

2018
Social
Responsibility
Report



01

ABOUT THIS
REPORT**Statement of the Board**

The board of directors (the “Board”) of the Company and all members thereof warrant that the content of this report is free from any false statement, misleading representation or material omission and that they shall assume joint and several liability for the truthfulness, accuracy and completion of the completeness of this report.

Basis of Preparation

This report is prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) and the Guidelines for Preparation of Social Responsibility Reports issued by the Shanghai Stock Exchange (the “SSE”), with reference to standards including Guidelines for Preparation of China Enterprise Social Responsibility Report (CASS-CSR 4.0) by Chinese Academy of Social Sciences.

Release Cycle

This report is issued on a yearly basis, and is the eleventh one since the Group’s first release of Social Responsibility Report in March 2008. This report covers the reporting period from 1 January 2018 to 31 December 2018 (“Reporting Period”), with certain content dating back to previous years when appropriate. The report for the next year is expected to be published in March 2020.

Reporting Scope

This report covers Anhui Conch Cement Company Limited and its subsidiaries and branch companies.

Description of Data

The data set out in this report is derived from internal official documents and relevant statistics of Conch Cement and its subsidiaries and branch companies, among which the relevant data shown in the financial statements have been audited by KPMG. Unless otherwise stated in the report, all amounts are expressed in RMB.

Description of References

For easy reference and reading, “Anhui Conch Cement Company Limited” is also referred to as “Conch Cement”, “Conch”, “the Group”, “Group”, “Company” and “we” in this report.

Process of Preparation

This report is prepared in accordance with the requirements of the above standards following the processes of organizational system establishment, core issue identification and report boundary determination, information collection, report drafting, opinion solicitation, report revision, report design, management review, report issuance, and feedback summary to ensure that the disclosures in the report are true, accurate, complete, and balanced.

Availability of Report

The report is available on the websites of the Hong Kong Stock Exchange, and Shanghai Stock Exchange and the Group’s official website. To obtain a hard copy of the report, please contact us at:

Contact Information

Anhui Conch Cement Company Limited
Address: 39 Wenhua Road, Wuhu City, Anhui Province
Postal code: 241000
Tel: 0553-8398976
Fax: 0553-8398931
Email address: dms@chinaconch.com
Website: <http://www.conch.cn>

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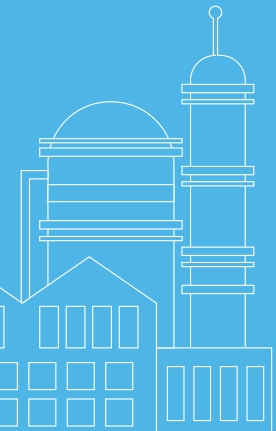
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02

ABOUT
US

Group Profile

Anhui Conch Cement Company Limited was founded in September 1997 and listed on the Hong Kong Stock Exchange (H Shares: 0914) in October of the same year to become the first Chinese company in the cement industry to be listed overseas. In February 2002, the Company publicly offered A shares (600585) on the Shanghai Stock Exchange, becoming the first A+H listed cement company in China. After years of rapid development, Conch Cement has formed a new operation and management model combining group-based management and international and regional operation. Currently, it has more than 150 subsidiaries in more than 20 provinces, municipalities and autonomous regions in China and in Indonesia, Myanmar, Laos, Cambodia, Russia and other countries, employing nearly 43,900 employees. As one of the leading companies in the industry, Conch Cement always keeps its finger on the pulse of the times, and seeks sustainable development of the Company with the guidance of more inclusive and far-sighted strategies.





ABOUT US

Business of the Group

During the Reporting Period, the Group was principally engaged in the production and sale of cement, commodity clinker and aggregate. The Group produced and sold cement products according to market demands, which mainly included 42.5-grade cement, 52.5-grade cement, 32.5R-grade cement as well as some special cements such as sulphate-resistant cement, middle-and-low heat cement, cement for road, cement for nuclear power generation and nonmagnetic cement. These products are widely used in infrastructure construction including railways, highways, airports and hydraulic facilities as well as urban property development, cement products, and rural markets.

Overview of operation development of the Group

In 2018, the macro economy remained stable as a whole with a steady and incremental development trend. The growth rate of investment in fixed asset declined, the growth rate of investment

in infrastructure slowed down, real estate investment grew steadily, and the demand in the cement market was relatively stable. The structural reform on the supply side by the state was further advanced. The control of central government on environmental protection continued to strengthen. The industry's peak-shifting production was normalized and globalized. The state's control over mineral resources tightened and the supply side continued to diminish. Benefiting from the continuous improvement of the supply and demand relation, the overall performance of the cement industry was solid. During the reporting period, the Group managed to overcome adverse factors such as rising prices for raw material and fuels to continuously enhance operation quality and substantially improve operation performance by strengthening the research and judgment of supply and demand trend, rationally setting the pace of production and sales, seizing the effective market demand, optimizing resource allocation, and streamlining internal operation management.

- Revenue from principal businesses for the year amounted to **RMB123.841 billion**, representing a year-on-year increase of **68.28%**;



- Total profit amounted to **RMB39.629 billion**, representing a year-on-year increase of **86.68%**;



- Taxes and duties paid amounted to **RMB16.763 billion**, representing a year-on-year increase of **59.26%**.

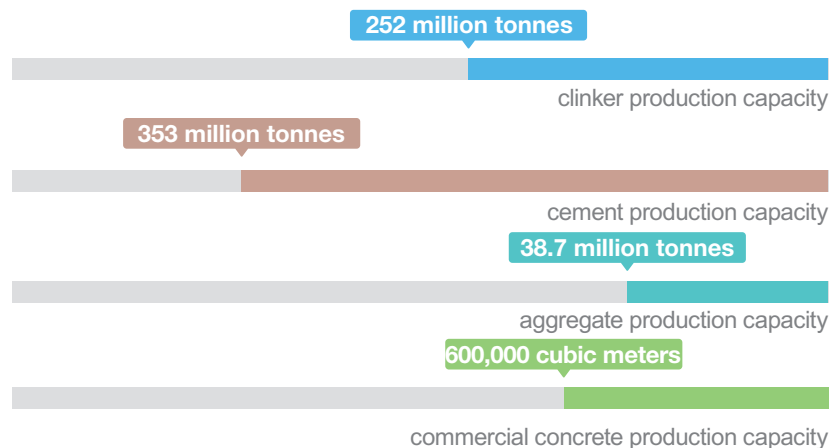


In 2018, the Group steadily promoted the construction, mergers and acquisitions of domestic projects. The cement project in Baxoi, Tibet progressed smoothly. The Yueqing Conch Phase II Cement was completed and put into operation, and the Zongyang Conch Grinding Mill and the Foshan Conch Transfer Storage were commenced as scheduled. 9 aggregate projects including Jianghua Conch, Yangchun Conch and Jiande Conch were completed and put into operation, and 7 aggregate projects including Chongqing Conch and Fenghuang Building Materials have commenced. The construction of the commercial concrete project of Bazhong Conch has entered the final stage, the commercial concrete project of Quanjiao Conch has officially started construction, and 5 commercial concrete projects including Guangyuan Conch and Anlong Conch are accelerating the preliminary work. The Company successfully acquired Guangdong Guangying Cement Project, thereby further enhancing its market control in the northern Guangdong region.

Meanwhile, the Group actively and

steadily proceeded with its international development strategy. Transfer storages of Battambang Conch (Cambodia), North Sulawesi Conch (Indonesia) and West Kalimantan Conch were successfully put into operation. Project construction of Luangprabang (Laos) entered the construction peak period, the project in Mandalay (Myanmar) started construction, and the preliminary preparation works for the projects including Vientiane Conch (Laos) had made orderly progress. The project in Qarshi (Uzbekistan) completed company registration. Meanwhile, the Company continued to intensify its overseas expansion efforts and reserved a number of project entities.

As at the end of the Reporting Period, the Group's total clinker production capacity was 252 million tonnes, total cement production capacity was 353 million tonnes, the total aggregate production capacity was 38.7 million tons, and the commercial concrete production capacity was 600,000 cubic meters.



03

ESG
MANAGEMENTSocial Responsibility Strategy of
the Group

As an A+H-share listed company and a major state-owned enterprise, while proactively developing core business to create economic value, Conch Cement continues to reinforce sustainability concept by incorporating performance of social responsibility into its internal management, striving to strike a balance among enterprise development, environmental protection and social benefit.





ESG MANAGEMENT

Governance Structure of Social Responsibility

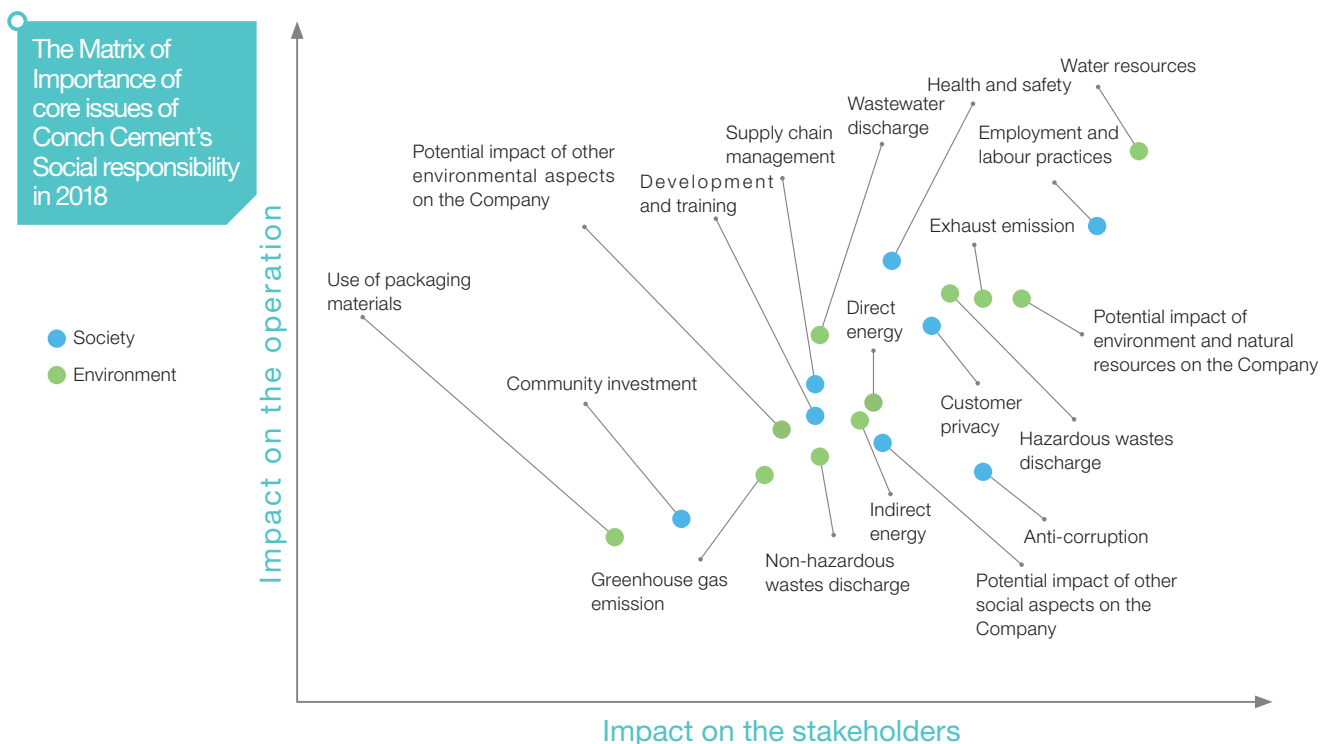
Social Responsibility Working Committee is the top management and coordination body of company's social responsibility, which is responsible for reviewing company's social responsibility strategic planning, preparing social responsibility policies and rules, building social responsibility management and implementation system, and checking and supervising the performance of social responsibilities. The Group has established the Environmental, Social and Governance (ESG) Report Working Committee led by senior management and participated by middle management. Such working committee is led by the secretary office of the Board and composed of the representatives from relevant departments and subsidiaries that have material impact on the ESG of the Group, ensuring the Company's decision-making, organization, and implementation of social responsibilities in a top-down manner.

Stakeholders of the Group in relation to ESG include internal stakeholders such as the Company's management and employees, and external stakeholders such as the government, customers, suppliers, investors, and the community. The Company actively obtains the opinions and expectations of various stakeholders on the Company's social responsibility work through various channels, thereby providing a reference for the development of the Company's future social responsibility performance strategy and the decision-making on the sustainable development strategy.

Assessment of Materiality

The Group attaches great importance to the management of major issues in relation to sustainable development. Based on assessments of stakeholders, we identify the following issues that have significant impacts on the Company's sustainability, which have been included in key focus areas.

Stakeholder Engagement



Overview of Performance of Social Responsibilities of the Group

In 2018, the Group actively fulfilled its social responsibilities in addition to steadily improving its operating efficiency:

Fully recognizing that “lucid waters and lush mountains are invaluable assets”, we uphold the philosophy of green development and adhere to the principle of ecological protection. We actively promote innovation in energy-saving and emission reduction in an attempt to build a resource-saving and environmentally friendly company. We also lead the transformation and upgrade of the industry and promote the healthy development of the society.

Upholding the business philosophy of “high quality, heartfelt service”, we consider quality as the guarantee that ensure survival of an enterprise and regard customer as the cornerstone of enterprise development; adhere to the spirit of contract and innovate service philosophy.

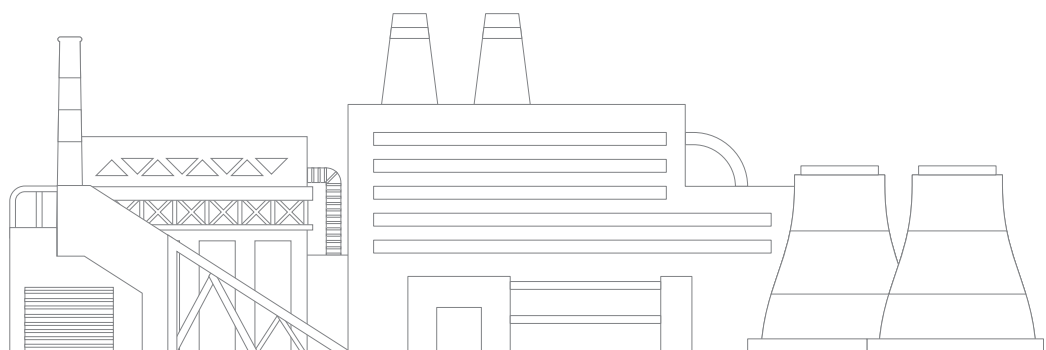
We adhere to the principle of people-orientation and respect the employees' dignity. We attach great importance to corporate humanistic care and safeguard the legal rights of employees. We constantly improve safety management and continuously enhance the working and living environment; provide a broad career platform for talents and share the development results with employees.



We strictly abide by business ethics, severely punish corruption, stringently control unscrupulous practices, and strongly promote anti-corruption education. We take a clear and firm stand, actively carry out supervision and inspection, diligently implement a compliance culture, and vigorously promote honesty education.

We promote sunshine procurement and advocate sincere cooperation; improve supplier access mechanism and strive for mutual benefit in the supply chain. We optimize procurement logistics, coordinate resource allocation, establish the mechanism for exchange of needed goods, and seek mutual development.

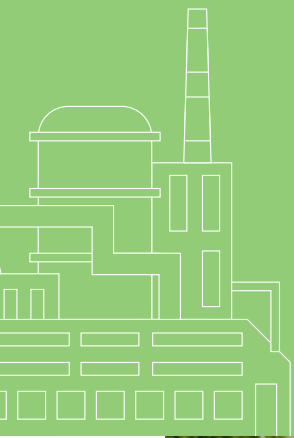
We vigorously promote the spirit of mutual assistance and actively participate in public charity causes. We conduct targeted poverty alleviation and give back to the society with gratitude. We further support the “Belt and Road” initiative and assist friendly nations with philanthropism.



04

ENVIRONMENTAL
PROTECTION

The Group actively implements the basic national policy of “saving resources and protecting environment” and upholds the operational philosophy of “creating a better living environment for the mankind in the future”, striving to achieve synergetic development of production operation and environmental protection. The Company practices the philosophy of green management, propels technological improvement for energy-saving and emission reduction, launches digital intelligent mines, popularizes collaborative waste treatment, promotes comprehensive utilization of resources, and advocates low-carbon lifestyle, so as to build a “resource-saving and environment-friendly” company.





ENVIRONMENTAL PROTECTION

4.1

Emissions



Average concentration of SO₂ decreases year-on-year by

28.5 %

Average concentration of NO_x decreases year-on-year by

9 %

Discharge of particulate matters of major emitters decreases year-on-year by

40 %

Emission of CO₂ per unit product decreases year-on-year by

1.32 %

Total investment of the year in technology improvement for environmental protection

RMB **2.08** BILLION

Green Management for Up-to-standard Emission

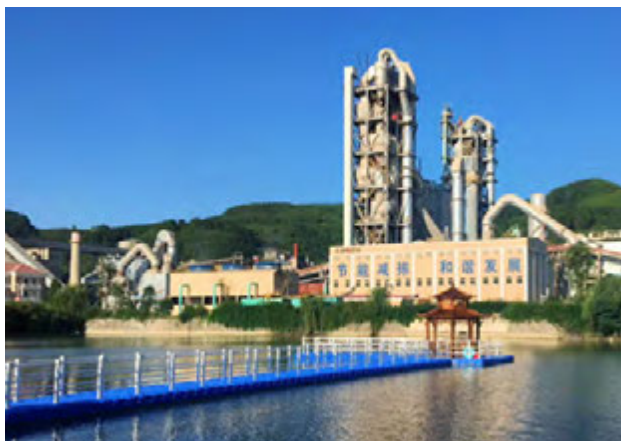
The Group is committed to implementing the following principles to reduce the impact of its business activities on the environment: comply with all environmental protection laws, regulations, rules and provisions, as well as industry standards; adhere to the “three simultaneity” system for production facilities and environmental protection facilities, i.e. to ensure that the production facilities and the environmental protection facilities shall be designed, constructed and put into operation simultaneously; continuously allocate sufficient funds for upgrading and maintenance of environmental protection facilities, as well as for research and development and innovation of environmental protection technologies; make more efforts to promote environmental protection as a concept, increase employees’ awareness of environmental protection and promote the refined management of environmental protection; and include energy conservation and emission reduction as well as environmental protection in the Company’s long-term development strategy. As at the end of the Reporting Period, 73 subsidiaries of the Group had obtained the ISO 14001 Environmental Management System Certification, and 91 subsidiaries of the Group had passed the Clean Production Examination.

The Group controls pollutant emissions in accordance with the standard for Pollution Control on Municipal Solid Waste Incineration and other national and local environmental protection standards on air pollutants and water pollution as well as environmental protection laws and regulations. In 2018, 66 domestic clinker production base companies under the Company cumulatively discharged 14,448 tonnes of SO₂ with an average concentration of 24.3mg/m³, representing a year-on-year decrease of 28.5%; cumulatively discharged 140,972 tonnes of NO_x with an average concentration of 277mg/m³, representing a year-on-year decrease of 9%; and cumulatively

discharged 10,032 tonnes of particulate matters of major emitters, representing a year-on-year decrease of 40%. The CO₂ equivalent emissions calculated in accordance with the Guidelines on Greenhouse Gas Emissions Accounting for the Cement Industry (水泥行业温室气体核算指南) was 194.9 million tonnes and the unit CO₂ emissions was 0.8437 tonne, representing a year-on-year decrease of 1.32%.

