



01 About this report

Release cycle and time

This report is an annual report and the third report since the first "Social Responsibility Report" issued in 2017 by West China Cement Limited. The reporting period is from January 1, 2018 to December 31, 2018 (hereinafter referred to as "the reporting period"), part of the content refers to the reports of past years as appropriate.

Report scope

West China Cement Limited, and its subsidiaries.(See Annex P53 for details.)

Data source description

The data used in this report comes from company official documents, financial reports, statistical reports, and news media. All contents have been audited by the company's management, competent authorities and the subordinate manufacturing factories (companies). Our company's board of directors and all directors guarantee that there are no false records, misleading statements or major omissions in the contents of this report. The board of directors and all directors of the company shall assume individual and joint responsibility for the truthfulness, accuracy and completeness of the contents.

Title description

For ease of presentation and readability, "West China Cement Co., Ltd." is also referred to in this report as "West China Cement", "Company" or "We" and its affiliates (collectively referred to as "Groups"). "Yaobai Special Cement Group Co., Ltd." is an indirect wholly-owned subsidiary of the company and is stated in this report as "Yaobai".

Preparation basis

Hong Kong Stock Exchange "Guidelines on Environmental, Social and Governance Report"

China Cement Association "Guidelines on the Preparation of Corporate Social Responsibility Report in the Chinese Cement Industry"

International Organization for Standardization, ISO 26000: "Guidelines on Social Responsibility (2010)"

Global Reporting Initiative "Guidelines on Sustainable Development Reporting (G4 Edition)"

British Institute of Social and Ethical Responsibility AA1000 Series Standards

Report form

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The report is made in Chinese and English and it is published in both printed and electronic versions. You can browse the electronic version of this report at West China Cement or the Yaobai Special Cement Group or the Hong Kong Stock Exchange's website at <http://www.westchinacement.com>, <http://www.yaobo.com.cn> or <http://www.hkexnews.com>. For a print-out report, please contact the West China Cement office.

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02 About us

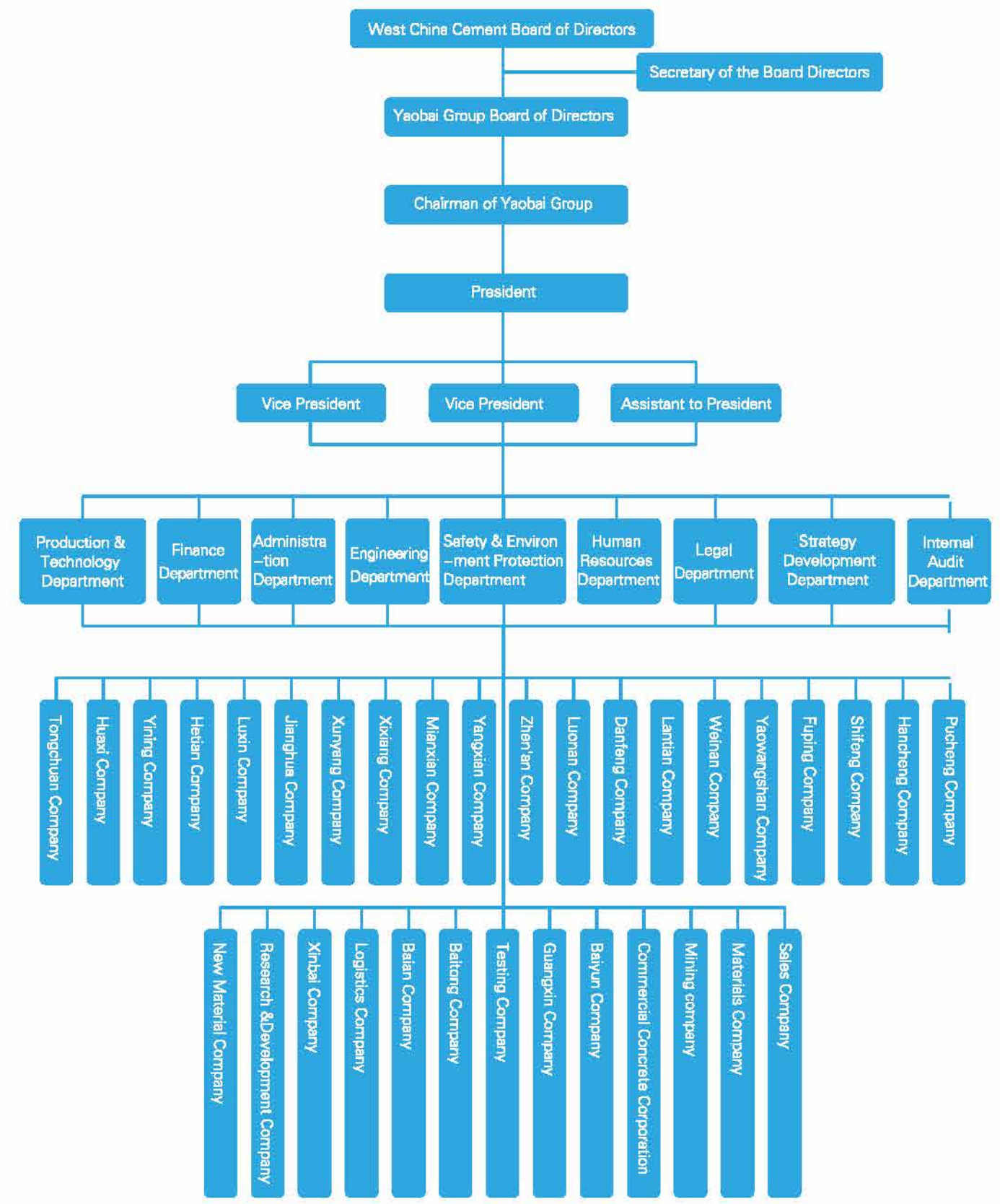
2.1 Company profile

West China Cement Limited. (stock code 2233.HK) is a large conglomerate company integrating cement, new type of building materials, industrial investment. The wholly-owned holding company, Yaobai Special Cement Group Company Limited is located at No. 336, Shenzhou 4th Road, Space Base, Chang'an District, Xi'an, Shaanxi Province. The Yaobai Group consists of 33 branches and subsidiaries, distributed in Shaanxi, Xinjiang, and Guizhou. Occupying the 12th place in China's cement industry and the 53rd place among the top 100 enterprises in Shaanxi, it's the largest building material enterprise in Shaanxi and even the whole western region.

The products of the company mainly include 42.5-grade cement, 52.5-grade cement, 32.5-grade cement, sulphate resistant cement, medium-and-low heat cement, road cement, oil-well cement, nuclear power cement, common sulpoaluminate cement, marine sulpoaluminate, and other special cements. In the meantime, the company has successfully built 5 aggregate production lines and acquired 3 environmental-friendly commercial concrete plants in the central Shaanxi plain and southern Shaanxi area to develop and produce calcium aluminate powder for water treatment and high-quality home improvement gelling agent and various concrete admixtures, etc.

The company boasts a perfect marketing network and a sound after-sales service system. The products are available in the Shaanxi region, Xinjiang Hetian region, Xinjiang Yining region, Guizhou Huaxi region and are widely used in highways, railways, airports, bridges, tunnels, water conservancy, oil wells, gas wells and other national key projects and urban and rural construction markets.

Organization Chart



(Please refer to Appendix for the full name of the company.)

2.2 Group business development

The year of 2018 witnessed progressive and steady development trend of macro economy. The sales of cements remained stable. In the meantime, Chinese government boosted the structural reform of the supply side, continued to step up efforts on environmental protection control and implemented production avoiding peak hours as industrial normalization and kept the order of supply side. Benefited by stable demand and orderly supply, the phased contradiction between supply and demand in the market was eased and the operating environment of the industry was effectively improved. The Group endeavored to overcome adverse factors including rise in raw materials price and sharp changes in market conditions, strengthened research into market supply and demand, continued to strengthen industrial self-discipline and internal management. In this way, the project development was steadily progressed, the operation quality continued to improve and the business performance was improved substantially.

