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China Resources (Holdings) Company Limited (hereinafter referred to as "CRC" or "CRC Group") is a diversified conglomerate based on secondary industries with 76 years’ history. Its main businesses include consumer goods, electric power, real estate, pharmaceuticals, cement, gas and finance, etc. Taking “Better Life Together” as the mission of its corporate social responsibility (CSR), CRC Group holds firmly to the corporate vision of “pursuit of excellence, building CRC into a world-class enterprise with global competitive advantage, and pursuing goals beyond profits”. Under the guidance of this strategy, CRC Group integrates social responsibility into its strategy, organization and culture, which has become an important tool for the building of CRC’s soft power and the construction of a harmonious enterprise.

With dedication of all employees and strong support from all walks of life, we managed to present the best-ever results in the history of CRC in 2013, while maintaining a fast development for 12 consecutive years. Meanwhile, we have taken many concrete measures to fulfill our corporate social responsibilities by earnestly improving products and services, striving to create a harmonious enterprise, fully putting into practice our responsibility for energy saving and emission reduction, actively facilitating construction of CRC Hope Town, carrying out a wide range of charity and public welfare undertakings and enhancing social responsibility management.

PART I: FOR A RESPONSIBILITY-DRIVEN FUTURE

In 2013, CRC continued to explore a responsibility management model with its own characteristics, deepen social responsibility ideas, improve organizational and system guarantee, and an accountability-based performance monitoring system, enhance responsibility convergence and communications, enhance capabilities to take responsibilities so as to inject new vigor and drive into CRC’s efforts in fully fulfilling its economic duties and also responsibilities owed to its employees, customers, partners, the public and environment.

Deepening the responsibility concept system

CRC’s ideas about social responsibility are to abide by the company’s cultural ideas, among which integrity and compliance are the core values and are guiding CRC’s social responsibility practices. CRC integrated the ideas and requirements of social responsibility management into various systems in respect of the company’s operations in an effort to build an effective and binding social responsibility management system. In 2013, CRC established the Corporate Culture and Social Responsibility Guidance Committee, which serves as a leading body to decide on, guide, plan for and proceed with key issues in respect of social responsibility, further improving the multi-level organizational system for social responsibility management and promoting the composition of forces at work.

Exploring social responsibility management model

The Group actively explored a social responsibility management model with CRC’s own characteristics for a good combination of the company’s development strategy, culture and social responsibility. It clearly defined a working mechanism that combines strategy, culture and social responsibility in six aspects, namely system construction, organizational management, communications and promotion, practices and implementation, appraisal and evaluation, optimization and enhancement, and established a long-term mechanism for optimization and enhancement. It released key statistical indicators for the performance of social responsibility, covering 68 core indicators in six fields, on which CRC focuses its social responsibility. Pursuant to these statistical indicators, various subsidiaries were required to establish their own reporting systems to connect with the Group’s statistics platform for enhanced implementation of key issues.
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Enhancing communications and exchanges with stakeholders
CRC valued communications and exchanges with stakeholders, which included making elaboration on CRC’s beliefs and thoughts about social responsibility, reporting task achievements and listening to advice and suggestions about improvements. The Group organized various units to identify stakeholders and investigate their needs every year in the course of preparation of the social responsibility report, and then worked out countermeasures for inclusion into next year’s improvement plan. Meanwhile, it carried out external communications and exchanges on social responsibility by taking various measures, such as establishing and improving the company’s information disclosure system, releasing social responsibility-related news and reports on the official website, organizing media publicity, enhancing response to public opinions, participating in forums with subjects of social responsibility and carrying out exchanges and benchmarking study among companies.

In 2013, CRC Group and its subsidiaries had been awarded 154 honors and awards for their outstanding performance in terms of operating results, corporate scale and strength, research and development, product innovation, brand image, investor relations, honesty and integrity, product quality, production safety, employee caring, environmental protection, public welfare and etc, of which 89 were granted by China’s ministries and state organs, international rating agencies, authoritative media and industry associations. The social responsibility management model with CRC’s characteristics has won social recognition.