Technological Innovation for Cleaner Production

The Group constantly increases investment in scientific research and encourages technological innovation with an aim to reduce emission through technological improvement, thereby achieving the goal of clean production. In 2018, the Company further strengthened its environmental management. All of its subsidiaries strictly enforced environmental laws and regulations, continuously increased investment in improvement of environmental protection technologies, and constantly improved environmental management capabilities with technological improvement as a pivot point. During the Reporting Period, the Company established a total of 827 technological improvement projects for environmental protection. As at the end of the Reporting Period, 684 projects have been completed with a total investment of RMB2.08 billion, of which approximately RMB235 million has been invested in technological improvement for dust collection, approximately RMB656 million has been invested in technological improvement for desulphurization, approximately RMB118 million has been invested in technological improvement for denitration, approximately RMB54 million has been invested in technological improvement for the sewage system, approximately RMB156 million has been invested in technological improvement for noise reduction, and approximately RMB861 million has been invested in technological improvement for unorganized control, closure and other areas.



Technological improvement for desulphurization

At present, the main source of sulphur in the cement clinker production process is divided into two parts: raw materials and fuels and materials and clinker calcination. On the one hand, the Group strictly selects raw materials and fuels at procurement to control the sulphur content, thereby reducing sulphur dioxide emissions at the source; on the other hand, it adopts advanced processes and technologies to apply technological improvement for desulphurization to production lines to reduce environmental pollution.

As at the end of 2018, the Company completed technological improvement for desulphurization for 20 clinker production lines of 9 subsidiaries including Wuhu Conch and Xuancheng Conch. After the technological improvement, the emission concentration of sulphur dioxide was controlled below 50mg/m³, lower than the national standard emission limit (according to the Standard for Pollution Control on Municipal Solid Waste Incineration (GB4915-2013), the sulphur dioxide emission limit is

100mg/m³ in key areas). Moreover, the desulphurisation gypsum generated from the desulphurisation process may be used as cement admixture, thus achieving the target of environmental protection and integrated resource utilization. In 2019, the Company will continue to carry out technological improvement for desulphurization for 30 clinker production lines including Chaohu Conch and Zunyi Conch.

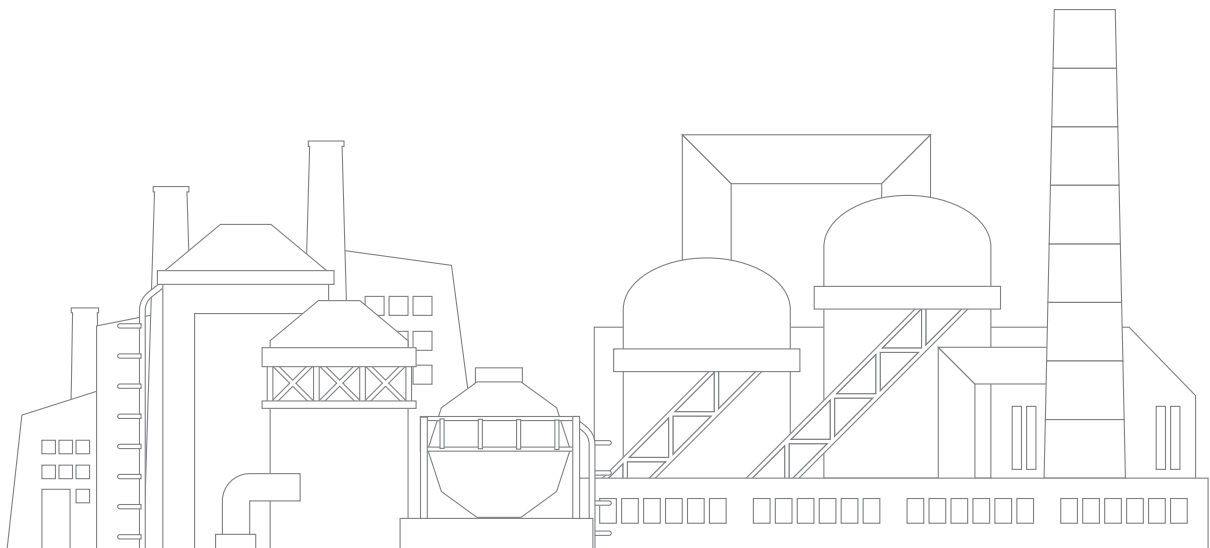
Technological improvement for dust collection

Since 2014, the Group has systematically analysed and demonstrated the electric dust collectors at its subsidiary factories, and has completed the optimization and upgrade of all electric dust collectors. To further reduce dust emissions and practice the environmental protection philosophy, the Company has optimized the hardware configuration and actively implemented

the technological improvement for electric dust collectors.

As at the end of 2018, the Group has completed the technological improvement for dust collection for 24 sets of kiln head collectors of subsidiaries including Zongyang Conch and China Cement Plant, and 10 sets of kiln inlet collectors of subsidiaries such

as Guangyuan Conch and Chongqing Conch. After the technological improvement, the average dust emission concentration is controlled below 10mg/m³, better than the national standard (according to the Standard for Pollution Control on Municipal Solid Waste Incineration (GB4915-2013), the dust emission limit is 20mg/m³ in key areas).



Technological improvement for denitration

The Group adopts a combination of source control and end treatment for nitrogen oxides: low-nitrogen combustion technology is used for source control and SNCR denitration technology is used for end treatment.

During the “Twelfth Five-Year Plan” period, the Group completed technological improvement for “low NOx combustion + SNCR” for all of its production lines. Currently, the nitrogen oxides emission level can be stabilized at below 320mg/m³ (according to the Standard for Pollution Control on Municipal Solid Waste Incineration (GB4915-2013), the NOx emission limit is 320mg/m³ in key areas). In recent years, in response to the environmental management requirements of the state and to help defence the blue sky, the Company actively researched the advanced treatment technology for denitration.

Efficient and precise SNCR technology

The efficient and precise SNCR technology is a result of further optimization of the original SNCR (Selective Non-Catalytic Reduction) technology. Firstly, it adjusts the ammonia injection position to allow the ammonia molecule to react more fully with nitrogen oxides. Secondly, it modifies the original control system so that by simulating on line the temperature and flow rate of the gas in the injection zone and accelerating the gas-liquid mixture to the supersonic speed, ammonia and nitrogen oxides can be absorbed and reduced in the optimal reaction temperature zone, thereby reducing the emission of NOx. This technology can reduce the consumption of ammonia and further reduce the emission concentration of NOx.

As at the end of the Reporting Period, subsidiaries of the Group including Baimashan Cement Plant and Qianyang Conch have carried out technological improvement for efficient and precise SNCR. After the technological improvement, the emission concentration of NOx can be stably controlled below 200mg/m³, better than the national emission standard limit.

SCR denitration technology

The SCR (Selective Catalytic Reduction) reduces NOx emission through selective reaction of reducing agents such as ammonia with NOx under the action of a catalyst to generate N₂ and H₂O. The technology features a high ammonia utilization rate with a denitration efficiency of up to 80%-95%.

As at the end of the Reporting Period, the Group has completed the SCR mid-temperature test at its subsidiary Baimashan Cement Plant and began to implement technological improvement for SCR denitration at 3 clinker production lines of 2 subsidiaries including Jining Conch and China Cement Plant. The production lines are expected to be put into operation in the second half of 2019.



Carbon Capture and Storage

Carbon Capture and Storage (CCS) is a process where the CO₂ captured is treated through desulphurisation, purification, compression, dehumidification and liquefaction and then sold to the market for reuse. In order to implement the national low-carbon development strategy, the Group has actively participated in CO₂ emission reduction action as a part of China's "Intended Nationally Determined Contributions". Through technical demonstration and research and development, the Company and Dalian University of Technology adopted the Industry-University-Research Institution cooperation model to build a 50,000-ton carbon dioxide capturing and purification demonstration project in the subsidiary

Baimashan Cement Plant using the chemical absorption method as the core technology solution. With an investment of over RMB50 million, the project started construction in early 2017 and was officially completed and put into operation at the end of October 2018. Currently, the industrial grade carbon dioxide it produces and sells has a purity of up to 99.99% and can be widely used in welding, food preservation, dry ice production, electronics, laser, medicine and other fields.

The successful operation of the Group's first carbon dioxide capturing and purification demonstration project has pioneered carbon capturing and utilization in the world's cement

industry, exerting a far-reaching exemplary impact on improving energy-saving and emission reduction in China and even the world's cement industry. With the further development and application of Conch's carbon capturing technology, carbon dioxide will turn from waste to an asset and become an important part of the development of circular economy. The traditional cement industry will be rejuvenated and eventually embark on a path of sustainable development with growing economy and good ecology, making a positive contribution to the construction of beautiful China and to the global ecological environment protection.



In addition, the Group actively carried out technological improvement for noise reduction, dust control and hazardous waste management to further improve environmental management. During the Reporting Period, the noise control of 5 subsidiaries including Yangwan Conch passed the project acceptance. The noise control projects of 6 subsidiaries including Shuangfeng Conch and Shangyu Conch completed construction. The noise control projects of 12 subsidiaries including Shimen Conch and Chongqing Conch are being

implemented. The noise control projects of 10 subsidiaries including Chaohu Conch and Zhanjiang Conch completed tendering. All subsidiaries of the Group have set up temporary storage for hazardous waste and vehicle wash stations in accordance to high standards. In 2018, a total of 108 temporary storages for hazardous waste and 119 vehicle wash stations were constructed and put to use, effectively improving hazardous waste management and road dust control.

4.2

Utilisation of
Resources

The unit physical coal consumption of clinker decreases year-on-year by

0.26 %

The unit diesel consumption of cement decreases year-on-year by

8.82 %

The unit water consumption of products decreases year-on-year by

20.4 %

Residual heat power generation during the year

8,279 GWh

Equivalent to reducing CO₂ emission by

7.95 million tonnes

Broadening Sources and Reducing Consumption for Circular Economy

The Group advocates the conservation, intensification and recycling of resources and incorporates the resource utilisation policy of “minimization, recycling and renewability” into every aspect of production and management. During the Reporting Period, the 66 base subsidiaries of the Group consumed 34 million tonnes of coal, 144.39 kg physical coal consumption per tonne of clinker, representing a year-on-year decrease of 0.26%; consumed 15.2 billion kWh of power, comprehensively 79.67 kWh per tonne of cement; consumed 94,000 tonnes of diesel, 0.34 kg per tonne of cement, representing a year-on-year decrease of 8.82%; consumed 113 million tonnes of water, 0.49 tonne per unit of product, representing a year-on-year decrease of 20.4%; and used 89,723 tonnes of cement package bags, 1 kg per tonne of cement.

The Group has extensively applied the residual heat power generation technology to achieve resource recycling. In China, Conch Cement is the first cement enterprise to use the pure low-temperature residual heat power generation technology. It began constructing residual

heat power generation system more than 10 years ago. By applying the pure low-temperature residual heat power generation technology to cement kilns, it promotes energy-saving and consumption reduction, reduces production costs, and improves enterprise performance, while indirectly reducing carbon emissions. The clinker production lines of Conch Cement are all equipped with residual heat power generation system. A production line with daily output of 5,000 tons can use the residual heat generated by the production line to generate 210,000-240,000 kWh of electricity per year, saving approximately 25,000 tonnes of standard coal and reducing carbon dioxide emissions by approximately 60,000 tons per year. In 2018, a total of 112 residual heat power generation units have been installed and operated on the cement and clinker production lines of the Group, with a total installed capacity of 1,399 MW. During the year, the amount of generated electricity was 8,279 GWh, saving 2.98 million tonnes of standard coal as compared with similar scale of fire-generated electricity and reducing emission of CO₂ by 7.95 million tonnes.

The Group is actively developing new energies and exploring alternative energies.

Biomass Fuel System of Battambang Conch

Biomass fuel is a renewable energy that nature has bestowed on us, and a pioneer of material that industry feeds back to agriculture. Conch Cement actively performs its corporate social responsibility. Considering the advantages of Cambodia in large-scale rice planting, the company planned and designed the first biomass fuel system in the Battambang Conch project in Cambodia, which was officially put into operation in November 2018. The system uses rice husk as a fuel, ensuring that its heat and residual ash will be 100% utilized. The raw coal consumption of the clinker production line can be reduced by approximately 15%, while the NO_x emissions can be reduced by more than 200mg/m³. Once put into operation, the system not only effectively reduces the Company's production costs, but also enhances the competitiveness of the Company's products. Moreover, due to the convenience of feeding, it also reduces the labour intensity of the personnel, and greatly promotes the local economic development and environmental protection.



Moreover, the Group makes full use of clean energy wherever possible to achieve energy-saving and emission reduction. Jining Conch, a subsidiary of the Group, used 355,700 kWh of wind power in 2018. Baimashan Cement Plant and Jianghua Conch use more than 13 million kWh of solar power.

The Group attaches great importance to the protection of water resources, and advocates water conservation and recycling. The production water of riverside bases of the Company was mainly taken from surface water of rivers, while a rainfall and sewage separation system has been implemented for all plants of the Company. The Company has carried out residual heat power generation for a number of subsidiaries such as Zongyang Conch, Shuangfeng Conch and Suzhou Conch using recycled wastewater with advanced treatment to ensure that water is recycled to be used in residual heat power generation and cooling system, thus no sewage is

discharged into the urban sewage pipe network in the production process. All domestic sewage of the Company is treated by using the A/O secondary biochemical treatment technology and is used for watering plants or discharged into the urban sewage pipe network when it has met the quality standard after treatment. Domestic sewage shall be subject to regular inspections to ensure compliance with the discharge standard. During the Reporting Period, the Company set up and improved the initial rainwater collection system of the plants and 32 terminals and improved 86 domestic sewage treatment systems to promote the recycling of water resources.

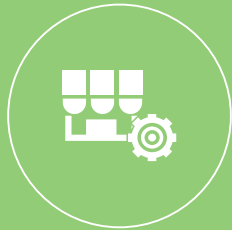
The Group advocates green workplace and encourages employees to practice green philosophy with actions. The Company stipulates that the air-conditioning temperature in summer should not be lower than 26°C and windows must be closed when the air conditioner is open. Energy-saving

lamps are used for the office area and are turned off when no one is in the office. The Company promotes paperless office and uses double-sided printing. It promotes video conference and reduces on-site conferences. Employees should properly arrange business travel, giving priority to low-carbon transportation. Greenery planting is actively carried out in the plant area to increase carbon sinks. In addition, during the Reporting Period, the Company's external experts conducted 5 special training sessions on environmental protection to expound on the latest environmental protection policies and instruct employees on the daily operation and maintenance of equipment. Approximately 800 people participated in the training on a cumulative basis. In daily work, the Company encourages employees to practice environmental protection philosophy and incorporate energy-saving and environmental protection into all aspects of work and life through the intranet, WeChat group, and posters.



Energy-saving and Technological Improvement for Green Development

The Group vigorously promotes technological innovation, accelerates the elimination of outdated equipment and production processes with high energy consumption and high pollution, and develops and applies energy-saving technologies to perform environmental management with high standards and strict requirements.



Technological improvement of decomposition furnaces

The decomposition furnaces at clinker production lines of the Company deployed at early stage have small capacity, which restricts the improvement of the operation quality, resulting in low production and high energy consumption of kilns. Through the technological improvement of decomposition furnaces for capacity expansion, the time that materials and coal powder stay in the decomposition furnace is further extended to improve the decomposition rate of the kiln, enhance the combustion efficiency of coal powder, and reduce CO production of the system, thereby improving the production and reducing the energy consumption of the kiln.

In 2018, the Group carried out technological improvement of the decomposition furnace for capacity expansion for clinker production lines of its 3 subsidiary companies including Baimashan Cement Plant and Prosperity Conch. After the technological improvement, the standard coal consumption per tonne of clinker decreased by 5 kg on an average basis.



Technological improvement of grate coolers

Technological improvement of grate coolers is mainly to upgrade the grate coolers from the third generation to the fourth generation. Compared with the third generation, the grate plates of fourth-generation grate coolers are all fixed, clinker is pushed forward with the push rod, and air volume under the grate plates is adjusted using the automatic adjustment valve, thereby overcoming the issue of insufficient ventilation in places where the material layer is thin and excessive ventilation in places where the material layer is thick, which is caused by the uneven thickness of the material layer on the grate bed. Fixed grate plates are less likely to be deformed or detached, and therefore are less exposed to material and air leakage. This can ensure substantial temperature increase for the secondary and tertiary air flows in the kiln and the decomposition furnace, thereby improving the heat recovery rate and achieving energy saving and consumption reduction, as well as extending the operating cycle of the equipment.

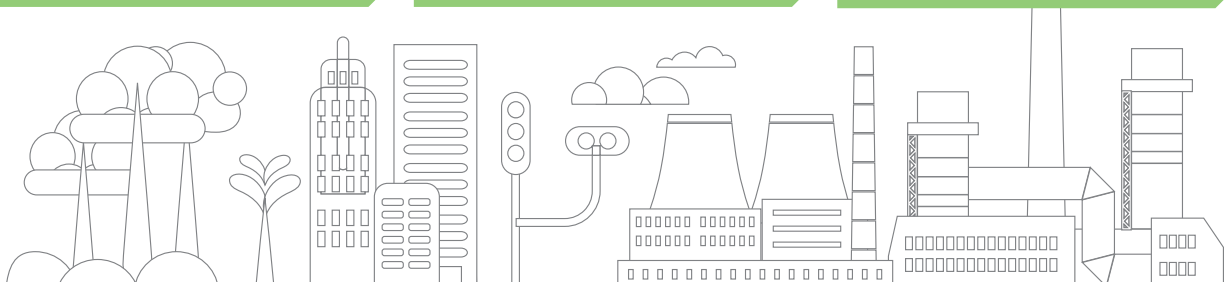
In 2018, the Group completed the improvement of third-generation grate cooler for eight clinker production lines including Prosperity Conch and Shimen Conch. After the improvement, the clinker temperature was lower than 100 °C, and the standard coal consumption per tonne of clinker decreased by 2 kg.



Technological improvement of roller presses

Roller press is a new type of energy-saving cement grinding equipment. Technological improvement of roller presses is to pre-grind the materials by adding a roller press before the cement grinding process to reduce the particle size of the materials entering the grinding mills, thereby increasing the production and reducing the consumption.

In 2018, the Group carried out technological improvement of roller presses for 10 cement grinding mills of its subsidiaries including Ningguo Cement Plant, Huaining Conch, and Haimen Conch. The technological improvement resulted in notable production improvement and consumption reduction with average cement production increasing by 97% and the electricity consumption per tonne of cement process decreasing by 6 kWh.



In addition, the subsidiaries of the Group are also actively carrying out other technological improvements and technological measures to promote and try new technologies and equipment. During the Reporting Period, Jiande Conch tried out the cement vertical mill and achieved good energy-saving. Twenty-six subsidiaries including Tongling Conch, Yiyang Conch (益陽海螺) and Prosperity Conch tried grinding aids and achieved significant consumption reduction. Four subsidiaries including Lu'an Conch and Yiyang Conch (戈陽海螺) tried ceramic balls and effectively reduced the power consumption of cement grinding.



Jiande Conch tried the cement vertical mill

Based on years of production and operation experience, the company carried out technological innovation design for the cement grinding system, replacing tube grinding process with vertical grinding process. Compared with the tube mill system, the vertical mill system has lower energy consumption, noise, and cost of equipment operation. So far, Jiande Conch has built and put into operation 2 vertical cement grinding systems, which reduced the power consumption of the cement grinding process by approximately 4Kwh/t, achieving good energy saving results.



Tongling Conch tried grinding aids

Cement grinding aids are chemical admixtures. Adding a small amount of cement grinding aids in the cement grinding process can improve the grinding efficiency, not only enhancing the fineness of the grinding and the strength of the cement, but also reducing the power consumption of grinding. In 2018, the Company used cement grinding aids in a pilot project in its subsidiary Tongling Conch and achieved notable consumption reduction results, reducing power consumption of the cement process by about 3Kwh/t.



Lu'an Conch tried ceramic balls

To further reduce the power consumption of cement grinding, the Company improved the cement grinding medium by replacing the steel ball grinding medium with ceramic ball grinding medium. Ceramic balls contain microcrystalline minerals. Compared with steel balls, they are not only harder and consume less energy, but are also lighter, effectively reducing the mill load and thus reducing the power consumption of grinding. In 2018, the Company tried ceramic balls in its subsidiary Lu'an Conch and achieved good results, reducing the power consumption of the cement process by approximately 1.5Kwh/t.