In 2018, the company achieved sales volume of cement and clinker of 18.2 million tons, a year-on-year decrease of 4.7%; the main annual business income of 5.9 billion yuan, a year-on-year increase of 27%; and the total profit of 1.2 billion yuan, a year-on-year increase of 69%. In the meantime, it turned over various taxes and dues of 0.952 billion yuan; realized maintenance and appreciation rate of assets value of 115%.

In 2018, while continuing the development strategy of “transformation and upgrading, structural adjustment”, the group continued to improve the industrial chain, realized diversified development, improved the anti-risk ability and profitability of the company. In this year, the Group successively established and operated mining company, logistics company, aggregate company and commercial concrete company and information company.

In the meantime, at the beginning of 2018, the Group planned and implemented the industrial concentrated development of large-scale multipurpose use of solid waste and boosted the circular economy industrial cluster project of Pucheng County and the new environment-friendly building material industrial park project in Tongchuan. The preliminary work of the project is being carried out in an orderly manner.

As of the end of the report period, the Group owned 22 production lines of new dry process cement, the cement production capacity totaled 29.2 million tons, aggregate production capacity totaled 6.5 million tons and commercial concrete totaled 2.6 million cubic meters.

In the future, we will constantly deepen the integrated development strategy of industrial chain, seize the opportunities brought by the “the Belt and Road” initiative, put efforts into the development of high-end products, comprehensively boost intelligent manufacturing, green manufacturing, in-depth resource integration and strive to become the leading manufacturer of China's special cement.

2.3 Group social responsibility strategy

The Hong Kong-listed Group, after 40 years of development, actively adapts to the new normal of economic development and continues to deepen the concept of sustainable development while



actively developing core business to create economic and social value. Meanwhile, it integrates social responsibility into the internal management of the enterprise to contribute to the environmental protection and social harmony and the balance among enterprise development, environmental protection and social benefits.

2.4 Overview of group social responsibility

While steadily improving the management efficiency, the Group actively fulfills its social responsibilities:

1. For natural environment that we thrive on, we pay our due respect and treat the problems of environmental pollution, ecological destruction and tightened resources constraints seriously. Through cleaner production, increase in income and decrease in expenditure as well as technical transformation, we actively promote energy conservation and emission reduction, build garden-style factories, stick to the road of green development, thus realizing the harmonious coexistence of enterprises and nature and contributing our part to the building of beautiful China;
2. We treat the Yaobai staffs who stay down-to-earth and work

hard with justified promotion channel and retain them with proper care. As the company improves its efficiency, we will continuously improve the salary level and welfare of all employees to share the development results of the employees with all staffs;

3. We treat strategic partners in the supply chain with sincerity to realize mutual benefit and win-win outcome, actively explore new modes of cooperation, seek common development, and strive to achieve mutual benefit and win-win outcome through discussion and collaboration.

4. We sincerely serve and join hands with market clients of Yaobai cements. We strengthen the details control, pursue perfect quality, optimize the supply process, continuously sort out the sales channels, and strive to provide products and services of high quality;
5. With strong faith and potential in the innovation and development of the enterprise, we continue to optimize the technology innovation mode, improve the innovative talents training mechanism, enhance the capacity of independent innovation, promote the commercialization of research findings and continue to realize the connotative development based on scientific and technological

innovation.

6. We are dedicated to and reach out to the communities and people in the project area and take the initiative to conduct the public benefit activities beneficial to the development of local community and the public. Moreover, we'll do our utmost to benefit the local people, donate for schooling and stay focus on local education business. In this way, we will be further integrated with local community, build a harmonious and happy community and drive the local economic and social development.

7. By implementing social responsibility system guarantee work, we continue to promote the standardized building of social responsibility system. As to management of safety production, management of product quality, management of customers, management of logistics, environmental protection, education fund and support for employees in distress, we establish perfect rules and regulations. In the meantime, we formulate and publish the 2018 annual social responsibility report and take the initiative in disclosing the performance and practice of the social responsibilities of the Group of the year.

2.5 Management Team

Board of Directors of West China Cement	
Zhang Jimin	Executive Director and Chairman of the Board
Ma Weiping	Executive director, CEO
Ma Zhaoyang	Non-executive director
Liu Yan	Non-executive director
Qin Hongji	Non-executive director
Lee Kong Wai Conway	Independent non-executive director
Tam King Ching Kenny	Independent non-executive director

2.6 Industry organization contribution

Organization name	Position in Yaobai Group
China Cement Association	Vice president of the Council
China Building Materials Federation	Member
World Cement Sustainable Development Initiative Organization	Member
Shaanxi Cement Association	President of the Council
Shaanxi Provincial Federation of Building Materials	President
Shaanxi Provincial Comprehensive Utilization of Resources Utilization Association	Vice president
Shaanxi Provincial Security Council	Vice chairman
Shaanxi Provincial Energy Conservation and Emission Reduction Council	Director
3D Printing Branch, China Concrete& Cement-based Products Association	Vice president
Association of Foreign Investment of Xi'an	Vice president
Federation of Industry and Commerce of Shaanxi Province	Member



2.7 Annual social responsibility honors



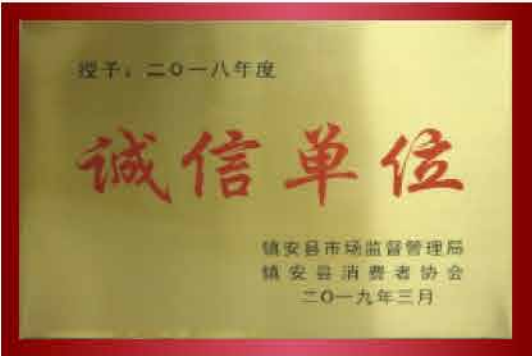
List of Top 100 Enterprises in Shaanxi



Top 10 Foreign-invested Enterprises in Xi'an



Top 50 Building Materials Companies in China



Integrity unit of the year 2018



2018 Outstanding Achievement Award as to Enterprise Culture Building awarded by Shaanxi Entrepreneur Association



2018 Honest and Excellent Taxpaying Private Enterprise



2018 Privately Operated Advanced Unit



2018 Labor Relations Harmonious Enterprise in Shaanxi



2018 Schooling-assistance Enterprise in Ankang



Xi'an Excellent Enterprise for International Cooperation



03 Responsibility management

Limited

3.1 Overview of social responsibility performance

The Environmental, Social and Governance Responsibility Management Committee established by the Group is led by senior management and participated by middle management personnel. Consisting of the administrative department managed by board secretary, relevant departments and subsidiaries having important impact on the environment, social impact and governance of the group, the work office is mainly responsible for decision implementation and daily work of the committee. The work liaison man for social responsibility work in the work office is in charge of conveying and communicating the group strategy and specific measures in the environmental, social impact and governance aspects while collecting data and feedback.