PART II: CONTINUING TO CREATE VALUE FOR THE SHAREHOLDERS
Centering on the annual working theme of “lean management and diverse coordination”, CRC Group managed to remain on the path of strong development in 2013 by further improving corporate governance, deepening corporate reform, carrying out business innovations, promoting management upgrade and enhancing risk control, resulting in record performance in respect of various indicators, sound and healthy financial performance, enhanced industry competitiveness and remarkable value creation.

Improving corporate governance
Through active exploration and practices over the recent years, CRC Group has established a corporate governance model that matches its own characteristics which include: being located in Hong Kong, diverse in business and being an enterprise solely funded by the State. Such a model has enabled the company to meet requirements of “reasonable division of labor, effective check and balance, mutual supervision and scientific decision-making” in respect of corporate governance and ensured that the directors would fulfill their obligations of “integrity and loyalty, dedication, prudent decision-making and compliance”.

Promoting corporate reform
During the 12th Five-Year Plan period, CRC Group set out to build a matrix management and control model with a view to meeting the needs for sustainable development. It improved the three-level management and control model, rationalized management relationships, clearly defined the positioning of the Group and headquarters of strategic business units, as well as duties of the Group’s sub-departments, promoted responsibility-based directorship system, and optimized the matrix management and control model for strategic business units and first-tier profit centers. In 2013, the Group continued to carry out resource allocation along the “Smile Curve”, and various strategic business units, in order to achieve the Group’s integration goal of “one strategy, one business model, one organization and one culture”, have enhanced integration efforts in terms of business model, team organization, management and control system, brand channel and cultural integration, resulting in in-depth integration of the business chain and management chain, better M&A effect and enhanced leading position and competitive edges in the industry. Meanwhile, the Group managed to realize a market-oriented HR and remuneration mechanism with the goal “non-administration in state-owned enterprise”.

Carrying out business innovation
In 2013, CRC Group conducted activities to enhance management centering on 13 themes, comprising investment decision-making, comprehensive budget, comprehensive risk management, human resources, property rights, legal affairs, procurement, production safety, digitalized management, social responsibility,
PART III: BUILDING A HAPPY HOME FOR EMPLOYEES

Upholding the “people-oriented” philosophy and centering on the goal of “maximizing value of the company and employees”, CRC strived to improve the working environment, promote career development, carry out occupational health program, take care of employees and put into practice democratic management, in an effort to tackle such problems as unsystematic approach to protection of employees’ interest and rights, insufficient efforts for occupational health and unevenly organized activities for employee caring. Through the above-mentioned efforts over the past year, weak spots in obligation fulfillment have been amended and anticipated results have been achieved for various works in respect of protection of employees’ interest and rights.

Protecting employees’ rights and interests
CRC strictly abides by respective employment and labor laws, regulations and systems in places where it operates, signs labor contracts with employees according to law, pays social insurances on time; carries out salary survey and standardizes compensation management; works for a rational increase in the income of base-level employees; strictly abides by regulations concerning paid-leave of employees and safeguards labors’ right to rest and holidays. Based on the principle of fairness and justice, CRC recruits and treats employees based on job requirements without any discrimination of gender, age, disease and race. By the end of 2013, the Group created 38,000 new jobs, including 101 for disabled people, representing an increase of 10% over the previous year.

Promoting employee development
Upholding the concept of “Respecting human values, developing human potential and purifying human mind”, we regard growth of employees as the foundation of corporate development. By enhancing staff training, establishing a management system for the career path of staff and providing career paths featuring “double channels” or “multiple channels”, we offer employees personal growth opportunities and ways for career development.