4.3

Environment
and Natural
Resources

Comprehensive utilization rate of limestone
mine resources reached

100 %

Green mine and ecological
mine area

Limestone mines are the lifeblood of cement enterprises. The Group insists on scientific utilisation and proper exploitation of mine resources. The Company continuously improves the comprehensive utilization rate of limestone resources through scientific, rational and efficient exploitation methods in a responsible manner. By exploring the scale utilization and high value utilization of limestone resources, the Company strives to extend the exploitation lives of old mines and endeavours to improve the comprehensive utilization of mineral resources. During the Reporting Period, the Company's comprehensive utilization rate of limestone mine resources reached 100%.

The Group strictly abides by the Convention on Biological Diversity and endeavours to minimize the impact on the surrounding environment during the exploitation process. The Company adheres to the practice of focusing prevention and prepared for treatment. When exploring resources and planning exploitation, we will take the initiative to learn about the situation of wild animals and plants in the construction area. During resource development, we strive to protect the ecological environment and biodiversity. During project construction, we will protect natural habitats, wetlands, forests, wildlife corridors and agricultural land to minimize the impact of resource development on vegetation coverage and animal habitat.

Case study

Located in Dongzhi County of Anhui Province, Anhui Shengjinhu National Nature Reserve is a permanent freshwater lake wetland and a natural place for waterfowl to live on. In January 2018, heavy snow fell was experienced across Anhui, with 30-cm deep snow in some areas. The temperature dropped to as low as minus 10 degrees Celsius. Perennial low temperature froze almost all the lake surface in the Shengjinhu National Nature. Tens of thousands of birds were deprived of food source. The Company's subsidiary Chizhou Conch was highly concerned about this and dispatched a special "bird protection squad" to help the birds survive the winter by preparing evenly mixed rice, leftovers and chopped vegetables every day and putting them in plates which were placed in places frequented by the birds.





Area of slope treated
100,000 sq.m.

Approximate cumulative deposit paid for
treatment restoration of geological environment

RMB**417** million

Approximate cumulative provision made
for mine restoration treatment

RMB**38** million

The Group strictly abides by the Green Mine Convention, proactively carries out environmental treatment of mines, and makes great efforts in developing the greening and landscaping of mines. The Company adopts a top-down approach to exploit limestone mines, adhering to the principle of “treating while exploiting”. When exploiting limestone resources, we actively carry out slope treatment and ecological restoration by covering soil and reforesting, installing sprinklers along main ore transportation roads of the mines, and planting trees on both sides of mine roads, so as to effectively prevent soil erosion around the mine. As at the end of the Reporting Period, the Company had treated a total of approximately 100,000 sq.m. of slope. Approximate RMB417 million has been placed as the deposit for restoration of geological environment and land reclamation for 139 limestone and batching mines over which the Group has mining right, and a provision of RMB38 million has been made for mine restoration treatment.

Case study

The Company's subsidiary Fenghuangshan Conch actively responded to the central government's call for construction of ecological civilization and the development requirements of building green mines. In order to better carry out the ecological restoration treatment of slopes in open pit mines and restore the ecological environment of the mines as soon as possible, Fenghuangshan Conch boldly explored the ultimate slope restoration and treatment method in accordance with relevant national laws and regulations, and created a “slope-drilling greening method” for restoring the slopes, which was built on the basis of the commonly used spray seeding technique for plant-growing concrete. This method is to use machineries to drill holes in facade of the slope first, and then fill the holes with soil for greening. Compared with spray seeding technique for plant-growing concrete, this technique features better effects, lower treatment risk, easier operation, longer cycle and better adaptability. Since June 2018, we have carried out the procedures of slope facade cleaning, machine drilling, manual filling and greening, and subsequent maintenance and achieved the intended purpose of restoring vegetation and improving the geological environment of the mines, receiving high recognition and approval from the green mine acceptance expert group. Currently, the vegetation in the plant-growing holes of the slopes are flourishing. It can be expected that with the increase of the growing period, the structure and diversity of species of the slope vegetation will gradually increase, and the ecological function of the rocky slope will gradually improve to reach harmony with the surrounding natural environment.

Following the state's overall deployment of "putting ecology first while pursuing green development", the Group focuses on strengthening the treatment of dust, noise and sewage during mine exploitation to steadily improve the environmental management of the mines. The Company requires the subsidiaries with long watering time for watering cars to carry out technological improvement to shorten the watering time, so as to utilize the watering cars to their full extent and enhance dust control of the roads. We add online dust monitoring systems to achieve real-time monitoring of pollution index. The Company requires all mines to close off crushing discharge ports and install dust-reducing devices such as sprinkler to effectively improve the dust-reduction of the roads. As at the end of the Reporting Period, the construction of road sprinkling devices has been completed for the mines of 30 base factories of the Group, with a total construction length of 30.35 kilometres. During the Reporting Period, the Group invested a total of RMB41.67 million for greening of the mines, with approximately 660,000 trees planted and a greening area of 2.65 million sq.m.

The Group actively promotes the construction of digital mines to achieve



Investment in greening of the mines

RMB **41.67** million

Number of trees planted

660,000

Approximate greening area

2.65 million sq.m.

scientific and intelligent management of the mines. In 2018, the Company's subsidiary Quanjiao Conch built an integrated digital intelligent mine system. Based on the digital modelling of mines, the system achieves three-dimensional visualization of mines by processing such data as mine topographic elevation and geological drilling analysis. On top of visualization, we utilize the data self-extraction of existing engineering machinery and equipment to develop a truck scheduling system, which enhances the management of engineering equipment and improves equipment utilization. By constructing the quality matching system, we archive the automation and real-time monitoring of the mine exploitation and matching to conduct to the largest extent matching production of high- and low-grade ores in the mining area, thereby improving the comprehensive utilization rate of the mine resources. The Company carries out real-time monitoring and data report summary and query through the system to instantly access the production and operation status and safety situation to achieve real-time monitoring of data

collection and production status as well as informationization of production scheduling and decision-making, providing an effective means for better stabilizing production operation and reducing the production cost.

The construction of the digital intelligent mine system provides the mine with the abilities of self-analysis and decision-making, which enables the people, machines and environment of the mine to operate in a highly coordinated unity and drastically improves the production organization process which used to rely on human experience for management, achieving comprehensive utilization of resources to the largest extent. After the system went live, the production efficiency of the mines increased by approximately 12%, diesel consumption decreased by approximately 7%, and tire wear decreased by approximately 30%. In 2019, the Company will complete the creation of digital mines for the second batch of 6 companies and riverside bases, and commence the construction of the third batch of digital mines.

Adapting to the new environmental protection situation and strictly adhering to the environmental protection philosophy of “lucid waters and lush mountains are invaluable assets”, the Company steadily advances the construction of green mines and promotes the transformation and upgrade of mines to achieve sustainable development. During the Reporting Period, we achieved remarkable results in construction green mines:



Waste Disposal for Integrated Utilization

The Group proactively promotes the urban domestic waste treatment technology with the use of cement kilns to digest industrial wastes, greatly facilitating integrated utilization of resources and creating strong social impacts. The technology using cement kilns to facilitate the treatment of urban domestic waste uses the advanced waste gasification treatment technology in the waste incineration treatment method to convert the waste into a combustible gas, and then transmits the gas into the decomposition furnace of the new dry process cement kiln system, and burn it as part of the fuel. Leveraging a series of characteristics of

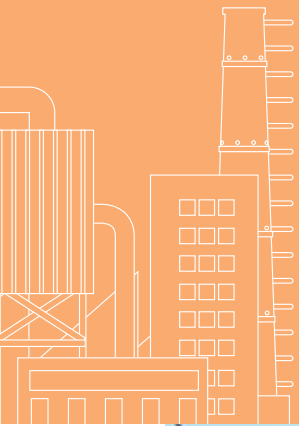
new dry-process cement kiln such as high temperature and alkaline materials, it absorbs harmful substances such as dioxins generated by garbage and effectively prevents the spread of mal-odour, so that the sewage in the waste can be treated in a harmless manner and the heavy metal is solidified and stabilized in clinker, thereby achieving “detoxification, minimisation and renewability” of waste treatment. As an advanced technology that enables the Chinese cement industry to develop a circular economy and work towards a green and environmentally-friendly industry, it was granted the “Blue Sky Award” – Global Top Investment Scenarios to Apply New Technologies for Renewable Energy Utilisation by the United Nations.

In 2018, the Group joined forces with Conch Venture (a company listed on the Hong Kong Stock Exchange, stock code: 0586) to actively work with the governments of locations where the Group's factories are located to treat a total of 978,100 tonnes of urban domestic wastes, 135,500 tonnes of sludge, 83,100 tonnes of hazardous waste, and 72,400 tonnes of other general waste, thereby effectively solving the problems of land occupation and environmental pollution caused by waste incineration and landfill, while turning waste into asset and creating considerable economic and social benefits.

05

EMPLOYMENT AND LABOUR PRACTICES

The Group always adheres to the people-oriented responsibility philosophy and regards employees as the lifeblood of its survival and development. Focusing on talent selection and cultivation, the Group coordinates various resources to create a career development platform for employees. Meanwhile, we improve safety management, enhance the production and living environment, provide humanistic care and increase the salary to continuously enhance employees' sense of achievement, belonging and happiness.





EMPLOYMENT AND LABOUR PRACTICES

5.1

Employment

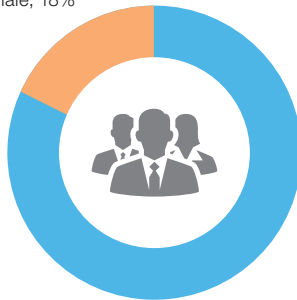


Equal Employment with Diversified Composition

The Company has established a selection and appointment system of “fairness, impartiality and openness” and prohibits any form of employment discrimination. We adhere to the principle of equal employment and respect and treat employees of different nationalities, genders, ages, educational attainment, ethnicity, religious beliefs and cultural backgrounds with fairness.

As at the end of 2018, the Company had a total of 43,884 employees, of which 18% were female and 9% were ethnic minority employees. Among the Company’s middle and senior management, female members accounted for 5% and ethnic minority members accounted for 3%.

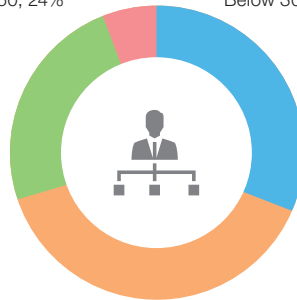
Female, 18%



Male, 82%

Gender

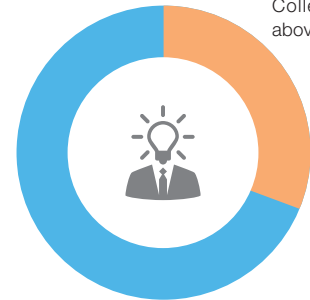
Over 50, 6%
40-50, 24%
Below 30, 31%



30-40, 39%

Age

College and
above, 30%



Below college, 70%

Education

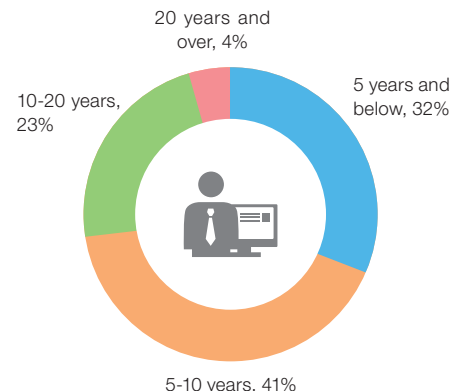


With the accelerated implementation of the Company's "Belt and Road" international development strategy, while building factories and deploying production capacity overseas, we also actively promote the localized employment to improve local employment and boost local economic development. As at the end of the Reporting Period, the Company had 3,251 employees in overseas project, of which foreign employees accounted for 80.19%, representing a year-on-year increase of 7.22 percentage points.

In order to continuously optimize the personnel structure of the Company, stimulate the vitality of the Company, and increase reserves talents, the Group actively recruits young and outstanding college talents. In 2018, the Company coordinated and guided the regional offices to carry out planned, organized, high-quality and focused campus recruitment in accordance with the Conch Cement Campus Recruitment Instruction Manual, and gave recruitment presentations in key target institutions with professional advantages, thereby establishing the brand image of the Company as a good corporate employer. During the Reporting Period, the Group recruited 672 graduates in aggregate.

To meet the needs of the Company's international development strategy and strengthen the construction of overseas talent echelon, we have opened up a new channel for recruiting international talents. In 2018, the Company visited more than 10 colleges and universities such as Anhui University and Nanjing University of Technology (南京工業大學) to recruit foreign students on campus. A total of 33 Indonesian students with Chinese language skills and professional knowledge were recruited and assigned to the Indonesian project company. We also formulated the "Guiding Opinions on the Implementation of the 'Conch Silk Road Talent Program'", which was piloted in Kalimantan Conch (Indonesia), and won the support of the local government with the establishment of the "Conch Scholarship" project, achieving good results.

By continuing to accurately activate the employment mechanism and strengthen and improve the professional echelon, the Group always maintain a relatively stable workforce, thereby providing a solid talent foundation to support the long-term development of the Company. In 2018, the Company recruited 2,960 new employees, and the employee turnover rate was 5.6%.



Years of Service

Percentage of foreign employees in overseas projects

80.19%

New employees in 2018

2,960

Employee turnover rate

5.6%

Democratic Management for the Protection of Rights

The Group practices democratic management and maintains open channels for employees to voice their opinions, protecting employees' legal right to information, participation and decision-making. The Company has set up an effective internal communication platform. We hold regular employee colloquiums and set up general manager mailboxes to collect and adopt employees' reasonable suggestions from multiple channels with an aim to build a harmonious labour relationship and enhance the sense of ownership of all employees.

Case study

In order to effectively carry out the logistics management work, the Company's labour union visited 19 subsidiaries in the province where our headquarters is located, Northern Anhui, Jiangsu, Jiangxi and Shanghai to conduct work study and listen to the opinions and suggestions of the subsidiaries. In July, the Company conducted a questionnaire survey on the domestic water supply of its 111 subsidiaries to learn about the status of domestic water supply of each subsidiary and collect opinions and suggestions from grassroots employees. For those with difficulties, effective solutions were provided to promptly solve the issues, thereby further improving the quality of life for employees.

We have further improved organizational structure of the labour union, completed the composition and working institutions of labour unions at all levels, and actively developed new members, so as to continuously enhance the attractiveness and cohesiveness of the labour union. During the Reporting Period, 114 subsidiaries of the Company that met the conditions for establishing a labour union had labour unions in place, of which 30 carried out re-election, 38 added members to the labour union committee, 35 newly established expenditure examination committees under labour unions, and 49 newly established women worker committees, further improving the organization of labour unions and expanding the cadre team of the labour union. As at the end of the Reporting Period, 100% of employees in the Group's subsidiaries that meet the conditions for establishing a labour union were members the labour union.

The Company implements the employee congress system. During the year, the employee congress collectively reviewed and approved by voting "Conch Cement Guidelines for the Management of Total Wage of Subsidiaries", "Conch Cement Administrative Measures for the Use and Dispense of Labour Protection Products" and other important regulations concerning the vital interests of employees. Meanwhile, the employee congress improved the collective bargaining and collective contract system by formulating the "Operation Process for Collective Bargaining" to guide the subsidiaries to carry out collective bargaining in accordance with the standard procedures, which required subsidiaries to focus on solving prominent problems that employees were most concerned about and accurately understand the wishes, demands and expectations of employees in order to build a new harmonious labour relationship. In addition, through a combination of online spot check and on-site supervision, the visibility of factory affairs was further enhanced. In 2018, the coverage of the Company's collective bargaining and collective contract was 100%.

Humanistic Care and Benefit Sharing

The Group always adheres to the philosophy of "life comes before production", giving priority to humanistic care. In 2018, in order to improve the

living environment of single employee at the headquarters and provide convenience for employees to work, the Group invested RMB40 million to purchase an apartment building for single employee near the Company headquarters, which was renovated and put into use within the year. In addition, all of the Company's over 100 subsidiaries have improved the living facilities of the staff quarters in accordance with the requirements of standardized dormitory, which greatly improved the living environment of employees.

Employees are the most valuable asset of the Company. The Group cares about the health of every employee. The Company provides free health check-ups for employees on a regular basis every year. All employees received health check-ups and established occupational health files. In 2018, the Group further increased the items in the employee health check-up package, and the total expenditure for employee health check-up was RMB66.5138 million.

The Group proactively provides assistance for employees in difficulties. For employees who have been working overseas for a long time, the Company will comfort the families of overseas employees' during important festivals to help solve their difficulties and problems in life, so as to eliminate the concerns of overseas employees and unite the mental strength of all employees of the Company to develop our business. For employees in difficulties and retirees, the Company will also provide them with assistance in a timely manner to show that we care. In 2018, the Company comforted nearly 1,200 employees in difficulties, retirees and families of overseas employees, and raised approximately RMB500,000 for 16 seriously ill employees (or their relatives) and invested approximately RMB1.8 million in the helping employees in difficulties.

As the society progresses, women play

an increasingly important role in the workplace. In 2018, in order to further implement the "Care Initiative" for female employees, and taking into consideration the actual needs of female employees, the Group opened up a private space for female employees at its headquarters and in the subsidiaries with a large number of female employees. The space, named "Cosy Little Home" (溫馨小家), was comfortable and clean, equipped with necessary cleaning and disinfecting equipment to cater to the special needs of the female employees during lactation, showing the Company's great care, respect and protection of female employees. In 2018, the "Cosy Little Home" for female employees at the headquarters of the Group received the honorary title of "Sunshine Home of Anhui Province" (安徽省陽光家園).

Percentage of employees joining the labour union in subsidiaries meeting the conditions for establishing a labour union

100 %

Coverage of collective bargaining and collective contract

100 %

Percentage of employees receiving health check-ups and with occupational health files established

100 %

Total expenditure for employee health check-up

RMB 66.5138 million

Number of employees in difficulties, retirees and families of overseas employees comforted

1200

Total investment in helping employees in difficulties

RMB 1.8 million

Case study

The labour unions of the subsidiaries of the Company actively played the role of the Women Worker Committee and built the "Cosy Little Home" for female workers into a "warm station" for labour union to serve female employees that is welcomed by female workers. In 2018, Qingxin Conch won the honour of "Qingyuan General Labour Union - Loving Mother Cabin" (清遠市總工會愛心媽媽小屋).



Case study

In combination with standardization of logistics, the subsidiaries of the Group increased the investments in meeting the cultural needs of employees by improving the indoor and outdoor venues, leisure and sports equipment and entertainment facilities, providing network connectivity, opening the staff reading room, and purchasing additional books and reading materials, so as to promote the construction of corporate culture, meet the needs of employees for learning and entertainment, and enrich spiritual and cultural life. In 2018, Tongling Conch won the title of "Anhui Workers' Happy Homeland" (安徽省職工幸福家園) and Maanshan Conch won the honour of "Maanshan Exemplary Staff Reading Room".

Life needs a proper alternation of tension and relaxation and a combination of work and rest. At Conch, we love work as we much as we love life. The Group continues to enrich the spiritual and cultural life of its employees and strives to create a constructive, healthy and positive culture. In 2018, the subordinate entities of the Company organized cultural and sports activities with distinctive local characteristics combined with our corporate culture elements. Throughout the year, they organized 625 cultural and entertaining events including variety shows, outdoor development activities, youth networking, singing competitions, sports competitions, spring outings, speech contests, movie goings, photographing and fishing.