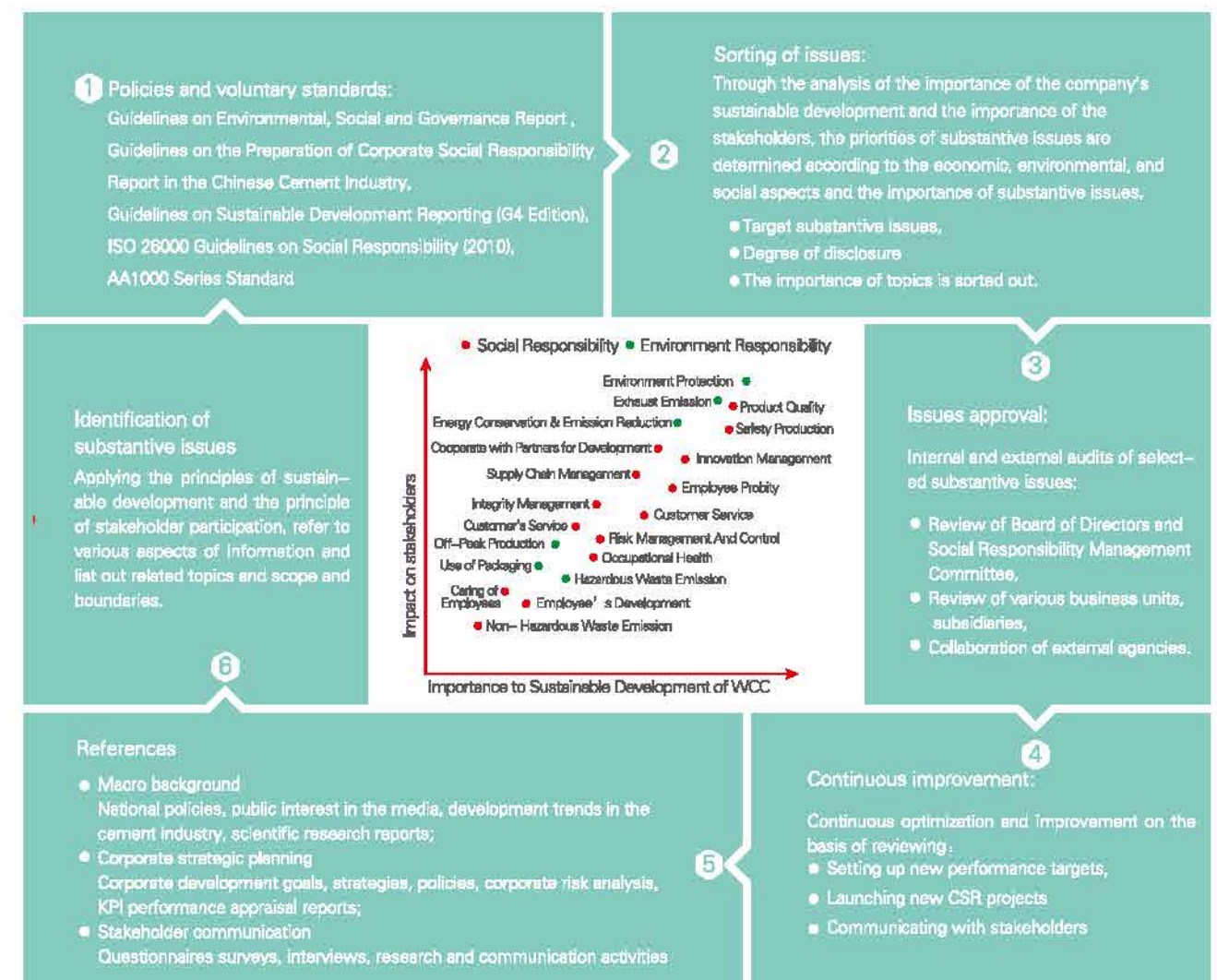
In 2018, we strictly implemented the requirements of social responsibility management committees, industry competent authorities and industry associations in fulfilling corporate social responsibility requirements, gradually improved the social responsibility management system, explored the promotion of social responsibility practices, actively carried out social responsibility research and released social responsibility reports. With practical action, we enhanced the company's ability and level of accountability and laid a solid foundation for the company's sustainable development.

3.2 Importance assessment

The stakeholders involved in the Group's environment, social impact and governance include internal and external stakeholders. They mainly consist of employees, suppliers, customers, shareholders and investors, governments, NGOs, communities and the public. In 2017, the main participants in importance evaluation were mainly management team. In 2018, the involved stakeholders expanded from the management team to suppliers and customer representatives. We obtained a full picture of expectations on the Group's social responsibility work from various stakeholders through extensive contact, thus formulating social responsibility strategy closer to the expectations of all parties. Participants can also take this opportunity to dig deep into the Group's firm belief, responsibility fulfillment status and future plan for sustainable development.

3.3 Importance assessment

Based on the analysis of domestic and international developments, national policies, industry conditions and the company's own characteristics, we actively engage in communication with stakeholders and sort out and identify social responsibility issues that have significant impact on the sustainable development of companies from both corporate and stakeholder perspectives and provide basis for continuously improving social responsibility management practices and improving social communication. This evaluation identifies following issues as important aspects that have a significant influence on the sustainable development of the Group. These aspects have been listed as critical focus area for the sustainable development of the Group.



Matrix analysis of the important issues of the 2018 Social Responsibility Report of the Yaobai Group

3.4 Honest management

The company strictly abides by the state's laws and regulations, social merits, business ethics, values contracts, and promises, resolutely eliminates the phenomenon of illegal profits, and realizes the sustainable development of the company on the premise of adhering to market rules, and sets an example to abide by the law. By establishing and improving rigorous management system and decision-making process, the company strengthened the system constraints and paid attention to the training of employees' legal knowledge. It organizes many company-level legal training each year and forms the governance ecology of operating according to law, administers enterprises according to law and operates with integrity.



Strengthening strategic management can help enterprises correctly evaluate the external environment's crisis and opportunities and help them obtain long-term competitive advantages. In 2018, the strategy review rate accomplished by the company reached 100%. In the meanwhile, guided by risk, the company took internal control as main line to strengthen internal audit supervision and legal management, continue to carry out economic responsibility audit, project audit and promote the internal control level. Throughout the year, it strictly reviewed 4907 contracts of various kinds and drafted, modified part of the contracts to prevent and resolve potential contract legal risks in time.



3.5 Fair market competition

Our company always adheres to the business management concept of honest business operation, high quality, low price, sincere service and actively fulfills the responsibility of the president unit of the Shaanxi Cement Association and actively maintains a fair market competition environment. At the same time, a supplier management method has been formulated to clarify the supplier's access conditions, evaluation principles, and assessment contents. According to the management principles of real-time evaluation and periodic evaluation, the supplier's dynamic management and internal sharing are achieved. Through tendering method, it has entered into long-term cooperation relationship with companies with excellent qualifications, strong ability and good reputation to promote the long-term development of all parties. At the same time, the company has established a "Blacklist Management System" and has provided clear treatment methods of giving yellow card, red card and blacklisting for bad cooperation behaviors of suppliers, agents, etc., according to the severity of situation.

As a large-scale cement production enterprise, after 30 years of pioneering and enterprising, indomitable struggle and arduous pioneering work, it has developed into today's pearl of the West. The 30 years of entrepreneurial development marks the 30 years of continuous development and also the 30 years of integrity development of West China Cement Group. West China Cement Group ranks among the top 12 in China's cement industry and has become one of the leading companies in the West China Cement industry.

At the forum of representatives of state-owned enterprise and foreign-funded enterprise on optimizing the three-level linkage of the business environment and democratic supervision, the Group heard the opinions and suggestions of entrepreneur representatives on the optimization of the business environment and the reforms to "simplify procedures, decentralize powers, enhance supervision, and optimize public services," in Shaanxi Province.

3.6 Anti-commercial bribery

Corruption runs counter to commercial ethics, damages corporate image and goes against the building of market environment that values fair competition. Following the requirements of Law against Unfair Competition and the Interim Provisions on the Prohibition of Commercial Bribery, the Group runs businesses. Being people-oriented, the Group continues to strengthen the professional ethics and integrity and self-discipline education of employees, takes an unwavering stand on anti-corruption and anti-bribery so as to resolutely correct all kinds of harmful practices, fight against corruption with zero tolerance, constantly enhance the self-purification, self-improvement, self-reformation and self-enhancement of cadres. Moreover, we promote the clean office education, implement compliance culture, strive to create atmosphere of integrity. On a regular basis, we organize the whole staff to carry out "four principles and four requirements", learn about relevant system, supervise leaders to take the lead to set an example for their inferiors and constantly enhance quality, strengthen conviction to follow the law and discipline and access rights honestly. In 2018, no lawsuits involving corruption, bribery, blackmail, fraud and money laundering took place in the company.