Attaching importance to occupational health
The “CRC Group Occupational Health Management System”, which was formulated and implemented by CRC, has helped to further improve the management system in respect of occupational safety and health, as it is designed to protect employees’ occupational health, avoid or reduce the occurrence of
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occupational diseases. Meanwhile, CRC attached great importance to staff’s mental health, and harmony of their bodies and minds by carrying out mental health education and consultation activities and assigning managers to talk to the base-level staff to learn about what they think and what kind of help they need.

Launching employee caring activities
By setting up staff mutual aid fund, relief fund, and care fund, the Group and its subsidiaries provided financial aids to help relieve burdens on employees from financially distressed families. During the year, a total of RMB12.30 million was handed out to help 5,307 employees, and a total of RMB2.55 million was handed out for the schooling of the children of 4,918 distressed employees, whilst a total of RMB12.09 million was offered to 4,585 diseased employees.

PART IV: PROVING QUALITY PRODUCTS AND SERVICES TO CUSTOMERS
As a diversified company, CRC is engaged in industries closely relating to the livelihood of ordinary people and provides products and services that affect the immediate interest of more than 20 million users in China. Therefore, the Group strived to improve the weak points, reduce the number of complaints, exceed the expectations of employees, create value for customers and achieve growth together with customers by means of improving customer satisfaction, safeguarding customers’ interest and rights, enhancing quality and safety of products, carrying out quality services and enhancing capabilities of self-driven innovations, etc.

Improving customer management
In 2013, the Group procured its profit centers to establish and improve customer management and customer analysis systems, and carried out customer relationship management and planning at the Group level based on customer alignment, in an effort to build a multi-level interactive customer relationship management system.

Ensuring quality improvement
CRC advocated core values of honesty and integrity by strictly complying with the state laws, regulations and relevant standards in terms of quality management. Meanwhile, CRC strongly promoted comprehensive quality management in the production and operation activities by actively establishing a comprehensive, all-staff, precautionary, scientific and service-oriented quality management system, so as to enable stable supply of high-quality products and services.

Actively carrying out innovative development
In 2013, the Group spent more than RMB2.88 billion in R&D and had 10,509 people engaged in science and technology activities, including 4,565 for R&D, and 21.2% of them hold a master and above degree. 173 new patents were granted, including 90 invention patents.
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Protecting consumers’ rights and interests
The Group and its subsidiaries strictly abided by the Law of the PRC on Protection of Consumer Rights and Interests and did their best to provide consumers with thoughtful pre-sales, in sales and after-sales services as possible as they could. While ensuring consumers’ most fundamental rights to safety and free choice, we actively carried out various forms of activities to safeguard consumers’ right to fair dealing, right to be informed and right to supervision and to be heard, etc, as part of the practical efforts to protect consumers’ rights and interests.

PART V: GROWING WITH OUR PARTNERS
CRC Group’s development is closely related to its partners. We expect to achieve mutual benefits and joint development through establishment of a platform for strategic sharing and cooperation with the government, enterprises as well as cooperation involving enterprises, universities and research institutes. We promoted the overall development of the industry by encouraging the establishment of the industry’s cooperation platform. We inspire our supply chain partners to fulfill their social responsibilities and instill CRC’s CSR concept and guidelines into the production and services of the suppliers by carrying out evaluation of and inspection into the supply chain in respect of social responsibility and practicing responsible sourcing and systems. We also conveyed an image of CRC as a responsible company by carrying out effective external communications and cooperating with the media in an active and faithful manner.

Carrying out strategic cooperation
By actively establishing strategic cooperation platforms with various local governments, alongside developing our own business, we promote industry upgrade, structure optimization, urban building, development of modern service industry in local districts, and our involvement also increase local tax revenues and employment. We continued our close strategic cooperation with government controlled enterprises to jointly support national economic development by leveraging each other’s advantages and through resource sharing.

Promoting industry development
In light of the need to further improve current business conditions, the Group’s various subsidiaries have taken the lead to establish a number of industry associations, actively participated in the setting of industry standards and established industry cooperation platforms so as to further promote the overall development and growth of the related industries.