Considering the characteristics of the cement industry, the Group has established a competitive remuneration system, and carried out a thorough reform on the compensation and performance system in 2018, so as to share the results of our development with the employees. The Company adheres to the rule of "determining compensation based on capability" and prohibits any gender discrimination. The monthly salary of college graduates we recruit during the probation period is much higher than the minimum wage at the place where headquarters of the Company is located. The ratio between the two exceeds 3:1. In 2018, in order to build a competitive salary system in the industry, the Company gradually implemented a compensation reform program for cadres and employees at all levels in the Company HQ and all subsidiaries on a level-by-level basis based on the principle of "piloting first before full implementation" and relying on the operating experience of some pilot entities. Ultimately, the program was fully implemented. After the compensation reform, the per capita annual salary income increased by 20%.



5.2

Health and
Safety

Safety accidents decreased year-on-year by

39.6%

Number of entities without any safety accidents

44

6 subsidiaries have not suffered
accidents of minor injury or above for

3 years

in a row

Formulating Relevant
Systems to Support Safety
Management

The Group constantly improves the regulations for safety management and continuously promotes standard and scientific safety management. The Company strictly abides by the Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法) and has formulated management regulations including Instructions on Graded Examination and Approval Procedures of Hazardous Operations (危險作業分級審批管理規程指導意見), Instructions on Isolated Management Procedures of Energy Resources (能量隔離管理規程指導意見), and Conch Cement Contingency Plans for Domestic and Overseas Safety Emergencies (海螺水泥境內外突發安全事件應急預案) to continuously strengthen the corporate responsibility and to establish a long-term mechanism for safety management of the Company. During the Reporting Period, the Company studied and formulated four instructions on safety management including "Management Procedures for 'Three Violations'" ("三違"行為管理規程), "Management Procedures for Warehouse Cleaning" (清庫作業管理規程) and "Management Procedures for Work Safety of Commissioned Contraction" (外委施工作業安全管理規程), which have been put in trial operation in 13 subsidiaries including Chaohu Conch and Zongyang Conch. The pilot entities were required to earnestly study, promote and implement the instructions, and provide feedback on the trial operation in a timely manner. After summarizing the experience and improving the instructions, the Company's headquarters will fully promote and implement the instructions to continuously improve the independent safety management capability of grassroots units.

The Group continues to improve the safety management system and creates an atmosphere of stringent management across the Company. The Safety

Committee Office – the Department of Production Safety and Environmental Protection – has been set up at the Company's headquarters with the general manager serving as the director of the Safety Committee who is generally responsible for the Company's production safety management. The subsidiaries of the Company have established Production Safety and Environmental Protection Divisions with the leaders of the departments serving as the person in charge of the safety management of the department. By exercising the functions of the Safety Committees at all levels, strengthening the safety management of grassroots employees, leveraging the exemplary and guiding effects of the leaders of various subsidiaries in production safety, and urging leaders at all levels to go into the grassroots to learn about the safety management status of production front-lines, we have created an atmosphere across the Company where everyone assumes the responsibility of and understands safety management. During the Reporting Period, the Group's safety accidents decreased by 39.6% year-on-year.

The Group has established a liability system for safety management targets to strictly control safety management and enforce the liability in a level-by-level manner. The Company has entered into the Liability Statement on Production Safety Objective (安全生產目標責任書) with 118 production subsidiaries and formulated supporting Rules for Assessment of Management Liability Statement on Production Safety Objective (安全生產目標管理責任書考核細則) and Implementation Measures for Management Liability Statement on Production Safety Objective (安全生產目標管理責任書考核實施辦法) to strictly enforce the liability for production safety. The Company focuses on the safety management of a few key officers, and regularly checks and verifies the participation of leadership members of the subsidiaries in various safety meetings and urges leaders and cadres to perform



their duties. In 2018, a total of 2,682 cadres and employees of the subsidiaries participated in the standard examination for job qualification. As at the end of the Reporting Period, 44 subordinate entities of the Company did not experience any safety accidents, while 6 subsidiaries had not suffered accidents of minor injury or above for more than 3 consecutive years.

Developing Technologies to Ensure Production Safety

Dust control is of top priority for the cement industry. The Group has always attached great importance to controlling the source of dust. When designing the production line, the Company takes effective measures for possible dust emission sources by sealing off all facilities of the production line including the silos, stacking sheds and warehouses and covering the belt conveyors with rainproof and windproof hoods to reduce the dust raising in transportation. We use the most advanced equipment to excavate open pit mines, regularly sprinkle water for mine roads, and install spray devices at discharge ports prone to dust, thereby achieving control of dust at the source and reducing the damage to the health of workers.

Thoroughly implementing the policy of “safety first, prevention-oriented, and integrated treatment”, the Group actively carried out technological improvements and technological measures to continuously improve occupational health management. Taking the national “Occupational Health Law Enforcement Year” as an opportunity, the Company guided all subsidiaries to improve the overall level of occupational disease prevention and control and actively carried out technological improvement for safety such as noise reduction and dust control within the plant area. We fully promoted the experience of Suzhou Conch, Quanjiao Conch and Baimashan Cement Plant in packaging dust control to ensure that dust emission in packaging and delivery met the standard. We also undertook one of the 2017 Key Science and Technology Projects of Production Safety and Major Accident Prevention and Controls from the former State Administration of Work Safety – Automatic Bag Inserting and Loading System for Packaged Cement of Maanshan Conch Bagged Cement, which passed the on-site inspection and acceptance of Anhui Provincial Work Safety Bureau in May 2018.

The Group actively uses science and technology to strength safety and comprehensively assists in production safety. All subsidiaries of Conch Cement have set up the “production safety alert system” developed independently by



Conch Holdings. The system has been filed with and authorised by the State Administration of Work Safety. In 2018, building on the production safety alert system, the Company has developed a mobile APP of the security management system, which has been promoted and applied in all subsidiaries. The Company has achieved “full participation, leader supervision, and systematic management” from hazard detection to rectification and elimination using technology and information means. Meanwhile, the Company’s subsidiaries are also actively using science and technology to improve safety by installing high-definition surveillance video at the main risk points of operational safety to strengthen process control; installing the access control system in the hazardous operation area to prevent the entry of non-professionals; and replacing human with machine for hazardous operations to reduce and eliminate labour intensity and risk exposure of personnel. In a top-down manner, the Company continuously promotes intelligent safety management, thus providing support for the safe production of employees.

During the reporting period, the number of new cases of occupational diseases in

Conch Cement was 0; and no production safety accident of the “major” level or above occurred.

Although the Company has actively taken a number of management measures, occasional production safety incidents have sounded the alarm for the Company’s safety management. In 2019, the Company put forward higher and stricter requirements for safety control, and set the goal of “preventing work-related death and minimizing minor injuries”, committing to ensure that all subordinate entities have “zero work-related death” and minor injuries be reduced by more than 20%.

New case of occupational disease

0

Production safety accidents of the “major” level or above

0

Promoting and implementing safety education through action

Adhering to the tenet that "lack of training presents safety hazard", the Group gives priority to safety training. In 2018, the Company held a total of 9 large-scale safety training courses, with a cumulative 2,000 participations. Meanwhile, we arranged for relevant safety professionals to participate in special training organized by the state or industry authorities. Ten of these

professionals obtained the national level-1 enterprise appraisal personnel certificate for safety standard of the industry and trade, three obtained the national level-1 enterprise appraisal personnel certificate for standardization of production safety of mines, and two obtained the National Teacher Certificate for Security Training. In addition, the Company was invited to the "China Top 500 Enterprise Summit" and gave a presentation on "Building a Safety Foundation to Promote Harmonious Development". The Company also participated in the "5th Safety Technology

Exchange Conference of Domestic and Overseas Cement Industry", and won the second prize for the paper submitted to the conference. Actively participation in training and exchanges has broadened the horizons of safety professionals and improved professional management, providing a strong support for the Company's safety management.

The Company actively carries out a variety of special safety publicity and education activities to continuously improve employees' safety awareness.



"Production Safety Month"

- Prepared and hung 923 themed banners and posted 2,574 posters
- Invited competent authorities, experts and scholars to teach safety knowledge in 239 sessions, with 11,316 people participating in the training
- Conducted 81 sessions of experience sharing
- Chief executives talked about safety with 4,532 employees
- Hosted 236 special sessions to train 10,880 employees



"16 June" Publicity and Consultation Day

- Opened 183 columns, distributed 23,139 pieces of publicity materials, and set up 986 pieces of various exhibition boards and slogans
- Provided on-site consultation for 6,056 employees
- Cooperated with competent authorities and visited 35 companies to disseminate information
- Organized 232 knowledge contests and speech contests on production safety
- Carried out 627 warning education sessions to learn from safety accidents, with 26,844 people educated
- Conducted 537 comprehensive emergency drills with 9,538 people participating
- Conducted 310 training seminars
- Carried out 588 hazard self-examination and self-correction activities



"119" Fire-Fighting Month

- Hung 975 fire-fighting promotion banner and set up 703 fire-fighting bulletin boards
- Used text messages as well as QQ group and WeChat group to send 3,997 messages on fire-fighting
- Organized more than 25,552 people to watch 736 warning education videos to learn from fire accidents
- Organized 24,022 people to participate in 779 special lectures and training sessions
- Organized 5,196 people to participate in 763 hazard inspection activities
- Organized 10,952 people to participate in 436 emergency drills





Law on Work Safety Promotion Week:

- Conducted 316 sessions of on-site promotion with 12,459 participants
- Printed and distributed 153 kinds of promotion materials with a total of 13,144 copies
- Organized 450 training session on law dissemination with 18,768 people participating in the training
- Sent 1,121 law dissemination messages through WeChat and Weibo platforms; participated in 39,956 WeChat prize contests in relation to common safety knowledge



By vigorously carrying out various special safety activities, the Company has expanded the coverage of safety training on employees and enhanced employees' safety awareness and knowledge and willingness to teach other about safety, making the safety philosophy more well accepted.

Case study

In 2018, Shuangfeng Conch, a subsidiary of the Group, launched a parent-child activity named "I Am a Safety Supervisor of My Parents", which through interaction encouraged employees' family members to instil safety philosophy into the employees in their daily lives and cultivate safety awareness, enabling employees to truly "go to work happily, and return home safely." This new model of "home-enterprise joint defence" for safety management was also highly rated by the Safety supervision Bureaus of Shuangfeng County and Loudi City.



During the Reporting Period, the Group took multiple measures and all entities worked together to achieve good results of safety management in the year:

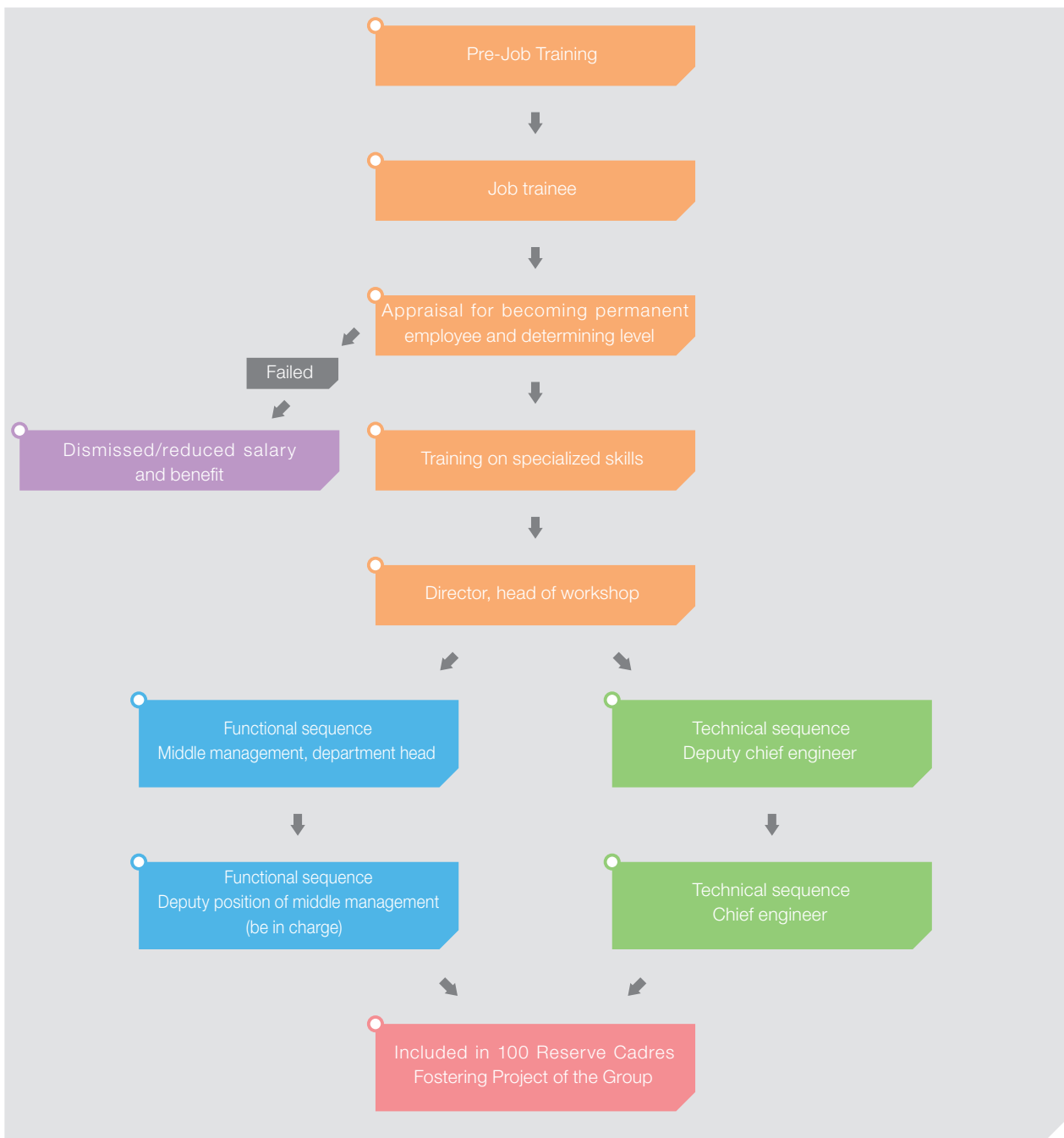
Award-Winning Entity	Award Name	Award Level
Bazhong Conch	Red List of Entities for Joint Incentive of Production Safety and Creditworthiness	National
Jining Conch	Advanced Enterprise for Production Safety Standardization Enterprise for Emergency Management in Production Safety of Non-coal Mines	Provincial
Zongyang Conch	Exemplary Enterprise for Safety Culture Construction Exemplary Youth for Production Safety	
Zunyi Conch	Exemplary Enterprise for Construction of Dual-Control System	
Chizhou Conch	Youth Exemplary Position for Production Safety	
Xiangshan Conch	Winner of "Ankang Cup"	
Chaohu Conch	Exemplary Enterprise for Safety Culture Construction	
Bengbu Conch	Exemplary Enterprise for Safety Culture Construction	
Ganjiang Conch	Exemplary Enterprise for Production Safety Culture Construction	
Fenyi Conch	Qualified Position for Safety Production	
Papua Cement	Advanced Entity for Production Safety	
Kalimantan Conch	Advanced Entity for Production Safety	

5.3

Development
and TrainingImproving the Training
System to Provide Smooth
Development Channels

The Group has established a clear career development channels for its employees, classified into technical posts and management posts based

on to the professional categories. Employees are developed through six training steps, namely “pre-job training, post practice, professional and technical post training, workshop section head training, middle-level post training and entering into the “100 Cadres Fostering Project”.



The Company adheres to the selection and appointment system of "fairness, impartiality and openness", providing a smooth promotion channel with open and transparent procedures. A notice on personnel appointment of middle or above management positions of the subsidiaries shall be issued, and such appointments shall be officially effective only if no objections are raised during the notice period. As to the general management and technical staff, we adopt a public recruitment mechanism, namely only candidates identified as qualified by the personnel department after comprehensive appraisal shall be employed. Fair competition offers young technical talents with competence, potential and ambition an opportunity to stand out from their peers and be selected, not only effectively stimulating the passion for work of young people, but also providing talent reserve for the future development of the Group.

The Company advocates the orderly flow of human resources and actively guides the specialized departments, especially the supply, sales, and finance departments, to conduct position rotation for management personnel within the system. During the year, the Company rotated 226 middle-level management personnel, further training and developing young cadres. In addition, the Company has made public to all employees the three criteria for promotion, i.e. grass-root experience, overseas experience, rotation experience in departments, encouraging the employees to gain work

experience and learn by taking positions at grass-root level, in foreign countries and with various departments, with an aim of development high-calibre and well-rounded talents.

Optimizing Training Model to Strengthen Talent Echelon Construction

Committed to creating a positive atmosphere of "aspiring and pursuing for excellence" and offering a platform for the employees to "develop and demonstrate their talent", the Group extensively organizes categorized, multi-level and multi-channel training to improve the management capabilities of cadres and enhance the professional skills of employees, building a knowledge-based, learning-oriented and professional organization.

With respect to the training system, the Company has established a three-level training management system comprising the headquarters, regional departments and subsidiaries, and established a level-based training mechanism comprising the senior management, middle management, technical key personnel and general staff according to the management level. Leveraging university training resources in China, the Group HQ conducts leadership training for senior management, organizes regular exchanges to learn from outstanding enterprises, and implements "100 Reserve Cadres Fostering Project" to continuously improve the talent echelon

construction and provide talent support for the sustainable development of the enterprises. The regional professional management teams focus on intensifying the training of middle management in various professions by regularly organizing various forms of training such as outdoor development training and internal seminars and exchanges to improve the professional management ability of middle management, thereby providing support for the construction of various professional systems of the Company. Taking into consideration the actual training needs of ordinary employees, the subsidiaries have established a professional training management committee which develops targeted training programs for professional skill training of employees based on professions and departments. In developing of professional capabilities of ordinary employees, we make sure to combine theory with practice, integrating training into the daily work of the employees through the "teaching, helping, and leading" by the master of the apprentice and between teams and groups.

In terms of training methods, according to the Company's organisational structure and management experience, we have established a three-module training system consisting of pre-job training, on-job training and (half) off-job training for various employee groups, with an aim to provide customized training according to the actual situation of each employee.



Pre-job training

All newly-recruited and post-shifted personnel of the Company shall participate in the pre-job training. Only those who pass the examination designed according to the post standard are qualified for the job.



On-job training

In order to improve the professional competence and operation skills of the existing employees, they are required to take training sessions for not less than 4 hours per week.



(Half) off-job training

In order to improve the comprehensive competence of the technical management personnel and personnel with special skills, (half) off-job training is provided according to the needs of the work.

With needs of the Group's diversified and international development strategy, the Company is constantly optimizing and innovating its existing training model. In the future, in collaboration with the training design project team, we will continue to optimize and innovate the training management system of the Company, focusing on the Company's overall planning and design for training, level-based development of training organization structure, and training function positioning of the headquarters, regional departments and subsidiaries at different levels. In addition, through researching and studying the advanced training management experience of our peers, we will focus on the training course system and the internal lecturer team by establishing the development, evaluation and reward mechanism for course resources, selecting a group of high-calibre internal lecturers, and establishing and improving the supporting instructor evaluation and incentive mechanism. In addition, the Company will also concentrate its superior resources to build the special training brands such as "Conch Cement Talent Fostering Plan" and "Silk Road Talents" on an ongoing basis, so as to establish a benchmark for talent development projects to be promoted and applied throughout the Company.

Case study

In order to further enhance the theoretical knowledge and practical management capability of the leaders and cadres of the Group in relation to internationalization and cultivate a team of international, knowledgeable and innovative cadre talents to shoulder the heavy responsibility of the Group's international development strategy, the Company held the first special advanced course on internationalization at the School of Management of Fudan University in August 2018. This is an important step for the Group to vigorously implement the "International Development Strategy" and "Building Strong Enterprise with Excellent Talent Strategy" to build a team of high-calibre professional cadres. This special advanced course is for intense off-job training. Through classroom lectures, case studies, role play, practice and discussion, business tour, and development training, students were trained on such areas as the "world economic landscape", "analysis of 'Belt and Road' and China's policies", "AIIB and investment in overseas parks", "internationalization strategy", "international business negotiation", "leadership development", "overseas crisis management and public relations coordination". After the training, each student wrote and defended a final paper based on the training content and taking into consideration the current international development strategy of Conch Cement and his own work. Through this training, the Company's management personnel's international vision has been broadened, and their overseas exploration capability and practical cross-cultural communication capability have been enhanced.