**To emphasis discipline,
Strengthen organizational concept;
To emphasis unity,
Strengthen the overall consciousness;
To emphasis responsibility,
Strengthen personal quality;
To emphasis efficiency,
Strengthen work style;**

Zhang Jimin – Chairman of Board Directors of WCC

The Group continued to develop the management style of cadres, realize the self-cultivation of management cadres, improve their ideological consciousness, establish a scientific world outlook, outlook on life and values, and call on the management cadres to fully fulfill their responsibilities and solve the practical problems existing in their thinking and work. It will improve the work style and working style, improve the work efficiency as the foothold, in the theoretical connection, actually work hard, work in a clean and self-discipline, build a strong defense line against the erosion of decay ideas, and enhance the sense of responsibility to resist corruption and change. A sense of urgency to continuously improve the effectiveness of theoretical learning.

04 Environmental protection



As a manufacturer familiar with the intimate connection between the sustainable development of the enterprise and the environment, the Group actively implements the national energy conservation and environmental protection policies and strictly complies with the Environmental Protection Law, Atmospheric Pollution Prevention Law, and the Cleaner Production Promotion Law and other laws and regulations. Moreover, it actively advances the work in energy conservation and emission reduction, strengthens environmental protection control, explores renewable energy and develops circular economy. In accordance with the business philosophy of "making continuous innovation and surpassing the first level in the industry", we refuse to sacrifice our environment in exchange of the growth in enterprise scale and benefits. Adhere to the green development road, actively explore energy-saving and environmentally-friendly production, living and working methods, comprehensively improve the energy management level of enterprises and commit ourselves to the harmonious coexistence of enterprises and nature to contribute to the beautiful Chinese construction.

The businesses of the group mainly have impact on the environment through emissions. We are committed to implementing the following principles to reduce the environmental impact of our business activities:

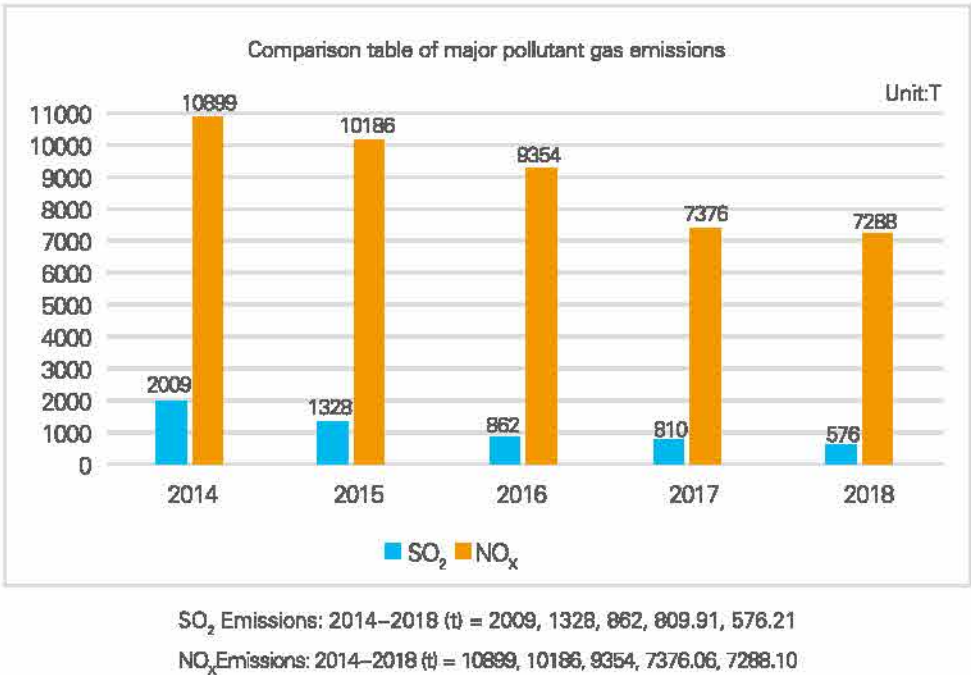
1. Follow all environment protection-related laws, regulations and rules including cement industry standard;
2. Stick to the "Three Simultaneities" of production equipment and environmental protection equipment which means the simultaneous design, construction and usage of production equipment and environmental protection equipment;
3. Invest enough funds for the upgrade and maintenance of environmental protection facilities, develop and innovate environmental protection technologies;
4. Enhance the publicity on environmental protection, enhance the awareness of environmental protection of employees and advance refined environmental management;
5. Include the energy conservation, emission reduction and environmental protection into the long-term development strategy plan of the Group.

As of the end of the report period, all the production subsidiaries administered by the group passed the ISO 14001 environmental management system certification. All subsidiaries passed the clean production audit.

4.1 Emission reduction, clean production

Emission reduction, clean production

At present, the cement enterprise produces NOX, SO2 and other emissions inevitably during the raw material accessing and production due to the special traits of the industry. In 2018, the accumulated emissions of SO2 of 23 base companies totaled 576.21 tons, the accumulated emissions of NOx totaled 7288.10 tons, the accumulated emissions of particulate matter at the main discharge port totaled 839.24 tons with the emission density of 0.04 kg/t clinker, 0.56 kg/t clinker. In 2018, no excessive emission and pollution accidents occurred within the Group.



Adhering to the national and local greenhouse gases control policies, the Group is dedicated to reducing greenhouse gases emissions through technological transformation, process upgrading, and comprehensive utilization of resources. In 2018, following the Guide for the Calculation of Greenhouse Gases in the Cement Industry, the CO2 emission equivalent was calculated to be 8.49 million tons and the carbon dioxide emissions per ton of products were 0.83 tons .

The Group adhere to the road of sustainable development and strives to build the resource-saving and eco-friendly enterprise. While exploring the eco-civilization building, it continues to increase scientific research input, encourages technology innovation, actively promotes the new technologies, new process of energy conservation and emission reduction, phases out backwards energy-intensive process equipment and applies the advanced consumption reduction technologies into production practice. In the meanwhile, the Group sticks to advanced technologies and scientific management mode to reduce the negative impact brought by business activities on environment. In this way, the cost is reduced and efficiency is increased. Good environment benefit is also created.

In 2018, Yaobai Group consumed a total amount of ammonia water of 29,400 tons. The planned average ammonia water consumption per ton of clinker was 2.46 kg while its counterpart in practice was 2.23 kg. Under comparison, it was reduced by 0.23 kg/t compared with the planned amount and decreased by 0.18 kg/t compared with the amount of 2017.

In the day-to-day environmental management work, our company focuses on improving the software and improving the hardware and focuses on promoting the work of environmental protection through mandatory implementation. In addition, we formulate Emergency Response Plans for Emergency Environmental Accidents and Emergency Response Plans for Heavy Pollution Weather; put Kiln-head online monitoring equipment on line; publicize major pollutant data for public use; implement clean production audit to improve storage and disposal of dangerous wastes and discharge permits certificate legal procedures. On-site governance adheres to the principle of "starting from a small place and managing from details" , establishes a dynamic ledger for equipment "leakage and venting" , realizing the sealing of the entire transmission pipeline, totally closed management of the workshop of the cement plant. We build raw material sheds, upgrade Kiln-head electric dust collection and effectively curb the pressure on environment brought about by the reentrainment of dust.



Direct investment in environmental protection totaled **180** million yuan

Fractional combustion, innovative denitration

The Group applied SNCR (Selective Non-Catalytic Reduction) denitration technology on the cement clinker production line to reduce NOx emissions. In 2018, through technology transformation, Shangluo Yaobai Longqiao Cement Co.,Ltd implemented the fractional combustion technology to greatly reduce the amount of ammonia water and effectively reduce the emission of nitrogen oxides.

Institutional facilities improvement and pollution emissions reduction

In 2018, our company continued to increase its investment in environmental protection. Direct investment in environmental protection totaled 180 million yuan, an increase of RMB 83.4 million over 2017. As of the reporting period, the Group replaced and upgraded a total of 12 sets of monitoring facilities for kiln tail source of pollution at one time. By doing so, the environmental risks of environmental monitoring facilities were avoided. Moreover, the Group implemented "change of electric dust collector into bag-type dust collector" to change the original electric dust collection into bag-type dust collector with lower emission concentration and stable operation. Attention was paid to daily maintenance. For kiln head dust collector, a complete regular cleaning system was developed. In the meanwhile, an hourly mean value daily report monitoring system of online monitoring was established to effectively supervise the online data compliance management of each production unit.