Improving supply chain management
CRC regards social responsibility performance as a key factor to decide on whether to cooperate with a target company. In 2013, the Group actively encouraged its business partners to value social responsibility and took social responsibility performance as a criterion to select key customers. The Group integrated the ideas and requirements of social responsibility management into the entire process of corporate sourcing and take into consideration environmental protection, energy saving and emission reduction and social benefits very seriously in the sourcing of raw materials. The Group adopted energy-efficient and eco-friendly sourcing by agreeing on safety and environmental protection terms with suppliers. At the same time, we also request suppliers to keep an eye on obligation fulfillment through our interactions and communications with them.

Establishing media relationships
CRC strived to establish a good media relationship built on faith, cooperation and professionalism, listen to opinions from consumers and all walks of life through public opinion management, and present a real picture of the Group to the public by arranging site visits by the media to get a better understanding of the company.
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PART VI: HARMONIOUS RELATION WITH THE SOCIETY

Despite the tough economic conditions in 2013, the Group supported the national policies by making due payment of taxes and sought to create more employment opportunities as part of its efforts to take the responsibility as a government controlled enterprise. On the other hand, the Group put more resources in enhancing workplace safety, improved the management system for production safety and enhanced training for production safety. The Group continued to enhance its production safety performance, resulting in further improvements of various safety indicators. The Group has also managed to establish a sound community relationship through donations to public welfare projects, organizing public welfare activities and participating in community building.

Fulfilling social responsibility

In 2013, CRC actively participated in construction of state-subsidized homes and affordable housing projects. Meanwhile, the Group actively offered advice and suggestions to the government, promoted employments and fulfilled tax obligations as part of its efforts to take the public responsibility while fulfilling financial obligations.

Ensuring safe production

CRC strictly abided by the relevant state laws and regulations in respect of safe production, raised the awareness of warning thresholds, practiced accountability, continued to improve management system for safe production and built a strong base for safety management, so as to further improve safety performance and support the healthy and continuous development of various businesses. There were no material safety incidents reported throughout the year.

Devoted to public welfare

During the year, the Group continued to promote various constructions of CRC Hope Town. Through sites selection, unified planning, on-site makeover and reconstruction in the region renowned for its history as a revolution base and poverty-stricken areas, the Group has managed to fundamentally change the living conditions of farmers. Meanwhile, the Group leveraged its own industrial and resource advantages to help farms set up professional cooperatives, develop new-type collective economy and build CRC Hope Town into a new ecological, organic and green socialist town that is harmonious with the local natural environment, with strong agricultural development and distinct in local and ethnic characteristics. So far, CRC has built CRC Hope Town in Guangxi’s Baise, Hebei’s Xibaipo, Hunan’s Shaoshan, Fujian’s Gutian and Hainan’s Wanning with construction of CRC Hope Town now under way respectively in Guizhou’s Zunyi, Anhui’s Jinzhai and Beijing’s Miyun, directly benefiting 12,200 town residents from about 3,100 farmer households. In 2013, the per-capita net income of farmers in CRC Hope Town in Baise was RMB12,096, representing an increase of more than RMB2,000 or 20% year-on-year, and RMB4,792 higher than the area’s average.

Meanwhile, the Group supported the education, science, culture and public health undertakings in Guangchang, Jiangxi, and started poverty alleviation works in the Ningxia Hui Autonomous Region. The Group and its subsidiaries actively participated in various disaster relief efforts and give support to the construction and development of the regions and communities where they operate, and carried out community cooperation works and services through resource sharing, training aids and joint developments. By the end of 2013, China Resources Charity Foundation has launched a total of 56 charity and public welfare projects and donated a total of RMB365 million. It donated HKD100,000 to social...
service funds in the Hong Kong Island to support healthy development of Hong Kong’s communities, especially public welfare services for teenagers, women, elder people, children and disabled people, and provided emergency financial aids to distressed families and those family members in need. Meanwhile, it donated HKD3.6 million to set up “CRC Scholarship for Ethnic Minorities” in the City University of Hong Kong, aiming to give financial support to ethnic minority students in Mainland China to study in Hong Kong and for them to make future contributions back to their hometowns, give back to the society and the motherland in the future.