Case study

In 2018, the Company innovated the overseas local staff training model by guiding Myanmar Conch to build the Myanmar Conch Staff College with the local Confucius Institute and set up a supporting staff reading room, focusing on training on Chinese and basic professional knowledge, thereby further enhancing the cultural quality and professional skills of local employees.



Implementing the “Conch Cement Talent Fostering Plan” to Build a Unique Brand

To continuously enrich the Company's talent reserve, further improve the talent echelon construction, and provide strong talent support for the Company's transformation and upgrade and high-quality development, the Group

commenced the “Conch Cement Talent Fostering Plan” (hereinafter referred to as “CCTFP”) in 2017.

In 2017, the Company recruited a total of 26 college graduates as the first batch CCTFP participants. On this basis, the Company continued to implement the CCTFP and recruited 13 outstanding college graduates from Tongji University, Wuhan University

and other universities in 2018.

The Company takes six steps to train the “CCTFP talents”, including pre-job training, post practice, professional and technical post training, department training, middle-level post training and entering into the “100 Cadres Fostering Project”:

Career Development Planning for Talents of the CCTFP

Development Channel	Job Sequence	3-6 months	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years
Vertical Development Sequence	100 Cadres Fostering Project									
	Department head / Middle management of Subsidiaries									
	Secondment in other departments (excluding participants with fixed post)									
	Departmental technician / director of subsidiaries									
	Technician									
	Job trainee (including pre-job training)									



In 2018, learning from the experience from the training and development of the first batch of “CCTFP talents”, the Company innovated the new training method and approach and meticulously organized a 50-day second-phase CCTFP student pre-job training camp where we developed a high-quality training course for CCTFP students with theme training contents tailored for the trainees which comprised the six modules of “Learning About Conch, Road to Success, Cultural Journey, the Elite Way, Demonstrating Capability, Core Tasks”, thereby continuously improving the sense of identity and belonging of CCTFP trainees towards the Company. Meanwhile, with the help of external evaluation agencies,

we conducted professional personality assessments on the trainees so as to guide the trainees to understand their own strengths and make up for and improve on the shortcomings.

At present, the first batch of “CCTFP Talents” is at the stage of professional and technical post training. Some of the talents in the functional management category have been transferred to the headquarters for position determination training, while talents in the production and management and process and technology categories took up front-line posts at the grassroots level to accumulate work experience through practice and lay a solid foundation for their career, fully embodying Conch

people’s committed and dedicated spirit of “undaunted by suffering and fatigue, and capable of withstanding poverty and loneliness”.

The second batch of “CCTFP Talents” have also entered the post practice stage, where they learned about the Company’s production and operation status gradually through position rotation at the subsidiaries, so as to determine their individual positioning, improve their professional sophistication, and take a solid first step in their career journey. In six months since they assumed the offices, the Conch has sown seeds in their hearts as they switched roles:



Xiong Jiawen

now undergoing
post rotation
training at Wuhu
Conch

The time working at Conch was a series of pictures, warm and clear, flowing in front of my eyes, like it was yesterday. As I transitioned from a student to an employee, Conch gave me guidance, and when I grew from a beginner to a professional, Conch gave me help. Working at Conch, I experienced a rigorous, pragmatic, selfless and professional corporate culture. At work, it regulates you, driving you to excellence; in life, it is warm and considerate, giving you care. Do simple and ordinary things extraordinarily well. There are the Conch people. They do their jobs stoically for a decade in a row, giving their best efforts and using their best skills to create each product. They maintain their initial inspirations, carry out their duties, and grow steadily. On my journey ahead, I hope I can uphold the Conch spirit, shoulder mission and responsibility, and grow with Conch, with absolute focus, unwavering sincerity, and burning passionate.



Xie Wenjie

now undergoing
post rotation
training at Wuhu
Conch

I am fortunate to be able to work at Conch. Through the uneasiness at the campus recruitment, the joy of first joining the Company, the hard work of the rotation, and gradual finding my rhythm after becoming a permanent employee, I have received guidance and help from many excellent and respectable senior colleagues at Conch along the way, which allow me, a newbie fresh out of school, to experience the care and warmth of the Conch family. As the motto goes, learn to conduct yourself before learning to conduct business. Conch is my second university. It teaches me knowledge, cultivates my character, give me courage and motivates me to grow. Working at Conch, I am full of dreams, as each Conch person is the heir and actualizer of our collective dreams. I will be fully prepared and plough ahead, regarding these dreams as my mission to be strove for throughout my.

Committed to creating a unique boutique training brand, the Company solidified and promoted the “CCTFP Talents” pre-job training model and guided its subsidiaries in Hunan, Zhejiang, Guizhou and other regions to carry out centralized pre-job training for college graduates, cumulative training over 270 people in 2018, achieving good results.

5.4

Employment
Standards

Percentage of employees entering into labour contracts

100 %

Total expenditure of various types of insurances and provident fund

RMB 1.273 billion

Social insurance coverage rate

100 %

Total enterprise annuity expenditure

RMB 147 million

Per capita paid vacation

8.5 days

Standard Management and
Legitimate Employment

The Group and its subsidiaries strictly abide by the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and Social Insurance Law and other relevant PRC laws and regulations, comply and maintain International Covenants on Human Rights and labour standards and fully respect employees' freedom of employment, resolutely prohibiting forced labour. Further, the Company abides by the Law of the People's Republic of China on the Protection of Minors as well as the laws and regulations of the places where its overseas projects are located, expressly prohibiting any form of child labour.

The Group has a large number of subsidiaries. To enable the independence and flexibility of employment in various regional subsidiaries, the Company delegates the authority of social recruitment, allowing regional subsidiaries to independently carry out social recruitment based on their actual employment needs. However, the Company insists on the filing of recruitment. The Human Resources Department irregularly inspects and reports on the social recruitment of regional subsidiaries. In addition, the Company's monitoring and auditing office regularly inspect the recruitment procedures and employment data every year to ensure compliance of employment.

In 2018, all employees entered into or had labour contracts with Conch Cement, and there was no incident of employing child labour.

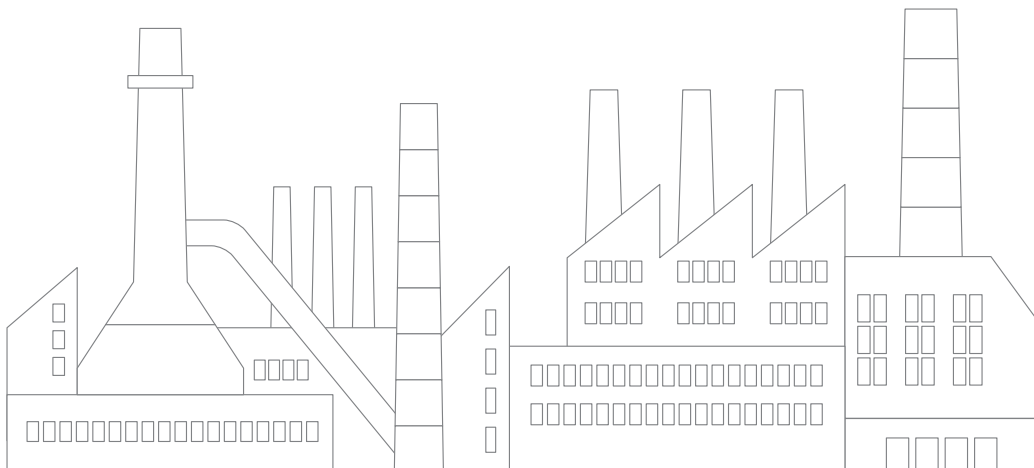
Protecting Benefits to
Ensure Dignity of Work

The company strictly implements the requirements of the Social Insurance Law, Regulations on Paid Annual Leave of Employees (《職工帶薪年休假條例》), Special Rules on the Labour Protection of Female Employees (《女職工勞動保護特別規定》) and other relevant laws and regulations, and has established a complete human resources management system to fully protect the benefits of employees, ensuring that employees work with dignity.

The Company fully pays endowment, unemployment, employment injury, medical and maternity insurances and housing provident fund for all employees. During the Reporting Period, the total expenditure of various types of insurances and provident fund was RMB1.273 billion, and the social insurance coverage rate was 100%. In addition, in order to improve the retirement benefits of employees, the Company pays enterprise annuity for the employees depending on their individual wishes. In 2018, all subsidiaries of the Group completed contribution of the enterprise annuity. The participation rate of employee was over 90%, and the enterprise annuity expenditure totalled RMB147 million.

The Company guarantees the right of all employees to rest and vacation, strictly implementing the system of paid vacation for employees as well as the system of overtime pay for national statutory holidays and various vacation systems. During the Reporting Period, the Group offered 8.5 days of paid vacation per capita.

We fully respect human rights, pay attention to protecting the privacy of employees, and include in the human resources management system a section covering privacy management such as recruitment and assessment.



06

SUPPLY CHAIN
MANAGEMENT

Adhering to the principle of “consultation, cooperation and sharing”, the Group is committed to creating a positive atmosphere of mutual benefit and mutual growth with partners. The Company works to expand its purchase channels by making procurement by way of open tender and vigorously promotes sunshine procurement. We conduct careful selection and accountability appraisal to actively promote supplier obligation performance. We also innovate cooperation mode and establish mechanism for exchange of needed goods, striving to build a responsible supply chain.





SUPPLY CHAIN MANAGEMENT

Expanding Purchase Channels to Ensure Responsible Procurement

The Group has continuously established and improved the regulation system to fully take advantage of scale procurement. The Company has formulated the Tentative Measures for Material Supply Management (物資供應管理暫行辦法), Administrative Measures for Tendering of Material Procurement (物資採購招標管理辦法), Implementation Rules for Tendering of Material Procurement (物資採購招標實施細則) and Administrative Measures for Supplier Management (供應商管理辦法), and has established the three-level material supply management system comprising the headquarters, regional departments and subsidiaries. During the Reporting Period, focusing on "increasing the ratio of unified purchases and distributions", all regional companies fully researched the resources in their respective regions and integrated the market raw material resources to take advantage of the scale procurement, recording a regional scale procurement ratio of more than 60%, thereby ensuring the stable supply of raw materials at economic prices.

The Group promotes sunshine procurement and advocates sincere cooperation with suppliers to achieve mutual benefit and win-win cooperation and effectively protect the basic rights and interests of suppliers. Since 2016, the Company has worked to expand its purchase channels by making procurement by way of open tender. The launch of the "Online Sunshine Purchase Platform of Conch", an Internet tool, enables suppliers to register and submit a tender independently, which further improved the relatively independent procurement monitoring and management mechanism. Compared with the traditional tender method, the online procurement platform is more transparent and more effective in protecting the legitimate rights and interests of suppliers. As at the end of the Reporting Period, a total of 2,080 tender projects had been carried out on the "Online Sunshine Purchase Platform of Conch", with 6,472 suppliers registered on the platform on their own.

The Group integrates the social responsibility philosophy into the whole process of procurement management and

promotes responsible procurement:

In procurement process control, the Company integrates tendering and procurement and promotes transparency of the tendering process to regulate tendering management. We continuously strengthen supervision and auditing, resolutely prohibit the commercial bribery in the tendering process, and voluntarily accept the supervision of the government and the public.

In choosing supply channels, the Company prioritizes local procurement and domestic products to minimize procurement costs and carbon emissions from business travel during transportation of procurement goods. In 2018, the Company researched and formulated the "Standards for Use of Domestically-Produced Parts of Construction Machinery". During the year, we used more than 5,000 the well-developed domestically produced parts, with the purchase amount accounting for 19.7% of the purchase of mine accessories, representing a reduction of over RMB72 million in procurement expense as compared with imported parts.

Case study

In order to break the technical barriers of imported lubricant brands, the Company has worked with domestic oil products manufacturers to research the use of imported lubricants by its subsidiary Baimashan Cement Plant, and formulated a proposed program for localized production of imported lubricants and carried out technological verification and discussion. Upon implementation of the program, the Company conducted trial use of domestically-produced lubricants as a replacement in Baimashan Cement Plant (5000t/d clinker production line). During the Reporting Period, the number of imported lubricant brands used by the Company decreased by 2, the number of imported models decreased by 7, and the total procurement cost decreased by 3%-8%. In addition to saving cost, this provides practical experience for the systematic use of domestically produced lubricant as replacement in the standard 5000t/d clinker production line.



In selecting procured products, the Company adapts to the environmental protection trend and has prepared and issued various internal documents on special requirements such as the "Notice on Further Regulating the Use of Industrial Solid Waste" and "Letter on Relevant Requirements for the Treatment of Hazardous Waste", and organized seminar on specific topics. For raw materials exposed to environmental inspection risks, we urge the regional professional teams to formulate plans for using alternative batching ingredients and strictly regulate the approval of the procedures for the use and transfer of various resources, so as to ensure that the quality of products procured and used meet or even exceed the national environmental management requirements.

Strict Selection to Promote Responsibility Fulfilment

The Company has revised and improved the “Administrative Measures for Supplier Management” to conduct strict selection of partner suppliers. In selecting suppliers, the Company comprehensively rates suppliers based on their industry influence and supply capacity, and prioritizes selecting well-known enterprises, listed companies and leading enterprises in the industry with advantages in brand, capital, price and quality as its strategic partners. These suppliers all have scale advantages and strong product quality control and research and development capabilities. They boast good public image, reliable product quality and stable supply capacity. For example, in procurement of raw coal, the Company has established strategic partnerships with large coal enterprises such as Shenhua Group, China Coal Energy, and Datong Coal Mine. In procurement of raw materials, the Company has entered into strategic cooperation agreements with Tongling Nonferrous Metal and Jiangxi Copper. In procurement of oil products and auxiliary materials and spare parts, the Company maintains long-term cooperative relationships with large-scale central enterprises such as PetroChina and Sinopec, as well as internationally renowned brands such as Shell, Mobil, BP, Carter, Atlas, Komatsu and Michelin. As at the end of the Reporting Period, 3,051 suppliers had established cooperative relationships with the Group, 2,715 of which were domestic and 336 were overseas.

The Group has set up and updated a strict supplier entry mechanism to conduct comprehensive review and full life-cycle management of suppliers. The Company takes suppliers’ responsibility fulfilment into consideration, and drives the suppliers’ voluntary fulfilment of social responsibility by setting forth relevant terms in the contracts and agreements, for example, the Company sets forth the acceptable upper limit of the weight of harmful substances (MgO, chloride, cesium, etc.) in different raw materials, and rejects products containing harmful substances that exceed the acceptable upper limit as indicated in the test results, so as to urge suppliers to pay attention to protecting the environment, produce qualified products, and voluntarily obtain environmental quality system certification. In agreements, we set forth terms such as “when driving in the buyer’s plant, the seller’s vehicles used to carry goods must follow the route specified by the buyer. The drivers of the carrier’s vehicles must strictly abide by the buyer’s on-site management regulations. In particular, during the loading, unloading, transportation and lifting of the goods at the buyer’s working site, the safety of the

buyer’s field operators and the carrier’s drivers must be protected”, thereby urging suppliers to operate safely and fulfil their respective safety responsibility.

In performing contracts, the Company supervises and inspects the suppliers’ responsible operation conditions on a regular or irregular basis, establishes supplier credit profiles, eliminates suppliers that have significant actual and potential negative impacts on the environment, and prohibits suppliers with material failure to fulfil their social responsibilities from participating in tendering again. During the Reporting Period, the Company reviewed 1,846 suppliers, 29 of which were rejected due to non-compliance in relation to social responsibilities. Among the suppliers that have established long-term cooperation with the Group, the passing rate of the ISO14001 international environmental quality management system certification was 100%.

Mutual Benefit and Mutual Responsibility

Upholding the philosophy of mutual benefit and win-win results, the Group actively explores new cooperation models with suppliers. In 2018, in response to the state’s environmental protection requirements, the Company fully leveraged its advantages of large-scale procurement and abundant cash

flow to help suppliers digest and clean up the inventory at storage yards outside smelting plants. Throughout the year, we digested 900,000 tonnes of various types of waste residues, which not only created good economic benefits, but also fulfilled our environmental responsibilities as a large enterprise, achieving cooperation and win-win results in the supply chain. In addition, the Company took advantage of the spring and summer electricity consumption peaks to actively negotiate with the power plants near the subsidiaries, and obtained direct supply of resources such as flyash and desulfurization gypsum, which not only eased the shortage of the Company’s auxiliary materials supply, satisfying production needs and saving procurement funds, but also produced good social benefits.

The Group has established a mechanism for exchange of needed goods with its suppliers to actively carry out extensive exchanges and cooperation. We invite suppliers to visit the Company, so we can provide them with information on the latest developments in technological transformation, product upgrade and equipment improvements in the cement industry, thereby helping suppliers continuously improve the applicability of their products and promote their R&D capabilities and market competitiveness, and reaching consensus on building a responsible industry chain.

Case study

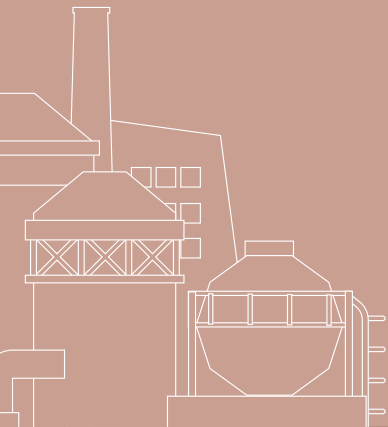
In August 2018, the Company invited the large coal enterprise Tongmei Group to an “Exchange Meeting on Coal Use Process” held in Tongling Conch, where the two companies exchanged views on topics such as the current supply situation of the coal market, quality of the coal supplied, issues to be coordinated in the use process, and the advanced technology of production management. The Company shared with Tongmei Group the experience of using different types of coal in the cement production process, the requirements of the cement industry on the calorific value, humidity, and other aspects of coal, and the management experience in the safety and environmental protection of limestone exploitation and cement clinker production. In addition, the Company led Tongmei Group to visit Tongling Conch’s advanced clinker production line, and explained the principle of the domestic waste treatment technology with the use of cement kilns. Through visiting and communicating, we guide suppliers to reasonably allocate coal types, enhance coal quality, and improve the applicability of coal supply. This not only enhances the friendly cooperation between the two parties, but also help draw on the advanced production management experience of each other to form a synergistic philosophy of saving resources and protecting the environment, thereby better fulfilling social responsibilities.



07

PRODUCT
LIABILITY

Product quality is the core competitiveness of an enterprise. Upholding the operational principle of “best quality and dedicated services”, the Group has continuously enhanced its internal management and product quality, in order to build a world-renowned brand. The Group also constantly optimized its supply, marketing and logistics system, and polished its service system so as to provide the best services in the cement industry.





PRODUCT LIABILITY

Diversified Product Portfolio and World-Renowned Brand

The Group produces a wide range of cement products that meet demands of various customers. It primarily manufactures and distributes 52.5-grade cement, 42.5-grade cement and 32.5R-grade cement, which are extensively used in infrastructure construction including railways, highways, airports and hydraulic facilities as well as urban property development and rural markets. In addition, the Group produces and distributes special high-end cements such as cement for nuclear power generation and nonmagnetic cement. Cement for nuclear power generation is particularly used in nuclear power projects thanks to its small temperature and size change under heat. Nonmagnetic cement highly fits buildings that contain precision equipment, navigation and positioning system and other devices requiring minimum geomagnetic and electromagnetic interference. In addition, the Group's clinker and cement conforming to American standards have been exported to the US and other countries, and earned a solid reputation in these markets.