4.2 Comprehensive utilization of resources

According to the national industrial development policy, "three wastes" comprehensive utilization, "13th Five-Year Plan", local economic development and industrial development trends, according to the cement industry "three wastes" basic requirements, the Group actively responded to the national call of building "resource—economical and environment—friendly society", strictly enforced the basic national policy of resources conservation and environment protection, targeted at the efficient use and recycling of resources and implemented the resources utilization policy of "reduction, reuse, and recycling" in all aspects of production and management. In addition, it strictly followed the requirements of advanced technology, low energy consumption, low pollution, and control of investment, helped enterprises maximize economic value while leaving the basis for survival for their descendants by following the economic model of natural ecosystem material circulation and energy flow. During the reporting period, the total amount of the coal consumed by the Group reached 1.9592 million tons, the coal consumption per ton of clinker reached 149.6 kilograms; the power consumption reached 13.6 kilowatt hours; the energy consumption per ton of cement reached 75.2 kilowatt hours.

4.3 Income increase, expenditure decrease and green development

The Group firmly builds the social awareness of conservation and actively practices the green development mode. We uphold resources saving, intensive use and recycling, implement the policy of energy conservation and emission reduction while achieving the cost decreasing and benefit increasing. Moreover, the Group constantly intensifies the publicity and education of conservation culture, strengthens the environmental awareness of staffs and advocates green and low-carbon life style.

Adhering to the extensive application of pure low-temperature exhaust-heat power generation technology of cement kiln, the Group achieved the cyclic utilization of resources. The Group, as one of the earliest application enterprises of pure low-temperature exhaust-heat power generation technology, operated a total of 13 sets of exhaust-heat generating units for clinker production line with a total installed capacity of 82.5MW and a cumulative power generation

of 362 million kWh. The economic benefits resulting therefrom reached RMB 0.92 million. Calculated according to the thermal power generation with the same calibre, 4.43 tons of standard coal can be saved.

In order to promote the development of enterprises to improve quality and efficiency, our company takes the lead in adopting a high solid-gas ratio preheating pre-decomposition technology (XDL cement clinker calcining new technology), making full use of the kiln head, grate cooler waste heat and heat discharged from the kiln end preheater as drying heat source for raw material preparation and blast furnace slag grinding system so as to reduce the exhaust gas temperature by 28% and improve thermal efficiency of the system by more than 20%, save heat consumption per kilogram of clinker of 489 kJ and control the coal consumption per tonne of clinker at 100 kilograms. The comprehensive power consumption of clinker does not exceed 55 degrees for three consecutive years. At present, the integrated power consumption of the cement at Hancheng Plant of our group can be controlled within 65 degrees per ton. The energy consumption indicators have reached the advanced value of the national cement industry. While



The Group energy control big data analysis system

increasing the strength of cement production, the energy consumption is greatly reduced and the overall resource utilization level of the production line is enhanced.

In 2018, by virtue of energy control big data analysis system, the Group realized on-site double-current communication by telephone to solve the production site problems, tackle the passive situation of inadequate and lagging energy control.

The Group practiced the environmental protection measures in details and strongly advocated the green life philosophy among employees. Meanwhile, through the intranet, WeChat group, publicity poster and establishment of waste recycling bins, we encouraged environmental protection behaviors such as water saving, electricity saving and low-carbon traveling; carried out activities of "tapping potential and reducing consumption, lowering cost and increasing benefits", gathered good ideas on cost reduction and energy conservation from all staffs. We worked on building "garden-type factory", promoted growing green plants within the factory, formulated and issued "Garden-type Factory Building VI Handbook" so as to standardize painting color, guide, mark and greening formats. As of the reporting period, the garden-type green space built by the Group reached over 1 million square meters and the green satisfaction rate of the factory area reached over 95%.



Energy conservation, scientific water usage

Water is the source of life and the most valuable resource on earth. As the industrialization and urbanization speed up, the water environment pollution and water resources shortage comes out as the outstanding problems to be solved at present. The Group attaches great importance to the protection of water resources, actively advocated water saving and recycling. All domestic sewage must be treated by A/O secondary biochemical treatment technology before being watered in the greening factory area or discharged to the outside. In the meanwhile, the domestic sewage is inspected on a regular basis to ensure the up-to-standard discharge. In 2018, leveraging on the advanced water-saving technology, the Group promoted and applied water-saving instrument, treated the sewage in depth, cut the water consumption to no avail, increased the utilization rate of water resources. The total water consumption amount throughout the year reached 10.68 million tons and unit product water usage amount was 0.59 tons.

Promote the use of water-saving appliances

The production, living, and fire water supply systems are mainly used for the water for production of cement production lines, domestic water, fire fighting water, and supplementary water for the circulatory system; for production lines with waste heat power generation systems, the make-up water of the waste heat power generation system circulating cooling water also comes from this water supply system supplies. The system can effectively prevent water wasting due to excessive water pressure. As of 2018, the company has applied this system to 11 production lines.

Sewage treatment

The company's cement production plant is equipped with a complete sewage treatment equipment and follows the "urban miscellaneous water of urban waste water reuse" (GB/T 18920-2002) standard for the advanced treatment of the sewage generated for the supply plant area greening and sprinkling water on the road. In the whole year of 2018, a total of 4.8 million tons of sewage was treated. All reclaimed and utilized water after treatment to achieve zero discharge of sewage.

Cost decrease, benefit increase and green development

The Group constantly advanced technical improvement on energy-saving and cost-reducing, lowered coal power consumption. During the reporting period, technical improvement of 9 roller presses of 6 subsidiaries was completed; improvement of 3 clinker production line grate cooler was completed; improvement on draught fan frequency conversion on clinker production lines of 3 subsidiaries was completed. After over one year of optimization and adjustment, the output increase was obvious and coal power consumption indicators were optimized, thus saving



operation cost of RMB 7.8 million.

1.Environmental protection & Technical improvement in Zhen'an Company production line achieved obvious effect in output increase. 024 Figure: pictures after the technical improvement of Zhen'an company



Zhen'an company technology after the production line

In the larger context of energy conservation and emission reduction, China pursued a continuously stricter policy on high-pollution enterprises. For high-pollution enterprise involved in the cement industry is faced with urgent needs of transformation and upgrading. The Group takes the initiative to shoulder the social responsibilities of energy-saving and emission-reduction, firmly establishes environmental protection awareness, seeks new road and methods for transformation and upgrading to unify the economic benefits and social benefits. The Xi'an Baitong Construction and Installation Work Co., Ltd. under the Group was invited to participate in the Xi'an Summit for Cement Spare Parts in China. It makes the first move, continues to make attempts and explores the new track for development.

Industrial solid waste disposal and comprehensively utilization of resources

The Group highly values the comprehensive utilization of resources in the production process. It actively disposes of industrial waste and makes it profitable while reducing the pollution of it on environment, thus obtaining good social effect. Our company has formulated a strategic deployment of solid waste disposal. Currently, it is in a critical period of national environmental governance. Enterprises that actively implement the national environmental protection policy will also receive strong support from the government. All types of industrial solid waste, construction waste, and urban waste can be described as the "illnesses" of environmental governance work. It is imperative for the building materials industry to do a good job in the disposal of various solid wastes. The so-called "scientific and technological advancement is the primary productive force" refers to that relying on advanced technologies is an important measure for promoting environmental protection. Yaobai Group can use technology to achieve high-capacity and low-energy consumption, while using new processes and new technologies to dispose of hazardous waste and turn waste into treasure, produce high value-added products and create a new industry-related circular economy industrial chain.