**PART VII: BUILDING A SUSTAINABLE ECO-SYSTEM FOR THE ENVIRONMENT**

Upholding the ideas of “never trade environment for company development; never trade long-term benefits of environment for short-term benefits of the company; never trade health of employees for beautifying the working space”, CRC continued to improve the management system for energy saving and emission reduction, adjust industrial structure and eliminate backward production capacity, push on with technology transformation for energy saving and emission reduction, aiming to grow into a resource-efficient and eco-friendly company.

**Practicing green management**

In 2013, member companies at various levels within the Group continued to build a value-oriented management system for energy saving and emission reduction according to the “CRC Group 12th Five-Year Period Plan for Energy Saving and Emission Reduction” by actively carrying out training and publicity activities on energy saving and environmental protection, actively organizing employees to participate in activities related to environmental protection and public welfare, foster green concepts in the society, advocating a green and low-carbon lifestyle, production method, and sustainable development of the society. The Group launched the third session and fourth session of the program titled “The Way of China Resources Management-EHS Training” at the China Resources University with the participation of nearly 300 people.

**Realizing green operation**

In 2013, CRC Group’s various profit centers invested RMB2.604 billion in 331 technology transformation projects for energy saving and emission reduction. The Group’s industrial enterprises realized energy savings of 763,914 tons of standard coal based on the calculation of total energy consumption to achieve the resulting output value, and its non-industrial enterprises achieved energy savings of 7,015 tons of standard coal based on the calculation of total energy consumption to achieve the resulting operating revenue. The Group realized energy savings of 702,734 tons of standard coal through technical measures and 562,152 tons of standard coal for energy saving products. The Group eliminated three 200MW thermal power generating units, two 1000t/d cement production lines, 19 coal-fired boilers and 16
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In 2013, CRC Group was presented the “Hong Kong Green Awards – Outstanding Environmental Management Award – Gold Award” and “Enterprise Green Governance Award – Environmental Monitoring and Report Award” by the Hong Kong Green Council. CR Power was presented the “Outstanding Environmental Management Award – Silver Award”; CR Cement was presented the “Outstanding Environmental Management Award – Service Provider – Silver Award”; CR Property was presented the “Outstanding Environmental Management Award – Service Provider – Gold Award”. In 2013, 54 grassroots enterprises of CRC Group were presented 66 awards regarding energy saving and emission reduction by governments at various levels with the total prize amounting to RMB62.18 million.

**Developing recycling economy**

2013 marks the first complete year for the operation of the Group’s first CRC Recycling Economy Industry Demonstration Zone in Hezhou, Guangxi, where the power generators, cement factory and brewery factory achieved cumulated synergistic benefit of RMB69.1145 million through resource recycling. This demonstration area has been recognized as “a demonstration zone of recycling economy in Guangxi Zhuang Autonomous Region” and “National Recycling Economy Education and Demonstration Zone”, and it has submitted an application for recognition as a national demonstration zone of recycling economy. As a member of the Group, CR Power insisted on the coal-electricity integration strategy to help building recycling economic zones in Guangxi, Guizhou, Shanxi and Inner Mongolia, promoting and implementing the integrated recycling economy model across the coal, electricity, materials (cement), logistics and relevant industries. Projects of the recycling economic zones are now under construction in Guizhou’s Bijie and Shanxi’s Xingxian.

**Advocating green office**

Member companies at various levels advocate “green office, low-carbon lifestyle”. Each subsidiary has established and adopted office information system, promoted the use of energy-efficient lights, water-saving taps and similar new products, formulated regulations for the management and use of air-conditioning, promoted paperless office and green travel, etc. aiming to encourage employees to start with little things around them. Efforts have been made to raise the concern for eco-damage, sense of responsibility and awareness of environmental protection so as to create a good atmosphere for energy saving and emission reduction.

sets of printing and dyeing equipment, reducing emissions of sulfur dioxide by 18,180 tons, nitrogen oxides by 7,120 tons, COD by 36 tons and standard coal by 13,848 tons for the year.