"CONCH" has been recognized as Well-known Trademark by the Trademark Office of the PRC. The Group's products have been extensively used in big projects at home and abroad, such as Hong Kong International Airport, Beijing-Shanghai High-speed Railway, Hangzhou Bay Bridge, Shanghai International Financial Centre, Tianwan Nuclear Power Station at Lianyungang, Jiangsu, Burj Khalifa Tower at Dubai, and San Francisco-Oakland Bay Bridge. In the meanwhile, the Group's products have been exported to the US, Europe, Africa and many other countries in Asia. Its product quality has gained recognition from global customers. In 2018, the Group took part in cement supply bidding for 135 important construction projects, including Anjiu Railway, Jiangxi-Shenzhen Railway, Guiyang-Nanning Railway, Guangzhou-Lianzhou Expressway, Shanghai-Shanxi Expressway and Framework Tender of China Railway Group. We won over 85% of the tenders for important construction projects. As of the end of the Reporting Period, we were still supplying cement to 125 important projects, including Nanchang-Ganzhou Passenger Rail Line, Hangzhou-Shaoxing-Taizhou Inter-city Railway and Shanghai-Nantong Railway.

Case study

Samsung C&T held Chinese Supplier Convention at Shanghai in December 2018. On the convention, the Group was awarded the title of "Outstanding Supplier" for its major contribution to the construction of the 3202 section of DCM project of the third runway of Hong Kong International Airport.

Samsung C&T is a world-renowned contractor. The Group started to cooperate with Samsung C&T since February 2016. After winning the tender for the 3202 section of DCM project of the third runway of Hong Kong International Airport, Samsung C&T appointed the Group as its main cement supplier. The Group has established a special taskforce to ensure the cement supply for the project, and the taskforce was headed by the general manager. The Group's internal departments have closely cooperated with each other, and fully leveraged the geographical advantages and strong production capacity of related factories to ensure the cement supply for the project. During the project, the Group managed to overcome the challenges posed by the Typhoon Hato, the move of the transit warehouse at Shenzhen, the closure of navigation on Xi River and other emergencies. From December 2016 to September 2018, the Group supplied a total of 0.83 million tonnes of cement in 822 voyages.

The Group's excellent performance in the 3202 section of DCM project of the third runway of Hong Kong International Airport was highly recognized by the contractor and the Hospital Authority. The 3202 section is deemed to have the best cement quality and the most orderly cement supply. Through this project, the Group won more opportunities for supplying cement in international projects, and became cement supplier at 3203 section, 3204 section and 3206 section, as well as the reclamation and waste incinerator construction project at Shek Kwu Chau, Hong Kong. As of the end of 2018, the Group has supplied a total of about 2 million tons of cement to the project of the third runway of Hong Kong International Airport, accounting for 45% of total cement supply to DCM project. The Group is now the biggest cement supplier in the project of Hong Kong International Airport. The Group's successful cement supply for the project significantly boosted its brand awareness in HK and international markets, and helped the Group accumulate important experiences that can be conducive to the Group's future cement supply for other overseas large projects.



Strengthening Management to Ensure the Best Quality

The Group has been upholding the management philosophy of “pursuing clinker of high quality, cement of consistent quality and services of superior quality”. It has adopted a detail-oriented management mode, and stringently maintained product quality. The Group’s three-level quality management system comprising the headquarters, regional departments and subsidiaries enabled the Group to carry out bottom-up level-by-level reviews, and formulate and implement the best raw material and cement ingredient supply plans. In addition, the Group has monitored every day, analysed every week and summarized every month the inadequacies in the process of implementing the above plans. Monthly reports were submitted and rewards and punishment mechanisms were put in place to ensure adequate execution of the above plans. The clinker ratio and factory-fresh strength of the Group’s cement products both exceeded national standards. All of the Group’s subsidiaries have been certified with the ISO9001 Quality Management System. During the Reporting Period, the Group maintained stable product quality and no material quality incident occurred.

The Group has put in place an accountability system for the quality control work, and kept tightening the disciplines in respect of quality. The Group has

mapped out the “Red-Line Standards for Quality Control” (《品質專業管理品質紅線標準》), which are applicable to all of the Group’s subsidiaries. Officers-in-charge and responsible department heads in subsidiaries that fail to fulfil such standards shall have demerits for such failure in the performance assessment. In day-to-day management, the quality was given the top priority, and anything that can jeopardize product quality will be vetoed. Quality control were directly linked to the rewards, punishment and promotions in subsidiaries, so as to boost the quality awareness of employees.

The Group has leveraged cutting-edge technologies to constantly innovate management of product quality. Quanjiao Conch, a subsidiary of the Group, has built a brand-new smart factory that can centralize production management, equipment management, marketing, logistics and other core functions through mobile Internet of Things, sensor monitoring, three-dimensional simulation and artificial intelligence technologies. The factory manufactures in a smart manner, and provides enough safeguards through operation and maintenance. The smart management mode of the factory finally translates into higher operating efficiency. The quality control system on its smart production platform has integrated automatic sampling, sample transmission, online check, automatic check and smart

ingredient supply. Users of the system can control the entire process in a smart manner by inputting orders with only one key. After the users input the clinker and cement quality control targets into the smart quality control system, the system will automatically complete the ingredient supply based on the raw materials and fuels. Automatic sampling and analysis can be conducted on the raw materials and fuels, as well as the ingredients and cements. Multiple element analysers and other online analysers will inspect at an interval of less than one minute. Such smart quality control system reduced employees’ burden by 30% and increased the test frequency by 50%, which enhanced the stability in product quality.

Our efforts have borne fruits. In 2018, our stable product quality and strong management earned us the fourth Quality Award of Anhui Provincial People’s Government, which is the highest accolade for quality excellence in Anhui Province, and features very stringent selection standards. The award not only reflects the government’s recognition of the Group’s achievement in quality control, but also encourages the Group to pursue bigger success. We will further enhance our product quality. During the Reporting Period, our subsidiaries won recognition from various organizations and earned many accolades for their strong sense of responsibility in quality control, and excellent product quality.



Beiliu Conch
Special Award in Nationwide
Chemical Analysis Comparison



Lingyun Tonghong
Special Award in Nationwide
Chemical Analysis Comparison



Yiyang Conch (益陽海螺)
Mayor Quality Award of Yiyang City



Liangping Conch
Special Award in Nationwide
Chemical Analysis Comparison



Guangyuan Conch
Low-Carbon Product Certificate



Bazhong Conch
Famous Brand in Bazhong

Quality Control Accolades Won by the Group in 2018

Region	Award-Winning Entity	Award Name	Time	Organizations Granting Award
Anhui	Tongling Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
		2017-2018 Preferred Five-Star Cement Qualified Supplier in Shanghai	November 2018	Shanghai Cement Industry Association
	Xuancheng Conch	Excellent Standard Laboratory	July 2018	China Building Materials Federation
		Famous Brand in Anhui Province	November 2018	Anhui Brand Strategy Promotion Committee
		Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Chizhou Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
		Famous Brand in Anhui Province	November 2018	Anhui Brand Strategy Promotion Committee
	Wuhu Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
Guangxi Region	Xingye Conch, Fusui Conch, Beiliu Conch, Lingyun Tonghong	Special Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Xing'an Conch, Long'an Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Beiliu Conch	Example for Quality Control among Industrial Companies in Guangxi	February 2018	Industry and Information Committee of Guangxi Autonomous Region
		Famous Brand in Guangxi Province	May 2018	Bureau of Quality and Technical Supervision of Guangxi Autonomous Region
	Fusui Conch, Xingye Conch, Xing'an Conch, Beiliu Conch, Long'an Conch and Lingyun Tonghong	Verified Outstanding Unit in Guangxi Cement Product Quality Comparison in 2017	May 2018	Building Materials Quality Inspection Station of Guangxi Autonomous Region
Shaanxi and Gansu Region	Jinling River Cement	Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Liquan Conch, Hami Hongyi, Pingliang Conch, Qianyang Conch, Zhongxi Phoenix Mountain Cement	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Qianyang Conch	2017-2018 Outstanding Unit in Quality Control	August 2018	Quality Promotion Committee of Qianyang County
Yunnan Region	Wenshan Conch, Kunming Conch	Overall Excellence in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement

Quality Control Accolades Won by the Group in 2018 (Continued)

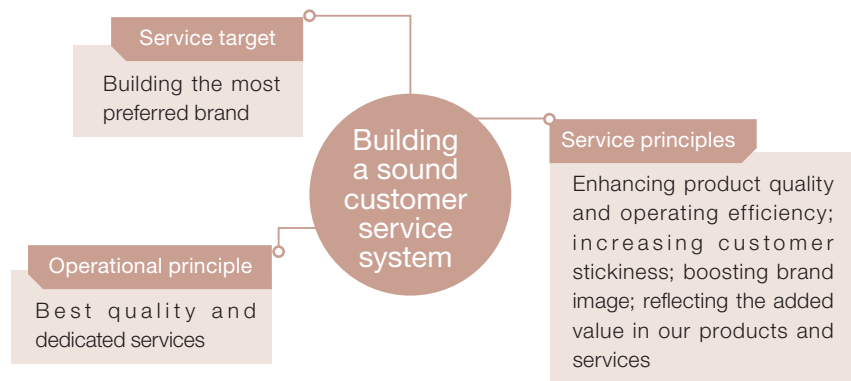
Region	Award-Winning Entity	Award Name	Time	Organizations Granting Award
Jiangsu Region	Baling Conch, Jining Conch, Yangzhou Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison in 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Maanshan Conch	2017-2018 Two-Star Cement Supplier in Shanghai	November 2018	Shanghai Cement Industry Association
	Yangwan Conch	Recommended Cement Qualified Supplier in Shanghai	November 2018	Shanghai Cement Industry Association
Guizhou Region	Guiding Conch	Second Prize at the First Quality Knowledge Competition in Guizhou	December 2018	Construction Brand Research Institute at Guizhou
		Leader in Product Standards in Guizhou	December 2018	Bureau of Quality and Technical Supervision of Guizhou Province
	Guiding Conch, Shuicheng Conch, Anlong Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
Northern Anhui Region	Chaohu Conch, Bengbu Conch, Bozhou Conch	Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Bengbu Conch	Famous Brand in Bengbu City	November 2018	People's Government of Bengbu City
	Huainan Conch, Lu'an Conch, Changfeng Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
Jiangxi Region	Jianyang Conch	Excellent Standard Laboratory	October 2018	Building Material Industry Association of Fujian Province
	Jianyang Conch, Ganzhou Conch, Yiyang Conch (戈陽海螺)	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Lushan Conch	The First District Chief Quality Award in Lianxi District	August 2018	People's Government of Lianxi District
Sichuan and Chongqing Region	Liangping Conch	Special Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
		Excellent Operator Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
		Low-Carbon Product Certificate	July 2018	China Quality Certification Centre
	Guangyuan Conch	Low-Carbon Product Certificate	January 2018	China Quality Certification Centre
	Bazhong Conch	Famous Brand in Bazhong	October 2018	People's Government of Bazhong City
Zhejiang Region	Ningbo Conch, Qiangjiao Conch, Taizhou Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Jiande Conch, Shangyu Conch, Ningbo Conch, Qiangjiao Conch, Taizhou Conch, Xiangshan Conch, Leqing Conch	Overall Excellent Unit in Comparison in Zhejiang	July 2018	Zhejiang Subsidiary of China Building Material Test & Certification Group Co., Ltd.
	Ningbo Conch, Qiangjiao Conch, Taizhou Conch, Xiangshan Conch, Yueqing Conch	Excellent Standard Laboratory	October 2018	Zhejiang Cement Association

Quality Control Accolades Won by the Group in 2018 (Continued)

Region	Award-Winning Entity	Award Name	Time	Organizations Granting Award
Hunan Conch	Liaryuan Conch	Excellent Laboratory	November 2018	China Building Materials Federation
	Shimen Conch	Excellent Quality Control Team in Hunan Province in 2018	July 2018	Bureau of Quality and Technical Supervision of Hunan Province
		Excellent Laboratory	December 2018	China Building Materials Federation
	Yiyang Conch (益陽海螺)	Unit with Outstanding Quality Control in 2018	January 2019	Quality Control Committee of Yiyang City
		Excellent Quality Team in Hunan Province in 2018	July 2018	Bureau of Quality and Technical Supervision of Hunan Province
		Mayor Quality Award of Yiyang City	December 2018	People's Government of Yiyang City
	Hunan Yunfeng	Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Jianghua Conch	Excellent Laboratory	July 2018	China Building Materials Federation
	Jianghua Conch, Linxiang Conch, Shaoyang Yunfeng, Shimen Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Shaoyang Yunfeng	Quality Credit Certificate	September 2018	Hunan Quality and Technology Assessment Centre
	Shuangfeng Conch	Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
Shanghai Region	Mingzhu Conch	Recommended Cement Qualified Supplier in Shanghai	December 2018	Shanghai Cement Industry Association
		Recommended Transited Bulk Cement Qualified Supplier in Shanghai	December 2018	Shanghai Cement Industry Association
		Overall Qualification Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Haimen Conch	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
		Recommended Five-Star Cement Qualified Supplier in Shanghai	November 2018	Shanghai Cement Industry Association
	Taicang Conch	Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
		Outstanding Unit in Cement Quality Comparison in 2018	October 2018	Jiangsu Testing Centre for Quality of Construction Engineering Co., Ltd.
		Recommended Five-Star Cement Qualified Supplier in Shanghai	November 2018	Shanghai Cement Industry Association
Guangdong Region	Jiangmen Conch	Special Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Prosperity Conch, Yingde Longshan	Overall Excellence Award in the 16th Nationwide Cement Chemical Analysis Comparison under 2018 "Hongchao Tech Cup"	October 2018	National Quality Supervision and Testing Centre for Cement
	Prosperity Conch, Yangchun Conch, Qingxin Conch, Jiangmen Conch, Foshan Conch, Zhanjiang Conch, Maoming Conch, Guangying Conch	Overall Excellent Unit in Cement Comparison under Guangdong "Chuang'er Cup" in 2018	October 2018	Guangdong Cement Quality Inspection Station (Guangzhou)
	Yangchun Conch	Standard Laboratory	November 2018	China Building Materials Federation

Optimizing Our System to Enhance Our Services

The Group follows the principle of “Customer First”. We constantly optimized our services and endeavoured to provide the best products and services to customers.



The Group kept optimizing its supply, marketing and logistics system. It has strived to build a highly efficient and smart logistics system. Since 2016, the Group's subsidiaries started to use a centralized information management system for its supply, marketing and logistics activities. The system functions as a logistics information management platform that primarily supports the supply and marketing activities of the Group. It also covers the e-commerce order placing, verification of vehicles entering and exiting factories, weighing, loading and unloading, and other business processes. The system can also issue cards and weigh products automatically, provide queuing services, and control bulk cement delivery, code spraying, counting and other subsystems. The system involves order placing, planning, weight management and delivery. With a closed circle and many anti-fraud features, the system can standardize the business procedures and effectively control operational risks. The system can also boost delivery efficiency and reduce employees' burdens by automatically analysing and processing transactions at different points of the system. As of the end of the Reporting Period, the "Conch-Specific" supply, marketing and logistics information management system, developed by Conch Information Engineering Co., Ltd., was running in over 90 subsidiaries of the Group, which means the system has covered all domestic cement factories of the Group.

The Group continued to improve its communication channels with customers, so as to ensure its customers receive better services. The Group opened the 400 National Customer Service Hotline in April 2018, and put in place related systems and operational procedures. The hotline received about 3,000 calls across the year, and asked for advices and suggestions from customers every day. It sought advices from about 20,000

customers across the year, which enabled the Group to timely understand and resolve the complaints about product and sales service made by customers, and further enhance customer satisfaction.

The Group has used information technology to build service valuing and sales staff supervision system. In addition to calling back customers, following up on after-sale services and urging related staff to perform their service duties, the Company attempted to build an e-commerce client-end sales service assessment system, which allowed customers to monitor and assess sales and service staff timely, conveniently and rapidly. In addition, incentive mechanism was put in place to encourage customers to participate in such assessment. The system has automatically classified and prioritized the assessment results, and helped the Group solve problems in sales service, customer management, sales policy execution and employees' compliance with regulations and rules. The system has enabled customers to take part in the Company's management and assessment activities, which eventually boosted customers' trust in the Company and enhanced brand loyalty.

The Company has effectively protected

customers' privacy and kept customer data confidential. All sales contracts signed by the Company with its customers have stipulated confidentiality obligations. In addition, sales staff who have direct or indirect access to customers shall sign "Non-Disclosure Agreement", so as to prevent any unauthorized disclosure of the customers' privacy, information or business secrets.

The Group highly cherishes its brand, and has actively protected its brand image. The fake "Conch" cement not only violates the Company's trademark, but also infringes consumers' right to know about a product. What's worse, counterfeit product can pose risks to safety. To ensure fair competition in the market and protect consumers, the Company has relentlessly combated any manufacturing or sale of counterfeit products, or any infringement of trademarks. In 2018, the Company participated in about 30 anti-counterfeit operations, and helped seize 303 tonnes of counterfeit cement and 94,800 packs of fake "Conch" cement. In addition, the Company won the lawsuit against Zhejiang Fangjue Company, whose use of the "CGNAH" trademark has violated the Group's rights. The case is among the top ten intellectual property cases in Jiangsu for 2018 as selected by Jiangsu High People's Court.

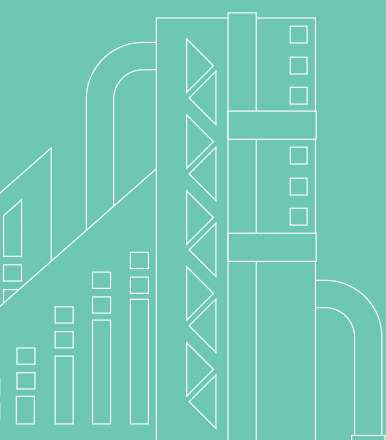
Case study

Shenzhen region is a market where there is no local cement maker. Cement used in this market is all shipped from other regions. Therefore, lots of cement brands are available in Shenzhen market, and their qualities are uneven. Because cement is a construction material particularly used by construction companies, cement makers seldom do advertisements. People outside of the cement industry will find great difficulties in telling genuine cement from fake. On 15 March 2018, the Company received a report from related entities, and employees from the Centralized Sales Department went to the scene together with reporters of local TV program Spot News and officers of Market Supervision Administration of Shenzhen Municipality. About 29 tonnes of fake Conch cement were seized at the scene. We also actively worked with Market Supervision Administration of Shenzhen Municipality in tracing the source of the fake cement products, and finally found and eliminated the fake cement production facilities.

08

ANTI-CORRUPTION

Corruption activities violate business ethics, which may damage corporate image, and are not conducive to creating a market environment for fair competition. Anti-corruption is essential to the implementation of the people-oriented development strategy by state-owned enterprises, and is also fundamental to the sustainable, stable and healthy development of the state-owned enterprises. The Group has continued to construct a clean Party organization, strengthen the supervisory & audit function, and promote business integrity, so as to build and reinforce workplace integrity.





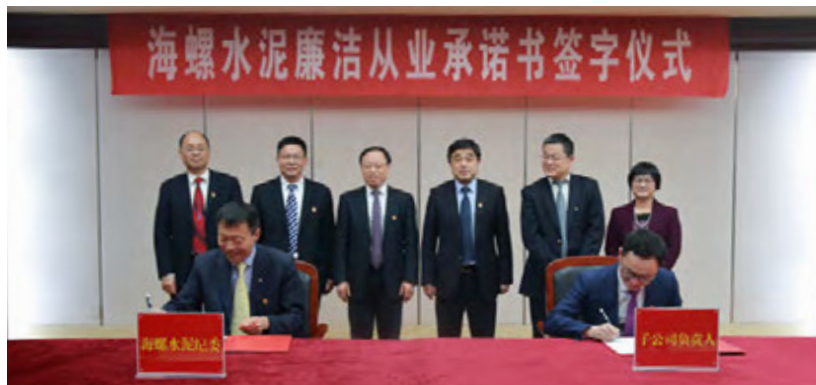
ANTI-CORRUPTION

Constructing a Clean Party Organization to Effectively Stem Corruption

The Group has integrated Party building into its operation and management as well as corporate culture. The Group gives full play to the leading role of the Party Committee and the supervising role of the Discipline Inspection Commission. Since it's included in the Company's Articles of Association, the party building work has set a role model, helped facilitate the Company's business development, and boosted the internal management and efficiency. The Company's disciplinary inspection work has been well integrated into the internal control. Disciplinary inspection staff regularly examined risk exposures as per the internal control procedures, and participated in the Company's key operating activities, such as market researches, bidding and tender, and regulation implementation, among others. They have ensured the legitimacy and transparency of the Group's operating activities, and effectively prevented fraud and corruption. In 2018, the Group conducted sample tests on project payments of 76 subsidiaries, which helped the Group control risks in project payment. The Supervisory & Audit Department at the Group's headquarters has monitored and managed the entire tender processes of the Group's operational departments and offices.

