.4	49.5	40.7
Total tax payment	100 million RMB	436.9	474.14	510.05
Charity donations	100 million RMB	3.96	0.94	0.76

Employee Responsibilities

	Unit	2014	2015	2016
Labor contract signing rate	%	99.35	99.39	99.48
The coverage of social insurance	%	99	99	99
The percentage of female managers	%	19	19	15
Days of per capita average paid leave	Days	8	8	8
The coverage of employee training	%	95	96	96
Per capita investment in training	10,000 RMB/person	0.436	0.466	0.479
Per capita time devoted to training	Hour	39	40	42

Customer Responsibilities

	Unit	2014	2015	2016
The percentage of customer complaints being handled	%	100	100	100
Investment in the development of technologies	100 million RMB	11.43	11.08	12.65

Safe Production and Environmental Responsibilities

	Unit	2014	2015	2016
The number of death of employees	People	1	3	12
Investment in safe production	100 million RMB	11.8	7.1	10.4
The number of emergency drills	Time	14,869	14,876	17,658
Total investment in environmental protection	100 million RMB	28.7	26.4	27.4
Investment in energy conservation, emission reduction and technological transformation	100 million RMB	24.2	21	24

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Rating Report

Rating Report on CRC 2016 CRS Report

Upon the request of China Resources (Holdings) Co., Ltd, the “Chinese Expert Committee on CSR Report Rating” invited experts to form rating team to rate the “CRC 2016 CRS Report” (hereinafter referred to as “the Report”).

I. Rating Criteria

Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 3.0) and Rating Standard on Corporate Social Responsibility Reporting for Chinese Enterprises (2014).

II. Rating process

(1) The panel for process appraisal makes interview to key members of the Report preparation team and examines materials related to the preparation process; (2) The rating group draws up the rating report based on its appraisal made toward the preparation process and information disclosure of the Report. (3) The rating report is submitted to and signed by both the vice-chairman of the Expert Committee and head of the rating group.

III. Rating results

Process Management (★★★★★)

Setting up the Sustainability Committee, the Board Office took the lead in setting up the report preparation team, the President and the Vice President were responsible for the reporting key point control and direction. The preparation team was responsible for the identification of stakeholders, and collected opinions of stakeholders by consultation meeting, carrying out questionnaire surveys, and conducting interviews. The substantive issues were identified in accordance with major corporate matters, national policies, industry benchmarking analysis, and stakeholder engagement. The Company planned to release the report via official website and to present the print and online versions of report, video-based report, and so on, achieving outstanding performance in the aspect of process.

Materiality (★★★★★)

The Report systematically disclosed key industrial issues relating to macro policy, optimizing corporate governance, strengthening quality management, promoting product and service innovation, occupational health management, ensuring safe production, strengthening responsible procurement, saving energy and resources, developing recycling economy, decreasing “Three Waste” discharging and governing environment issues around factories, and the information was adequate and detailed, achieving outstanding performance in the aspect of materiality.

Completeness (★★★★★☆)

The main contents of the Report disclosed 87.1 percent of core indicators of the industry from the aspects of “Being Responsible for shareholders, Keeping Ahead on Creating Value”, “Being responsible for employees, building a development platform full of opportunities”, “Being responsible for customers, becoming a trusted and popular brand”, “Being responsible for the environment, taking the lead in green development”, “Being responsible for partners, creating a mutually beneficial and win-win biosphere”, “Being Responsible for the Public, Building Harmonious Communities” and “CSR Management Guides the Integration of Practices”, achieving leading performance in the aspect of integrity.

Balance (★★★★★)

The Report disclosed detailed negative indicator information such as the “death rate per 1000 people”, “personal injury and death accidents”, “safety risks”, “environmental pollution accidents”, “the share of negative media coverage”, and briefed the causes and countermeasures of incidents such as “employees of subsidiaries manipulating product price to make profit” and “employees of subsidiaries illegally handling financing loans” by case study, achieving outstanding performance in the aspect of balance.

Comparability (★★★★★)

The Report disclosed 63 key indicators including “total gross generation”, “net profit”, “spending on charity donation”, “per capita investment in training”, “investment in safe production” and “total investment in environmental protection” for three years in a row, and conducted horizontal comparison on “the satisfaction rate of residential customers of CRLand”, achieving outstanding performance in the aspect of comparability.

Readability (★★★★★)

The report clearly demonstrates how the corporation takes the responsibility of innovation transformation and green development by concentrating on the main theme “Changing with CR”, the main clue “Change” and the main aspects: responsibility management, environment, shareholders, partners, employees and others. The traditional culture and the main business of the corporation are embedded in the innovated cover sheet and the starts of every chapter. Meanwhile, every chapter based on several stories of responsibility to state the practice of organization responsibility. this way not only advertise chapter theme of the report, it also increases the interesting of the report for readers; The report has high readable performance through fresh design, balanced color, accurate vocabulary and appropriate design of chapters.

Innovativeness (★★★★★)

The CSR report starts with an issue called “Tell the Story of Visible Changes”, systematically demonstrate the annual performance of corporate executives and help the stakeholders to grasp the main theme of the report. The second part of the report called “Exploring for the Efforts behind the Changes” showed the achievement and highlights of the fulfillment of CSR, making the report more readable and interesting. The two theme practice demonstrated concrete projects of CR to carry out responsibilities. The report embedded the stakeholders’ testimony all around the report, Significantly enhance the objectivity and persuasiveness of the report and make the report has leading innovation performance.

Overall rating (★★★★★)

According to the assessment of the rating team, the “CRC 2016 CRS Report” was awarded a rating of five-star. It is an outstanding CSR report.

IV. Suggestions for improvement

The data of industry core indicators shall be increased, so as to further improve the reporting Completeness.

Rating team

Team leader: Zhong Hongwu, director of Research Center for Corporate Social Responsibility, Economics Division, Chinese Academy of Social Sciences

Team member: Han Bin, deputy director of the Employers Work Department of CEC/CEA and Executive General Secretary of Global Compact Network China

Process evaluator: Wang Zhimin

钟宏武

Vice chairman of the rating expert committee

钟宏武

Group leader of the ratings team

Date of Issuing: June 25, 2017



Scan QR code to view rating files of CR



Readers’ Feedback

Thank you for taking the time reading CRC 2016 CRS Report. To improve our work on social responsibility and preparation of the report,we would like to hear your valuable comments and suggestions.



You may send your feedback by scanning the QR code

Dear reader:

Please answer the following questions and submit it to us (1 is the lowest score and 5 is the highest score):

1. What’s your overall evaluation of the report?

☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1

2. Do you think this report reflects the impact that CR has on the economy, environment and society?

☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1

3. What’s your overall evaluation of CR’s communication with stakeholders?

☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1

4. What’s your overall evaluation of information disclosure of the report?

☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1

5. What’s your overall evaluation of the format and design of the report?

☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1

6. What comments and suggestions do you have for CR Power in terms of its work on social responsibility and this report?

If possible, please tell us something about yourself :

Name:

Occupation:

Phone:

Company:

E-mail:

We will take your comments and suggestions seriously and protect your feedback and personal information from third-party access.

China Resources (Holdings) Co., Ltd.
June, 2017