EHS emergency management training organised by CRC Group.
PART VIII: ACT ON VALUES OF INTEGRITY AND COMPLIANCE

Upholding the core values of “honesty and integrity”, CRC required managers at various levels to strictly follow the principle of “integrity and compliance”, abide by industry codes, honor contracts, keep promise, resist corruption and practice fair competition, in order that stronger competence level for legal compliance and corporate governance can be achieved. The Group required the headquarters and subsidiaries to abide by the state laws and regulations, and emphasize the importance of carrying out projects and construction only upon proper government approvals; abide by systems and processes of the company, emphasize the importance of compliance in operations and management, nurture a culture under which every people behave honestly; abide by business ethics and industry codes, emphasize fair competition, honor contracts and keep promise; forbid bribery and corruptions.

After former chairman Song Lin was investigated for graft in 2013, CRC Group immediately conducted a special and comprehensive examination into the existing regulations and systems, figured out potential risks and further amended and improved key systems, such as the implementation measures of the decision-making systems for “three “substantial” and one “major”” events and measures for investment management, compiled and issued documents for tender management system, authorization management system and information security management measures. In order to tackle the identified problems, rectification measures will be taken in four aspects: establishing a long-term mechanism integrating penalty and prevention, gearing up the building of regulations, systems and processes, establishing a mechanism of check and balance and stressing a corruption-free cultural. The purpose is to reinforce awareness of integrity and compliance, raise supervision level, achieve execution of policies under well established systems and promote the healthy development of CRC Group.

Looking into the future, we are fully aware that CRC is now at a very critical historical point on its development path, when we are confronted with harsh challenges posed by the tough macroeconomic environment, and also the threats to the corporate brand and social image from unprecedented events with negative public opinions. Therefore, we will continue to improve the check and balance mechanism, improve the decision-making management system, enhance behavior norms of major shareholders and systems for the protection of legal interest and rights of minority shareholders and creditors, uphold the mechanism to facilitate communications with investors and create values for shareholders; In addition, we will continue to consider whether we have offered sufficient protection to employees’ interest and rights, improve staff training system, enhance occupational health and production safety management, improve working environment and safeguard interest and rights of consumers. On the one hand, we will push forward with the building of customer management system, enhance quality and safety management of foods and drugs, further invest in R&D and make innovations in products, technologies and process; continue to carry out supply chain responsibility management, diffuse, promote and implement CRC’s social responsibility concepts along the supply chain, strongly promote cooperation platform building among enterprises, universities and research institutions and set up industry cooperation platforms. On the other hand, we will carry out external communications through the use of new media, enhance openness and transparency of operations, quickly respond to social appeals; invest more in environmental protection, strive to reduce overall energy consumption and waste emission, promote the building of recycling economy industrial zones and achieve green development; continue to enhance communications with the government, strictly abide by the state laws and regulations and regulatory requirements imposed by government bodies, tighten the management of reimbursement claims by employees, and seriously punish briberies and corruptions. Last but not least, we will continue to support the building of CRC Hope Town, help to grow industries in the existing Hope Town, expand the volunteer team of CRC, carry out volunteer activities with CRC’s characteristics, promote joint community building and share with the public the fruits of economic development of CRC.

With trust and support from all walks of life, we believe we will be able to inherit CRC’s pragmatic culture to regain the market’s confidence by delivering sound performance. We will resurrect our good reputation in the market and achieve sustainable and healthy development. By achieving business success, creating benefits for the shareholders, creating values for the society and providing rooms for the personal growth of our employees, the CRC people will move forward with confidence to develop CRC into a successful time-honored company!