The Group maintained a leadership and working mechanism where the Party Committee leads everyone, the Party and Administrative Organizations jointly

manage, the Disciplinary Inspection Committee coordinates and each department has its respective duties. The Group has integrated the accountability system of Party organization into concrete production and operating activities of the Group. During the Reporting Period, the Group signed Liability Statement in respect of Clean Party Organization Construction with Party Secretaries (General Party Branch Secretary) in 75 subsidiaries. In addition, the Group signed Liability Statement in respect of Overseeing Construction of Clean Party Organization with secretaries of disciplinary inspection committees in 99 subsidiaries. The Group also required key employees at the headquarters and regional subsidiaries to sign the Letter of Commitment in Integrity.



The Group has unwaveringly upheld the Xi Jinping Thought on Socialism with Chinese Characteristics and the spirits of the 19th National Congress of CPC, and put such thoughts and spirits into practice in the process of constructing the clean Party organization. The Group's Party Committee has organized educational activities that promote loyalty, discipline and moralism. The Party Committee members and all Party members have studied the "three requirements for ethical behaviour and the three basic rules of conduct" ("三严三实"要求), the constitutions, rules and disciplines of the Party, as well as some bad examples, so as to reflect upon their own inadequacies in political awareness, works and personal styles, boost their loyalty to the Party, enhance their self-discipline and meet high political and moral standards. These efforts translated into strong integrity of senior executives and a clean political environment in the Group. After promulgation and implementation of the revised Regulations of the Communist Party of China on Disciplinary Measures (《中国共产党纪律处分条例》), the Group's Disciplinary Inspection Committee organized a activity to study the regulations on the online education platform of Anhui Provincial Disciplinary Inspection Committee. 4,437 party members of the Group joined the study and accepted tests on their study results. 100% of them passed the tests.

Led and supervised by the Group's Party Committee, grassroot Party organizations carried out many tests on Party rules and disciplines in 2018. About 5,000 Party members attended the tests. About 2,000 Party members and cadres accepted on-site education on Chinese Revolution History (Study tours for caution purpose). About 300 seminars were held, and about 2,400 study reports for these Party educational activities were submitted. In addition, about 400 democratic life meetings and organizational life meetings were held. These topical educational activities with cautioning elements have promoted the principle of "Ruling the Party Strictly" at the forefront and grassroot level of Party organizations of the Group, which cleansed the political ecosystem of the Group.

Enhancing the Supervision & Audit to Curb Harmful Practices

The Group vigorously advocates the concept of "honesty and integrity and lawful operation", and leverages both institutions and active management based on the principle of "Prevention in advance, supervision in process, and punishment followed". The Company has set up supervisory & audit office and project audit department, which supervise the Group's internal operations regularly, with a particular focus on important areas. To further standardize the internal supervision & audit, and ensure managers at each level perform their duties, the Group issued the Conch Cement's Tentative Measures for Efficiency Supervision (Draft for Trial) (《海螺水泥公司效能监察工作暂行办法(试行稿)》), which stipulated the systems and procedures for the internal supervision & audit work. In addition, the supervisory & audit staff examined the compliance and implementation of due procedures in key areas, positions and processes that involve centralized powers, large-amount transactions and rich resources, and therefore are subject to high risk of corruption. The supervisory & audit staff have focused on detecting shortfalls in management, and addressing negligence, malpractice and inefficiency at work. Moreover, they have relentlessly pursued accountability in any misconduct. In 2018, 10 special efficiency supervision initiatives were carried out, and 45 proposals for management improvement were put forth.

The Group has strictly complied with the eight regulations of austerity (八項規定) promulgated by the Political Bureau of the Central Committee of the CPC, and vigorously stemmed harmful practices. The Group has amended Detailed Rules for Caution Talks, Inquiries and Discipline Talks with Leader and Cadres at Conch Cement (海螺水泥領導幹部警示約談、函詢及誡勉談話制度實施細則), Rules for Implementing the Eight Regulations of Austerity and Promoting Righteous Practices in Conch Cement (海螺水泥貫徹落實中央八項規定精神深入推進作風建設實施辦法), and others. The Group also appointed a dedicated supervisory team to organize caution seminars at 17 subsidiaries, including Baimashan Cement Plant, Wuhu Conch, Nantong Conch, Liangping Conch, among others. These seminars were held at statutory holidays such as spring festival, New Year's Day, Dragon Boat Festival, Mid-Autumn Festival and National Day Holiday. They aim to convey the spirits in the Eight Regulations of Austerity, and made clear ten practices were strictly banned, including using the Group's money for dining or gifting, using the Group's vehicles for personal purpose, among others. On the seminar, the supervisory team required all employees of the Group to perform their due obligations, enhance self-discipline and pursue accountability in wrongdoings. In addition, special inspections and researches were conducted to vigorously stem any formalism, bureaucracy, hedonism and extravagance, and detect and rectify any weaknesses in the Group's existing practices.

The Company has carried out many inspections at the grassroot level, so as to ensure righteous practices at every level of operation. The Disciplinary Committee members at the headquarters of the Group have carried out inspections at 13 grassroot units in Anhui Province, Shanghai Region and Northern Anhui

Region. These inspections were conducted under the themes of "How to carry out inspections and ensure effective discipline supervision under new normal?", "How to carry out anti-corruption education?" and "Constructing a sound prevention and supervision system". The inspections enabled the Disciplinary Committee to have better understanding of what's happening at frontlines. Four inspections reports were submitted to expose 24 problems. Thirty proposals for management improvement were put forth.

The Company also standardized the reporting and whistle-blowing procedures, enhanced the accountability system in supervision and disciplinary enforcement, and imposed severe punishment for corruption. The Company's supervisory & audit department has adopted the principle of "hierarchical responsibility and assigning tasks to dedicated office and personnel". It prioritized the clues and real-name reporting referred by the Disciplinary Committee at superior levels, and reported to the Disciplinary Committee at superior levels about the received reporting and whistle-blowing on a monthly basis. The supervisory & audit department has cracked down on irregularities through various inspections, notification, admonishment, organisational enforcement and disciplinary punishment. In 2018, the Group processed 37 reporting and whistle-blowing cases, and 100% of these cases were settled within required period.

Promoting Integrity and A Compliance Culture

The Group believes lawful and compliant operation as well as integrity are the cornerstone for its healthy and sustainable development. We advocate fair competition in domestic market, and go against monopoly price, conspiracy

in bidding, predatory pricing, and any other form of unfair competition. In areas subject to high risk of corruption, such as materials procurement and project bidding, the Group strictly complies with the Tentative Measures for Tendering of Material Procurement (《物資採購招標暫行辦法》) and Tentative Regulations for Bidding Management of Construction Projects(《工程建設項目招標管理暫行規定》). This enabled the Group to realize sunshine procurement. In international market, the Group has observed local laws and rules, carried out bidding and tenders in compliance with related standards, and ensured all its transactions are lawful, thereby helping create a fair operating environment.

The Group has attached great importance to professional ethnics and integrity education, and unswervingly promoted the compliance culture. The Group has held regular trainings in related systems, and urged leaders to set role model for observing laws and disciplines and upholding integrity. The Group prepared Audit Information Brief Report every quarter, which provides guidance to the Group's management, regional leaders and officers-in-charge at different departments. In addition, the Group particularly focused on educating key employees at the supply, marketing, financial and office affairs-related departments. Integrity trainings for these employees were held at Jiangxi, Jiangsu, Anhui, Sichuan and Chongqing in conjunction with on-site audits, whistle-blowing case inspection and management meeting at professional departments and offices. In 2018, the Group organized 26 integrity trainings and 5,000 employees attended such trainings.

The Group kept exploring new ways to uphold business integrity and promote integrity culture. In 2018, the Company analysed the corruption cases that occurred in the past few years. Based on the analysis results, the Disciplinary Inspection Committee of the Group prepared the training course materials named "Understanding Our Situations, Remembering Our Responsibilities, Exercising Self-Discipline and Promoting Business Integrity" (《認清形勢 牢記責任 嚴於律己 廉潔從業》). The training materials were distributed to subordinate Party organizations in compact disc form. In addition, the Group has prepared training course materials about disciplinary and supervision system, and launched the disciplinary inspection training week. These training materials were distributed to disciplinary inspection committees at lower levels, and used in integrity and cautioning education at different units. These efforts boosted staff integrity throughout the Group, and strengthened employees' capabilities of resisting corruption.



09 CONSTRUCTION OF A HARMONIOUS COMMUNITY

The Group has actively facilitated the formation of harmonious communities, and dedicated itself to giving back to the society and fulfilling social responsibilities. The Group has launched the "Conch Initiative", a program that aims to promote the targeted poverty alleviation and help the underprivileged. The Group also actively supported charity and cared for community members, and has become a pioneer in helping build harmonious communities. The Group strived to build good relations with local communities when operating in countries along the route of the Belt & Road Initiative. By doing this, the Group is becoming a respected pioneer in overseas market.





CONSTRUCTION OF A HARMONIOUS COMMUNITY

Giving Back to the Society Through Targeted Poverty Alleviation

The year 2018 is an important transitional year for the implementation of the 13th 5-Year Plan. Targeted poverty alleviation is one of the three tough battles determined on the 19th National Congress of CPC for securing a decisive victory in finishing the building of a moderately prosperous society in all respects. It is also one of the major strategic first century goals of China, and a very important step in the campaign for eliminating poverty. The Group

has integrated its strategic planning into the nationwide poverty alleviation and development strategy of China. In addition, the Group has put into practice the concept of refined management, accurate deployment and targeted support. To effectively promote the targeted poverty alleviation, the Group has set up a guarantee mechanism, given full play to the leading role of Party organizations in poverty alleviation work, adapted to local conditions, built linkage between upper and lower levels, and strived to build a long-term mechanism for industrialized poverty alleviation.



Guarantee Mechanism

The Group continued to improve its poverty alleviation mechanism to provide effective guarantee for the poverty alleviation work.

- **We put in place organizational guarantee at first**

The Company's Party committee has always given priority to the poverty alleviation work. It established a leading group for poverty alleviation at designated poverty-stricken villages. Related subsidiaries were required to support designated units at the poverty-stricken villages, and middle-level to senior managers were required to help designated households. The Group also supported cadres at designated poverty-stricken villages. Such mechanism ensured the efficient operation of the Group's poverty alleviation projects.

- **Effective management system was put in place**

The Company has formulated the Rules for Work Teams Stationed at Villages (《驻村扶贫工作队管理条例》). Such rules stipulated clear requirements regarding supported units, personnel management and remunerations, which in turn enhanced work efficiency of poverty alleviation teams.

- **Special vetting procedures were established**

Based on the principle of "special matter shall be discussed as per special rules, and decisions shall be made case by case", any work plan, personnel arrangements and materials deployment that involves poverty alleviation shall be given priority, and shall not be subject to restriction of related meeting agendas.

- **Capital supply was guaranteed**

Funds and guarantee capitals that were approved by the Group to be used for poverty alleviation shall be separately treated, and be disbursed with priority. Use of such funds or capital was not factored into the performance assessment of the units responsible for the poverty alleviation work.

- **Logistical support was offered**

The Group has kept launching measures to ensure the smooth operation of poverty alleviation projects at designated sites. It has kept increasing remunerations and improving living and workplace conditions of grassroots cadres, thereby enhancing the support for poverty alleviation.



Giving Full Play to the Leading Role of the Party Organizations

The Group has continued to beef up the Party building, and has given full play to the leading role of the Party organization in the poverty alleviation work and ensured that Party members set role models. The leaders of the Group's poverty alleviation taskforces will also act as the first secretary of the village Party branch, and the deputy leaders will act as the members of the village branch. Such arrangement will provide solid political assurance for the poverty alleviation work. Members of the village Party branch committee shall have a confirmed liaison point and designated targets to help. In addition, they shall follow up on and continuously support the households that are no longer poor but have high chance of becoming poor again. Party members at the poverty alleviation entities shall regularly hold meetings at the liaison points and conduct on-site inspections so as to help address the actual problems. They shall also take part in voluntary works to ease the burden of the public at poverty-stricken regions, and have clearly defined roles. In addition, they shall accept supervision and criticism from the public. A promotional window for the poverty alleviation work shall be set up so as to explicitly describe the roles of Conch Cement and the poverty alleviation taskforces. Such promotional window shall also introduce various poverty alleviation and livelihood improvement policies of the Party and Chinese government, so as to timely inform villagers (in particular poor villagers) of such policies.





Alleviating Poverty and Helping the Disadvantaged

Upholding the philosophy of making joint efforts in advancing poverty alleviation and focusing on the combination of poverty alleviation with raising self-confidence and education supports, the Group has made concrete efforts to implement targeted poverty alleviation. Jianglaojia Village, Jiangji Town, Lixin County, Bozhou City; Yuanwei Village, Chalu Town, Huoqiu County, Luan City; Wangjiang County, Anqing City; and Jinniu Village, Quantang Town, Wuwei County, Wuhu City are designated by the Group to receive financial assistance. The Group also actively participated in poverty alleviation in the following regions:

- **The Group continued to boost the public services in poverty-stricken regions**

The Group has increased its investment in livelihood projects such as the residential care homes for the elderly, schools, kindergartens, among others. In 2018, the Group invested over RMB100,000 to upgrade the kindergarten in Jianglaojia Village by changing the concrete grounds into plastics ground. In addition, the Group replaced some chairs, tables, air-conditioners, doors and other facilities, so as to improve the studying and living conditions for children at rural areas. At the eve of the "1 June" Children's Day, the Group donated RMB100,000 worth of uniforms, schoolbags, books and other stationary and sporting goods to about 500 students at Jianglaojia Primary School and Yuanwei Village Primary School. At the eve of the spring festival, the Company donated RMB100,000 worth of daily necessities to over 200 very poor villagers at Jianglaojia Village and Yuanwei Village, so as to show the Group's care for these villagers.

- **The Group also helped poverty-stricken villages to improve their infrastructures**

In 2018, the Group donated 2,000 tonnes of cement to Mopan Village, Huayang Town, Wangjiang County, Anqing City to help build a 10-kilometer village-grade road, a villager service centre and a health centre. Such donation has enhanced the infrastructure of poverty-stricken regions of Wangjiang County. In addition, the Company donated 2,000 tonnes of cement to 4 towns and villages in Xuancheng City, namely Changgou and Guangming Village at Changyang Town, Xuanzhou District; Yingzhou Town, Jixi County; and Congshan Village, Yangxi Town. The Group also donated 500 tonnes of cement to Chentan Village, Lingbi County, Suzhou City. These donations have helped improve infrastructure of poverty-stricken regions and facilitated the construction of beautiful villages.

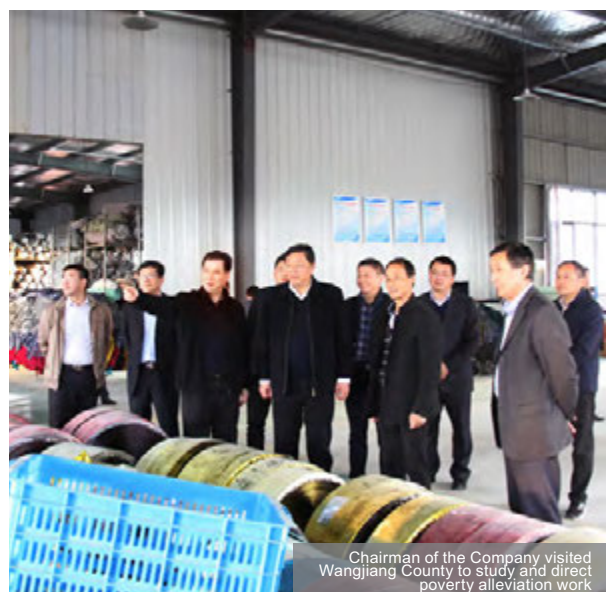
The Group has over 140 subsidiaries in China, spanning over 20 provinces and cities. On one hand, these subsidiaries have conducted thorough researches and planning so as to link the poverty alleviation with their operational targets. They have taken various measures to help the poverty-stricken regions to find the right way of growing local economies, increase fiscal revenue and create more job opportunities. On the other hand, these subsidiaries actively assisted local governments in poverty alleviation, and ensured that their poverty alleviation efforts well complement the works of local governments.

Case study

Villagers in Yangmu Village, Zhugan Town, Qian County, Xianyang City, Shaanxi Province have very limited income streams as only a few kinds of industrial crops can be grown there. As a result, villagers there are generally poor. To help local government reduce poverty, the Party branch at Qianxian Conch conducted a research in Yangmu Village in March 2018. After discussing with the village committee of Yangmu Village, Qianxian Conch learned that Yangmu Village is located at Drought Belt, and faces water shortage all the time. As a result, only a few crops can grow there. Later, the Party branch of Qianxian Conch learned through relevant channels that Sichuan pepper trees can be grown at this place. Moreover, Sichuan pepper trees do not require attentive care and can generate good income. The Party branch organized a donation among all Party members, cadres and employees, and about RMB20,000 was raised from such donation. With the money raised, Qianxian Conch bought about 1,500 Sichuan pepper trees for villagers in Yangmu Village. Moreover, Qianxian Conch encouraged villagers in Yangmu Village to work hard and eliminate poverty. Qianxian Conch has worked out a poverty alleviation plan based on local conditions, and solved the poverty problem. It not only provided assistance to the poverty-stricken villagers, but also helped them to make money on their own.

Case study

Longling County in Baoshan City, Yunnan Province launched an important poverty alleviation project in 2018 to improve local residents' living environments and build hardened roads. To help local government complete the project, Longling Conch supplied sacked cement to the project with a certain degree of discount. In 2018, Longling Conch supplied a total of 6,201 tonnes of cement to the project.



Chairman of the Company visited Wangjiang County to study and direct poverty alleviation work

Going forward, the Group will continue to fulfil its responsibility as a state-owned enterprise. It will focus on targeted poverty alleviation and elimination, and leverage its group resources to eliminate poverty. On the one hand, it will continue to polish and standardize the poverty alleviation management mechanism, and open a “Green Passage” for the poverty alleviation work. The Group will give priority to project planning, investment and personnel appointment related to poverty alleviation. In addition, it will set out standards for poverty alleviation cadres in respect of policy publicity, system execution, plan management, targeted support and assistance, and practices building. By doing this, the Group will ensure effective execution of poverty alleviation projects in these poverty-stricken regions, improve use procedures for the poverty alleviation funds, and consistently monitor the disbursement and use of such funds, thereby helping the poverty-stricken villages solve problems and enhancing the efficiency in poverty alleviation work. On the other hand, the Group will aim to eliminate poverty at root. The poverty alleviation work not only involves providing assistance, but also aims to help the poor people find their own ways of making money. The Group will build a long-term poverty alleviation mechanism that can create business or educational opportunities for the poor people. Under the mechanism, the Group will help improve the infrastructure in poverty-stricken regions, accelerate the industry structure transformation, and build a technological service platform and talent development system, so as to help people at poverty-stricken regions find their own ways to rise out of poverty. By doing this, the Group will create a new momentum for poverty alleviation, and help those poverty-stricken villages to lift them out of poverty as soon as possible.