In view of the fact that the construction solid waste dumps generated in the development and construction process in Xi'an and its surrounding areas occupy a large amount of land, our company started the experimental research on urban construction solid waste as early as in 2007. Now it has been applied and promoted in production. It can consume about 100,000 tons of urban construction waste in Xi'an every year. In 2018, the company disposed of a total of 4.0877 million tons of industrial waste.

For the management of packaging materials, the packaging materials consumed by the company's affiliated companies in 2018 were mainly packaging

bags and cartons. The total volume of bagged cement was 7.34 million tons, and an average of 20 bags per ton of cement were used. Each bag had a weight of 70 grams, and consumed about 12,400 tons of packaging materials. Unit output of packaging materials consumed 0.0014 kg/ton.

Domestic garbage handling and landfill damage reduction

The Group actively promoted the coordinated treatment technology of domestic garbage with cement kilns. With the application of this technology, garbage can skip the sorting process. The high temperature generated during the burning of cement kiln can degrade dioxin without abnormal odour spreading around. It can solidify heavy metal and treat sewage at the same time so as to achieve "harmless, minimized and recycling" treatment of garbage. In this way, problems of large occupation of land and secondary pollution brought by landfill and open burning can be solved to create good social and economic benefits. It's one of the advanced technologies for China's cement industry to develop circular economy and the environmental protection industry.

Application of alternative raw materials

In 2018, our company consumed 1.9592 million tons of raw coal and consumed 106.3 kilograms of standard coal per ton of coal per unit of output. Our company actively cooperated with research institutes and business partners to research and sought alternative fuels that can effectively replace coal and electricity. In 2018, our company developed a detailed evaluation system for the use of alternative materials and the use processes and fully considered the impact of the use of alternative materials on quality and comprehensive costs, making it more standardized and meeting product quality and cost requirements so as to form a multi-point breakthrough, multiple alternative situation, registering the total cost savings of RMB 12.15 million throughout the year. Through practice, a total of 2.54 million tons of alternative raw materials are used in modified phosphogypsum, fluorinated gypsum, solid wastes from smelters, etc., saving 22,000 tons of standard coal. Through the above measures, it not only brings direct benefits to the production and operation of enterprises, but also effectively handles the solid wastes and protects the ecological environment.

Pucheng, Shifeng and Fuping Companies added gasified slag in the raw material section respectively, saving an amount of RMB 950,000. Xixiang Company purchased raw coal from Zhenba, saving an amount of RMB 1.81 million. With the help of the Mianxian Company, a total amount of 130,000 tons of steel slags were used to replace grain slag, saving cost of RMB 8.84 million. Subject to tight supply of coal ash and slag, to ensure the normal production of each company and reduce the procurement cost, the material company purchased low-priced materials such as slag, steel slag and vermiculite to guarantee production and even rented the site to corner slag at low price to lower the purchase price of materials, thus effectively lowering the production costs.

Yaobai Group participated in the project investment and signing series activities of China Silk Road International Expo. The Group signed the resources comprehensive utilization investment project of Ankang Yaobai Cement Co., Ltd. which has a profound significance in the optimization of resources allocation and sustainable development strategies. The operation of the project will further promote the health economic development of Xunyang County and bring economic, environment and social benefits to local development.



Participated in the project investment and signing series activities of China Silk Road International Expo

4.3 Construction of green mines

Limestone mine is the major source of production raw material of cement enterprises. It also serves as cornerstone for the survival and development of the enterprise. The Group sticks to the scientific usage of mine resources, builds ecological mine area. For the selection of factory address, the Group adheres to Convention on Biological Diversity to minimize the impact on surrounding environment and community; during the exploitation process, the Group adheres to Convention on Green Mines to vigorously develop greening work of mines. In this way, the water and soil loss of mines and surrounding area is effectively reduced and the long-term work and life environment of employees is improved. As of the reporting period, the Group invested a total of RMB 85 million for greening, planted around 22.3 million trees, afforested areas of around 1800 mu. The green mines construction achieved initial success.

In the principle of "no wastes for mining, no raise dust for transportation, no dead corner for green returning, the Group strengthened environmental management system building in high standard and all-around way, actively carried out geological environment restoration work of mines. As of the reporting period, the restored greening area reached over 35%.

Benchmarking governance

Following the contents of Action Plan for Defending the Blue Sky released by the state and provincial authority, in combination of the development trend of cement industry and external dynamics of environmental protection, the Group leaders took a broad and long-term view, made a decision that environmental protection can be achieved through cleaner production and delicacy management. The Group developed Action Plan for Implementing Environmental Protection Entity Responsibility and On-site Environment Governance Standard to make systematic requirements from risk prevention of environmental protection, cleaner production, leakage and venting treatment, in-organized raise dust control, shed seal, spray installation, standard and management of environmental protection facilities and hazardous waste. Moreover, it guided and supervised its subsidiaries to carry out in-depth governance of production lines and mines environmental protection; all production units carried out work as scheduled, effectively consolidated the results of garden-style factory building and established good external image.

The background of the page features a vibrant green landscape with rolling hills in the foreground and a clear blue sky. In the upper portion, there are close-up images of green leaves, some with serrated edges and others with smooth, fan-like shapes, hanging from thin brown branches.

05 Safety production

5.1 Safety production management system

The ultimate goal of building a safety management system is to ensure the safety of employees. The Group actively pushing forward the construction of the safety management system to implement the main responsibility for the principle, to create a safety standardization and dual prevention mechanism, highlight the elaborating management and clean production, hope that through the system of safety management mode, implement the production process middleman, machine, material, ring, pipe and other various factors, safe and reliable, harmonious and unified make various harmful factors under control, and gradually approaching the essence, lasting security goals.

5.2 Occupational health protection

The first defense line for safety production is the sound safety management system. The Group takes safety management as important prerequisite for the operation and management and regards safety production as an important task all the time.

In 2018, the Group made the safety management a basic task and implemented refined management. First, it carried out the monitoring on operations of source of danger and effectively controlled the implementation on the site of hazardous operation through monitoring and direct intervention. Second, it carried out safety production activities month and "safety everywhere" activities in a solid, effective and practical way. Moreover, it conducted emergency rescue drills within limited space, organized safety training and employee representative safety seminars, stuck to the monthly safety environment random inspection and selected the best monitor. Third, it signed a safety liability statement with the outsourcing unit of the factory, conducted on-site safety training for third-party construction personnel, thus avoiding the danger from the safety operation of third-party construction and minimizing the personal safety risks brought to enterprises and society.

Safety production committees have been established in all subsidiaries of the Group with general manager working as the director, taking charge of the safety production management of the company. Moreover, safety and environmental supervision department, a professional management department for safety, was also established to clarify the department's safety management responsibilities and report daily safety work to the general manager. Following the implementation of the Assessment Rules of Safety Production Management by Objective Liability Statement and the Implementation Measures of Safety Production Management by Objective Liability Statement, the Group involved all employees in the construction of the safety system and organized all employees to sign the safety production management by objective liability statement.

In the middle term and year-end term, the Group conducted special safety inspection on the implementation of the safety production liability system of each subsidiary and announced the results, made rewards and punishment in a timely manner. In 2018, it awarded 4 units that obtained "excellent" and "good" in the previous year's assessment. Units with poor performance were also punished.

5.3 Work environment safety

Employee safety management

With the thought of "safety hazard lies in insufficient training" firmly established, the Group always regards the vocational health education and safety training as top priority. In 2018, we held 6 large-scale training sessions as to Safety Certificate, Vocational Health Certificate, Safety Production Standardization with over 15600 participants. In the meanwhile, all subsidiaries extensively carried out activities for "main responsible person to talk about safety" and supervised management at all levels to set an example to strengthen the safety learning, thus further promoting the whole personnel to raise safety awareness, urging staffs to master safety production skills and self and mutual medical aid skills. In 2018, the Group organized employees of all production subsidiaries to participate in safety knowledge exams and arranged reeducation and make-up examination for disqualified staffs to ensure 100% certification before the staffs took the post.