Supporting Charity and Jointly Making Communities Better

The Group has always integrated social responsibilities into its business development. It participated in various charitable activities, and gave back to the society with a thankful attitude.

Volunteer blood donations at Chizhou Conch

On 28 June 2018, Chizhou Conch launched the blood donation event with the theme of “Following the Party Building Initiative, Led by Party members, and Honoring Blood Donors”. The donation also aimed to celebrate the 97th anniversary of the Party. 87 Party members and non-party people donated blood actively. Yang Weixin, secretary of Party branch at Kuangshan factory, has made unpaid blood donations for 11 times, and donated a total of 2,400 millilitres of blood. He said: “as a Party cadre, I should work hard in the Group, and donate my blood to help others.”



Xing'an Conch purchased oranges from poverty-stricken region

The northern region of Guilin City, Guangxi Province suffered rains for many days in June 2018, which caused sales of Nanfeng Orange at Xing'an County to stagnate. About 100,000 tonnes of harvested oranges were in stock, which became a great concern of orange growers. In response to the poverty alleviation proposal of the government of Xing'an County, Xing'an Conch called on its employees to buy RMB16,000 worth of oranges. In addition, Xing'an Conch asked its employees to help advertise the oranges among their family members and friends. This move of Xing'an Conch effectively helped growers sell the oranges.

Guangyuan Conch helped resist the flood

Since June 2018, Chaotian District in Guangyuan City experienced floods due to continued strong rainfall. In the afternoon of 11 July, the water dam of Dazhongba Waterworks collapsed. The Party branch of Guangyuan Conch organized staff to help resist the floods. In addition, Guangyuan Conch assigned 26 TR50 mining vehicles to provide stone materials to solidify the water dam. The cadres and employees of Guangyuan Conch courageously took part in the flood resistance. They controlled vehicles to dig, load, ship and unload materials for reinforcing the water dam. They did the best to fight the flood, and helped build a solid line of defence for the people of Chaotian District.

Yiyang Conch (益陽海螺) helped students

To give back to the society, and fulfil its social responsibility, Yiyang Conch (益陽海螺) held the "Love Donation and Warming the Campus" ("愛心捐贈·情暖校園") activity on 22 May 2018. In the activity, Yiyang Conch donated about RMB11,400 worth of school uniforms and stationeries to 68 students at Yangjia Village Primary School. This donation activity helped students from mountain areas realize their dream of having their own uniforms. Moreover, the school became more colourful as students now can wear the beautiful uniforms at school.



Shaoyang Yunfeng visited the elderly in solitude

On 5 February 2018, though the temperature was as low as 3 degrees below zero, lots of warmth were felt at Daxiang District Honourable Home and Yuxi Town Residential Care Homes for the Elderly. Accompanied by senior officials at Civil Affairs Bureaus at Daxiang District and Yuxi Town, a delegation made up by members of the Party branch committee and trade union of Shaoyang Yunfeng visited 7 veterans at Korean War and 15 senior citizens in solitude. In addition, the delegation sent rice, food oil and other daily necessities to these senior citizens, along with the delegation's best wishes for the new year. This visit showed Shaoyang Yunfeng's care for the elderly.



Xia Dinghui, one of the Top 100 Volunteers in China.



Xia Dinghui, the deputy office director at Zhejiang Qiangjiao Conch, made the first volunteer blood donation in 1996. Since then, donating blood became a "habit" for him. He has donated whole blood and blood platelet for 68 times. His total blood donation volume has reached 58,000 millilitres. In addition, he has registered for bone marrow stem cell matching and important organ donation. Xia has organized 18 large-scale whole blood donations and 89 blood platelet donations. He also built the Red Belt blood platelet donor team, which served about 9,000 people for over 15,000 hours. Approximately 8,000 people donated blood, which exceeded 3.5 million millilitres in total. Xia also published 52 blood donation-related articles. 2 of the articles were published on national blood donation

magazines. Xia has donated blood platelets to 8 designated leukaemia patients, and initiated the blood platelet donations and fundraising activities for 5 leukaemia patients.

Xia is also helping two poor kids in Guizhou Province. He helped them finish primary and secondary school education. He also helped a kid from a very poor local single-parent home. In a "Guizhou Students' Tour to Beilun District" in July 2006, he knew a student from Guizhou. After that, he kept sending daily necessities to the student, and wrote greeting letters to urge her to study hard. He also helped her plan for future educations and other things. In 2015, the student was admitted to Guangxi Normal University with excellent academic results. She called Xia and told him: "Father, because of you, I am the only person in the mountain area ever admitted to a university at a big city, thank you so much. Your support is the thing that I am most thankful for in the world."

Xia devoted himself to charity, and he also received support from his family. He has a happy family. His family has been named among the "Top 500 Good Families under Expo Shanghai", and was recognized by governments at different levels as "Literary Family", "Civilized Family" and "Family with Prominent Contribution to Charity".

In 2018, Xia was awarded the title of "Top 100 Volunteers in China" in the nationwide top 100 volunteer selection held by zhongguogongyi.org.

Many employees of the Group contributed to charity and gave back to the society in 2018, which not only bridged the gap between the Group and communities, but also helped the Group fulfil its social responsibilities. In addition to pursuing

further business development, the Group is also striving to promote local economic growth, which in turn strengthened the bond between enterprises and local economies, and created win-win situation.

Participating in the Belt and Road Initiative, and Caring for Local Communities

As a leader in China's cement industry, the Group is actively responding to Chinese government's call of "Going Abroad" by exploring the overseas market. The Group has set up footholds at Indonesia, Myanmar, Laos and Cambodia. It is also promoting cooperation projects along the Volga River in Russia, and drawing "Belt and Road" development blueprints at Uzbekistan, Pakistan and Georgia. With the purpose of "building a community of shared future for mankind" and "creating future living space for mankind", the Group has been unswervingly implementing its internationalization strategy, and becoming a pioneer in the Chinese cement industry to "go abroad".

The Group has always sought for win-win situation. It has invested in modern cement projects in overseas market. It is changing from an exporter of cement

into a group that exports technology and makes investment abroad. The Group not only trades cement, but also strives to transform itself into an industrial investor, thereby becoming a leading company in the world. When operating in overseas market, the Group has insisted on using advanced technologies to build local production facilities, promoting local economic and social development, pursuing sustainable development, boosting the brand image of "Conch" and safeguarding the reputation of China-made goods. The Group has consulted, cooperated and shared with local stakeholders in overseas markets so as to achieve a win-win outcome.

In the process of developing overseas projects, the Group has actively fulfilled its social responsibilities. It has built good relations with local governments in the regions where it operates, and created an open and inclusive image for Chinese companies.

Myanmar Conch actively supported

local government's public projects. It has donated MMK4.18 million worth of cement to support road construction at a hospital in Kyaukse, and MMK18 million worth of materials to disaster relief in Bago. The group also donated MMK4 million worth of monk clothes and tributes to temples at Yangon and Mandalay. According to incomplete statistic, in 2018, Myanmar Conch donated MMK48.253 million (Approximately RMB210,000) worth of cash and materials. Yangon Conch has actively sponsored the festive activities of local ethnic minorities. It donated daily necessities to local poor households. In 2018, Yangon Conch donated a total of RMB162,800. North Sulawesi Conch in Indonesia and Indonesia Conch made endowment and donations at local traditional festivals, such as Lebaran and Kurban Bairam, and they donated a total of about RMB58,300. In addition, other overseas subsidiaries of the Group also integrated themselves into local cultures, and helped facilitate local economic and social development.

Kalimantan Conch supported local educational institutions

To enhance its support for educational sector in Tanjung Tabalong and help underprivileged students receive adequate education, Kalimantan Conch established the "Conch Scholarship" under the name of local government in June 2018. Kalimantan Conch carried out multiple researches to learn family conditions of students who live in poor families and study in primary or secondary schools near Kalimantan Conch. Based on the research results, Kalimantan Conch finally decided to sponsor 9 students who have excellent moral qualities and academic grades. On 29 October 2018, Kalimantan Conch granted scholarship to these students at local "Youth Pledge Day" activity.



Battambang Conch supported dragon boat team

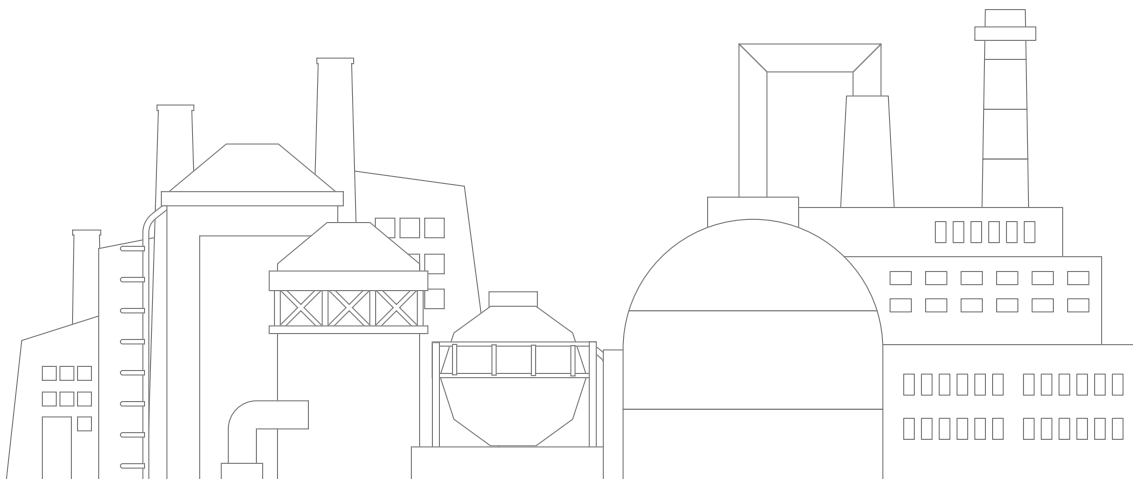
The Cambodian Water Festival was held between 21 and 23 November 2018. On 19 October, Battambang Conch donated 250 T-shirts, 250 hats, 2,160 bottles of water and US\$4,000 to the Dragon Boat Team of Battambang. Battambang Conch's donation helped the Dragon Boat Team to finish their regular trainings and participate in the nationwide dragon boat race.



The Group's overseas affiliates have actively supported local charitable activities. They not only promoted cultural integration, but also built a good image for Chinese companies, thereby enhancing the friendship between China and other countries. The Belt & Road Initiative will benefit China and the whole world. The Group's good deeds abroad can let people from other countries feel the kindness of Chinese people. Going forward, employees of the Group will continue to explore industriously under the Belt & Road Initiative, and strive for bigger success.

Luang Prabang Conch and Vientiane Conch supported local disaster relief

In July 2018, Attapeu suffered rains for lots of days in a row. At the night of 23 July, the dam of a hydropower station under construction collapsed. About 5 billion cubic meters of water flowed out and flooded 6 villages. Tens of people were dead and hundreds of people were missing. Approximately 6,000 people were impacted. After the disaster, Luang Prabang Conch and Vientiane Conch actively supported local disaster relief. After hearing about the disaster that occurred on 23 July, Luang Prabang Conch immediately contacted local governments and China's consulate at Luang Prabang to learn the disaster situation and assistance channels, and actively participated in the disaster relief work. In addition, Luang Prabang Conch called on its employees to make donations, and raised nearly RMB8,000. Vientiane Conch donated LAK5 million to the disaster-hit areas. Employees of Vientiane Conch donated LAK1.9 million, sending the total donation to LAK6.9 million (about RMB5,433). Both of the companies made donations to the people from the disaster-hit areas of Attapeu for flood relief and rebuilding of their homes, and helped the flood victims ride over the difficulties.



Looking into 2019

The year 2019 will be the 70th anniversary of the founding of the People's Republic of China. It's also a critical year for the great cause of building a moderately prosperous society in all respects. Chinese central government will continue to promote progress while maintaining stability. It will adopt the new development concept, and promote high-quality development. China will continue to focus on the supply side structural reform, deepen the market-oriented reform and advance the high-level opening-up. Chinese government will implement more accommodative fiscal policy and prudential monetary policy, and keep the economy growing at a moderate pace.

In 2019, Conch Cement will implement the new development philosophy and high-quality development requirements. In addition to ensuring proper operating management, we will adhere to green and low-carbon development, strengthen ecological environmental protection, and more actively fulfil social responsibilities to ensure the completion of social responsibility-related objectives and key tasks, making positive contributions to achieving corporate sustainable development goals and promoting the healthy development of the economy and society.



Driving business through innovation and creating momentum for organic growth.

Conch Cement will vigorously upgrade its technologies and increase its capacity utilization efficiency. It will expedite the integration between informationization and industrialization, and accelerate the commercialization of the outcome of its innovation efforts. In the meanwhile, it will continuously advance the construction of smart factories and development and application of cloud systems. It will also encourage grassroot units to make inventions and advocate coordinated innovation efforts of cement industry, universities and research institutions.

Adhering to green development and consolidating leading position in environmental protection.

Conch Cement will diligently carry out the government's decisions and plans regarding construction of ecological civilization. It will strictly abide by the concept of "lucid waters and lush mountains are invaluable assets", and promote environmental protection with high starting points, high standards and high quality. It will promote the use of cutting-edge eco-friendly technologies, and increase investment in eco-friendly technological improvement. It will accelerate the construction of factories with industry-leading eco-friendliness, and keep its leading position in eco-friendly operation, so as to help China win the battle of defending the sky, rivers and soil from pollution.

Focusing on safety to build a strong defence line for production safety.

Conch Cement will always prioritize the safety of its employees. It will strictly comply with national laws and regulations related to safe production, and set high standards in production so as to ensure safety-related obligations are fulfilled. It will keep strengthening the training in safety, and enhance the safety awareness of employees. In the meanwhile, it will boost its capabilities of preventing accidents and handling emergencies, which will help ensure stable and well-controlled safety in production.

Adopting people-oriented strategy to enhance the happiness of employees.

Conch Cement will speed up in introducing professional talents. It will also improve its incentive mechanism and talent pool to ensure sufficient and quality manpower for fuelling the business development. Conch Cement cares for its employees. It will increase employees' sense of belonging, sense of achievement and happiness.

Persevering in anticorruption to facilitate the Company operation and development.

Conch Cement will continue to uphold the Xi Jinping Thought on Socialism with Chinese Characteristics and the spirits of the 19th National Congress of CPC, and thoroughly integrate the Party building into its production and operation and corporate culture. Conch Cement will give full play to the supervisory role of the Disciplinary Inspection Committee and step up its efforts in business integrity education to build sound workplace integrity.

Giving back to the society and striving for win-win situation.

Conch Cement will encourage the support for charitable activities and actively fulfil its social responsibilities. It will endeavour to benefit local communities and promote local economic and social development, so as to achieve win-win results and harmonious development. Conch Cement will improve its poverty alleviation mechanism, and ensure effective implementation of its poverty alleviation work. It will take measures to ensure the financial and other forms of assistance is provided to those who really need it. By doing this, Conch Cement will help China win the battle of eliminating poverty.

Coming to a new starting point and about to begin a new journey, Conch Cement will integrate the concept of social responsibility and sustainability into its corporate strategy and day-to-day operation, striving for greater progress and success. This will enable Conch Cement to create more economical, social and environmental values and build itself into a world-class enterprise with global competitiveness.

Appendix I DEFINITIONS

Terms	Definitions
Greenhouse Gases	Includes carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF ₆).
Nitrogen Oxides (NO _x)	Includes a number of compounds such as nitrous oxide (N ₂ O), nitric oxide (NO), nitrogen dioxide (NO ₂), dinitrogen trioxide (N ₂ O ₃), nitrogen tetroxide (N ₂ O ₄) and dinitrogen pentoxide (N ₂ O ₅), etc. Except for NO ₂ , all other NO _x variants are extremely unstable and, when exposed to light, moisture or heat, are liable to converting into NO ₂ and NO, and then from NO into NO ₂ . Therefore, the gas to which workers are exposed to in the working environment is usually a mixture of several types of gas, which is called smoke (gas) and is mainly comprised of nitric oxide and nitrogen dioxide, with nitrogen dioxide being the main component. Nitrogen Oxides are all toxic to a varying degree.
Pure low-temperature Residual Heat Power Generation	Power generation using the residual heat of medium-and-low temperature waste gas discharged from the emission ends of the kilns of the cooling machine, with no fuel consumed or pollutants produced.
Denitration Technology	A technical measure to prevent excessive emission of NO _x from the combustion process within the cement kilns for the purpose of environmental protection by reducing the amount of NO _x and eliminating the NO _x in the flue gas.
Desulphurization Technology	A technical measure to prevent excessive emission of SO ₂ from the combustion process within the cement kilns for the purpose of environmental protection by reducing the amount of SO ₂ and eliminating the SO ₂ in the flue gas.
Electric dust collector	A dust collecting device to separate particulates from flue gas by electrostatic force.
SNCR	Selective non-catalytic reduction, a process of converting nitrogen oxides in the flue gas to non-hazardous nitrogen gas and water by injecting reductants into the “temperature window” for denitration reactions without using a catalytic agent.
SCR	Selective catalytic reduction, a process of selective reaction of reducing agents such as ammonia with NO _x under the action of a catalyst to generate N ₂ and H ₂ O.
Carbon Capture and Storage (CCS)	A process where the CO ₂ captured is treated through desulphurisation, purification, compression, dehumidification and liquefaction and then sold to the market for reuse.
Domestic waste treatment technology with the use of cement kilns	A technology for treatment of urban domestic waste by using the high temperature of the cement kilns, and is an ideal alternative to traditional landfill treatment method that takes up large area of lands and results in environment pollution. This technology is the first of its kind in the world, which, without classification of wastes, enables degradation of dioxins without producing any undesirable odours and allows solidification of heavy metals and purification of sewage at the same time.
Cement grinding aid	A chemical admixture, the addition of a small amount of which in the cement grinding process can improve the grinding efficiency
Ceramic ball	A cement grinding medium composed mainly of aluminium oxide and a small amount of microelements which improves performance and enhances toughness; lighter and harder compared with steal balls, capable of reducing mill load.

Appendix II DISCLOSURE INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspect	Description		Section	Page
A. Environmental				
A1: Emissions	General Disclosure Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Note: Air emissions include NOx, SOx and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		4	13
	KPI A1.1	The types of emissions and respective emission data.	4.1	13
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	13
	KPI A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	note	note
	KPI A1.4	Total non-hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	note	note
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.1	14
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	note	note
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.		4.2	17
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2	17
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2	17
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4.2	17
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2	18
	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.2	17
A3: Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		4.3	21
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3	22

Note: The Group does not produce hazardous waste during the production and operation process and the non-hazardous waste generated is treated and reused in the cement kiln. Therefore, this indicator is not applicable.

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspect	Description		Section	Page
B. Society				
B1: Employment	General Disclosure Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.4	40
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1	27
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1	28
B2: Health and Safety	General Disclosure Information relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.2	31
	KPI B2.1	Number and rate of work-related fatalities.	5.2	32
	KPI B2.2	Lost days due to work injury.	–	–
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.2	32
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external programs paid by the employer.		5.3	36
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	–	–
	KPI B3.2	The average training hours completed per employee by gender and employee category.	–	–
B4: Labour Standard	General Disclosure Information relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.4	40
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.4	40
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.4	40

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspect	Description		Section	Page
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		6	43
	KPI B5.1	Number of suppliers by geographical region.	6	44
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.	6	44
B6: Product Responsibility	General Disclosure Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		7	48
	KPI B6.1	Percentage of total products sold or shipped subject to recall for safety and health reasons.	-	-
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	7	52
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	7	52
	KPI B6.4	Description of quality assurance process and product recall procedures.	7	48
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7	52
B7: Anti- corruption	General Disclosure Information relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		8	55
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	-	-
	KPI B7.2	Description of preventive measures and whistle- blowing procedures, how they are implemented and monitored.	8	56
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration of the communities' interests.		9	59
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	9	61
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	9	63