Safety accident which frightens people is also a vivid textbook for vocational safety education. We collected cases of safety accident within the industry and group and compiled them into the book Safety Management Manual – Accident Case Analysis to assign it to every staff for them to draw inferences from it and attach importance to it mentally so as to eliminate hazards with practices. Mr. Zhang Hai from Fuping Company was awarded the title of advanced individual for safety production in Fuping County in 2018.

Mine Safety standardization

In 2018, substantial progress was made as to green and standardized mines construction of the Group. The Group compiled various systems and operation rules regarding mine safety management, established approval systems for flaw-piece dangerous operation, blasting operation and production suspension and resumption and improved the safety signs and facilities for mining.

As of the reporting period, 1 in our Group, the mines of Xixiang Company and Zhen'an Company reached secondary and tertiary standardization by the Inspection and Acceptance Bureau, mines of Pucheng, Shifeng, Fuping, Mianxian, Huaxi companies all reached secondary standardization with control rate of over 80%. 2 Newly controlled mines were subject to re-examination, technical evaluation and mining guidance to ensure that each of the mining conforms to standardization requirements. 3 The Group improved mines management level and lowered mining cost through safety mines standardization.





06 Products and services

6.1 Quality assurance

In the quality management part of the Yaobai Cement Management Manual, the Company put forward clear and strict requirements for the detailed management of the production process, which includes raw material management, coal management, raw materials and clinker management and other quality standard to ensure that each step reaches qualification standard. The management manual also includes standardized laboratory equipment, maintenance, verification requirements, operating instructions, environmental configuration, and file records to guarantee the products quality verification and help product quality meet the standards. Moreover, the quality accident management standard is set to judge the accidents, provide non-conforming product treatment plans, compensation standards, recall mechanisms and processing procedures. Based on a complete and effective quality management system, the Company carries out management and evaluation on the quality of the base products and includes production

process and key quality indicators of the products into performance assessment of the regional and production bases. Based on performance management, the Company continues to promote the quality construction of each unit to provide products of high quality to consumers. Besides, through several lean improvement projects, our Group continues to improvement the management on quality, process, energy saving and emission reduction. Through benchmarking management of quality indicators of 9 processes, the quality management personnel are pushed to implement quality delicacy management and the process quality indicators are greatly boosted. Subvert conventional thinking and strive to improve the performance of cement. The subsidiaries, through continuous trials of laboratory mill, verify admixture variety, amount, process control indicators and test the water demand followed by key clients. Through continuous optimization of production mills, the product performance and customer satisfaction are greatly enhanced.

1. Hetian Company produced the bagged cement in separated batches, adjusted and optimized the ratio of limestone and sand in the admixture to lower and stabilize the standard consistency of cement to



The Silk Road Energy Industry Material and Equipment Industry International Expo Site



Mianxian Company was awarded Chemical Analysis Special Award



the laboratory of Hancheng Company was awarded as "Excellent Standardization Laboratory"

below 28%. 2. Through stabilizing the plastic rate value, the Lantian Company adjusted ratio according to the test results of admixture and lowered the standard consistency of cement to around 26%. 3. "Yaobai" oil well cement, as the only cement material supplier shortlisted in the "Silk Road Energy Industry Material and Equipment Industry International Expo", was recognized by the market and had the brand awareness greatly improved.

2018 witnessed great achievements of the construction of Group's standardized laboratory and stable improvement of basic management level of each laboratory. Companies in Jianghua, Pucheng, Yangxian, Mianxian, Zhen'an, Hancheng, Danfeng and Luonan successfully obtained the Cement Production Enterprise Standardization Laboratory Certificate, among which, the laboratory of Hancheng Company was awarded as "Excellent Standardization Laboratory". 19 production units of the Group were shortlisted in the 16th National Cement Chemical Analysis and Comparison Awards. Among them, Hancheng, Mianxian and Jianghua won all the special prizes of Shaanxi Province, and three laboratory operators were awarded the title of "operation expert" in National Cement Chemical Analysis and Comparison Awards.

6.2 Excellent service

Technical services

Guided by market demand, the Group provided differentiated product solutions throughout the year. Through market sampling and password cross-checking, the Group verified the quality and performance of cement outputs. On monthly basis, it arranged engineers to phone customers to learn about customer demands and real quality situation of products according to the customer information and return visit table. On quarterly basis, the Group visited the customers in national key projects, commercial mixed market and various civilian areas and inspected competitive cements, exchanged the correct use of cements in our Group. In terms of product details control, we made continuous improvement to realize differentiated management of similar products, usage of packaging in bags and in bulk, different ratio required by key engineering, different control indicators management so as to meet the needs of different customers to the greatest extent. Meanwhile, The group issues the user manual of yaobai cement and carries out special technical services for over 1650 times. None of customer complaints due to disqualified technical services were received.



Logistics distribution platform

Logistics support

In light of the current operating conditions, the Group continued to enhance its own transport capacity, took full advantage of information technology to allocate and transport in a scientific and standardized way, expanded social transportation resources, implemented single-vehicle accounting model, reduced tax rate and efficiently guaranteed supply based on its own Zhong-gang smart logistics and transportation platform. As of the report period, the Group owned 101 vehicles, integrated 617 social vehicles, operated over 190 routes, signed 134 transportation contracts and maintained strategic cooperation relationship with 62 qualified common carriers. It reduced over 30 routes and achieved the operation targets of lowering transportation cost. Throughout the year, no customer loss events due to poor delivery occurred and no major transportation accident occurred. The Commercial Concrete Company provided timely and attentive production supply guarantee and logistics service so as to win enough time for project construction. In 2018, the Company received plaque of "Integrity, Cooperation and Win-win Outcome" .



7.1 Technical innovation

Technical innovation is a matter of constant attention of the enterprise. Only by sticking to technical innovation can we effectively enhance the core competitiveness of the enterprise, can we stay afloat in the increasingly fierce market competition, can we promote the transformation and upgrade of the enterprise. Our Group constantly optimizes technical innovation model, improves the innovation talents cultivation mechanism, enhances the independent innovation capacity, promotes the transformation of scientific results and achieves the content-based development through technical innovation. For the effective promotion of technical innovation, by strategic cooperation with well-known domestic universities, we continue to introduce high-level talents, invest over RMB 20 million to purchase cutting-edge test instruments to build Special cement technology center. On the yearly basis, we launch QC results conferences to lead employees to carry out independent innovation in the fields of production, process, equipment and quality with the technological innovation mode that takes enterprise as main body, strategy as guide, market as direction and integrates industry-university-research cooperation. Meanwhile, our Group lays emphasis on improving technological innovation system environment, focuses on cultivating innovative talents and high-skilled talents. By establishing mid-and-long term incentive system, cultivating innovation culture, we continue to speed up the cultivation and gathering of technology leading talents, strive to build

the innovation team with influence industry-wide and nationwide. In 2018, the company continued to step up its investment in scientific and technological innovation and intellectual property protection, collect scientific research fund from multiple channels, enhance the technical contents of the products and businesses. As of the report period, it invested in scientific and technological innovation which occupied 0.3% of business income (the income of Group in 2018), applied for 12 utility patents, obtained 1 technical innovation award in building material industry, participated in the formulation of 4 national standards, 2 group standards, continued to enhance the success rate of scientific research project.



won the award of "China Special Cement R&D Key Enterprise"

The Key Technology for High-performance HSR-type G-grade Oil Well Cement Preparation of the Group was awarded the second prize for technical transformation category in "National Building Material Industry Technical Innovation Award" of "Nanjing Fiberglass Research & Design Institute Cup" jointly organized by China Building Materials Federation and China Machinery, Metallurgy and Building Materials Trade Union National Committee.

7.2 Transformation, upgrading and structural adjustment



won the award of "China Cement Industry Technology Standard Innovation Contribution Award"

Transformation, upgrading and structural adjustment is an arduous work faced by the Group for long-term development. Special cement research and development and market development started well, Guangxin lease finance company carried out finance businesses successfully with rent recovery rate of 100%. The commercial concrete company was successfully established, the mines company was operated officially and the admixture company made new breakthrough in its performance. In the meanwhile, Pucheng, Tongchuan industrial parks projects were steadily progressed.

Product R&D and upgrading

The solid well cement for combustible ice mining developed by the R&D center of the Group and the CNPC institute and the 3D printing materials developed with Hebei University of Technology bridged the gap of domestic technology. Meanwhile, by fully making use of technical advantages, the Group successfully developed 9 types of special cement and special engineering materials from three series of CA50 aluminate cement, ordinary sulphoaluminate cement and YB2 decorative gelatinizer. The R&D Center was successively awarded the "China Special Cement R&D Key Enterprise" and the "China Cement Industry Technology Standard Innovation Contribution Award" from the China Cement Association.



Bird's eye view of Tongchuan Industrial Park project planning (requires trimming)

Focus on park construction

Seizing the strategic opportunities period of structural adjustment, the Group made scientific plans on the Pucheng Circular Economy Industrial Park and the Tongchuan Green Building Materials Industrial Park by focusing on the future development direction of circular economic industry, which are specific actions for early layout of emerging industries and structural adjustment of the Group, thus laying foundation for diversified development of the Group.

Upon invitation, the Group attended the Shaanxi New Material Industrial Conference and entered into investment agreement on Tongchuan Green Environmental Protection Building Material Industrial Park Project with Tongchuan Industrial and Information Bureau, which confirmed that the industrial park takes the world-leading 3D printing material as core, relies on special environmental protection building materials including sulphoalumi-

nate cement, calcium aluminate powder for water treatment and high-performance professional decorative gelatinizer to build the new material smart integrated park service platform integrating R&D, production and sales and form new-type building material industrial chain of professional coordination and distribution of responsibilities and close upstream-downstream industry supporting.

Layout of commercial concrete aggregate

Following extensive market research, in the principle of scientific layout and standardized management, the Group found quality partners, fully integrated the Shaanxi commercial concrete market and successfully established the Xinyida Building Materials Industry Development Company to build lines of aggregates. The establish-

ment of commercial concrete company and the aggregates lines contributed to the substantial progress of industrial chain extension strategy of the Group.

As of the reporting period, the Group achieved the production capacity of commercial concrete of 2.6 million square meters; aggregate production capacity of 6.5 million square meters.

Financial services

Since 2018, in combination of the self-owned characteristics of the finance lease company, the Group has optimized the financial leasing system process, standardized the management standards, and provided strong support for the company's standardized operation. It has truly fulfilled the business philosophy of undertak-

ing responsibility for the company, for the investors and for the society.

Fully positioned as "industrial finance", the Group requires that all businesses must be carried out based on the cement main business of the Group, fully leverage on the industrial leading position, credit and industrial chain relations of the Group in building materials industry to carry out industrial chain extension and structure adjustment, customize business implementation plan and carry out differentiated competition with traditional finance and market-oriented finance. In the meanwhile, in 2018, the small loan company of our Group was successfully settled in the private finance town of Xi'an, thus truly realizing the multi-sector development of finance. The company is also the first small loan company set up in Shaanxi since 2014.

08 Intelligent Manufacturing

8.1 Informatization

As the lubricant for the development of enterprise, informatization is one of the fundamental tools to enhance the core competitiveness of enterprises. In 2018, by seizing the development opportunities, the Group constantly strengthened the production management informatization. It successively launched the Yuntian ERP project, the ration loading project, the production monitoring video cloud upload project of the subsidiaries and branches, the logistics transportation platform project, and the mine unattended operation project, the commercial concrete system informatization project, the security monitoring project and the energy management center acceptance work, etc. Once these projects were successfully completed, the informatization construction process of the Group will be sped up to a certain extent, thus laying a solid foundation for the comprehensive realization of information construction in the next step.

8.2 Data security construction

One important measurement index for the level of informatization is the safe invoking and storage of data. During the process of carrying out informatization, the Group highly valued the security management of information and data to ensure that data is invoked and stored in a secure environment. Firstly, it updated the server equipment, upgraded the firewall and enhanced the safety of the data running. Secondly, with the self-owned servers as storage points, it developed the application program. Thirdly, through the technical breakthrough, it gradually relocated the group data stored externally to the internal server of the Group. Fourthly, it partnered with Yuntian and UFIDA to discuss the data security construction model and improved the data security construction level of the Group. Yaobai Group and its subsidiaries and branches all accessed through optical fiber lines and achieved interconnection through VPN. data monitoring camera monitoring was achieved for the factory area and production monitoring. In the headquarters of the Group, professional server network computer rooms were set with over 20 high-configuration servers. Over 40 servers were configured in professional computer rooms of the subsidiaries and branches. In the meanwhile, hosted cabinet was set in the telecommunications room, disaster recovery

machine room was built in Fuping. In most cases, the Group applies Cisco and H3C and other cutting-edge devices at home and abroad as network devices.

8.3 Intelligent exploration

In 2018, 30-people (think tank) forum for china cement intelligent manufacturing was held in the headquarter of the Group. Over 40 domestic and foreign experts, scholars, enterprise representatives and mainstream medias gathered in Xi'an to explore the new trend of intelligent manufacturing and share the development dynamics and cutting-edge results of intelligent manufacturing in cement fields. This forum themed on "intelligent interconnection, digital cement" was initiated and organized by Baiyun Intelligent Company. It conducted discussion from the cement intelligent factory, industrial smart manufacturing condition, transformation path, intelligent production, intelligent maintenance, intelligent management.

With high recognition from industry experts, this intelligent exploration conference held that



30-people (think tank) forum for cement intelligent Manufacturing was held in the headquarter of the Group



The Group two-in-one integration and start-up

Yaobai Group pioneered in the new field of the industry and can serve as the practical guide. Moreover, it pointed out that taking the opportunities of the launch of national intelligent manufacturing standard system construction guide released by Ministry of Industry and Information Technology, Yaobai Cement is expected to play an active role in the standard formulation in intelligent manufacturing of cement industry and boost the intelligent manufacturing of the industry.

In 2018, the Group implemented the integration of two orientations to improve the management level of subsidiaries and prepare for the "Industry 2025" of Yaobai Group. The Group held management system standard implementation kick-off meeting for the integration of two orientations and planned to realize fewer batch production, personalized and customized industrialization in the future. Taking advantage of data flow, the Group made use of platform resources to provide services for users.

The integration of two orientations is a long-term and long process, requiring theory guidance, enterprise driving and government assistance. The Group highly valued the project process. While strengthening the development ability of enterprise, it reinforced the project driving force and promoted the industry informatization of the group and building material industry.



West China Cement Limited



Tea party to commemorate the 40th anniversary of reform
And opening-up and the 40th anniversary of yaobai group

09

Harmonious Community

9.1 Care for employees

Equal employment

Staff, as the most important and previous resources of the enterprise, constitutes the think tank and development basis of the enterprise. Constant talents introduction and stable talent pool of high quality drive the sustainable development of the enterprise. The Group sticks to the people-oriented responsibility concept and establishes fair and open employment system. It respects and places great emphasis on the enthusiasm, initiative and creativity of the employees and strives to create a good growth environment for employees. Employment discrimination of any forms is prohibited.

To protect juveniles and avoid assigning unendurable workloads, the Group prohibit the use of child labour and forced labour. The Group's human resources staff requires job applicants to provide valid identity

documents before confirmation of employment to ensure that the applicants are lawfully employable. If any child or forced labour is discovered, employees can report to the management by face-to-face meeting, phone, mail or email. The reported case will be followed up with an investigation.

The Group gives full play to democracy and guarantees employees' right to right, participate, supervise and suggest. We built effective internal communication platforms and multiple channels such as congress of workers and staffs, employee forum and company e-mail for employees to express opinions and make suggestions, reflect reasonable appeal. All relevant departments make timely summary and discussion to adopt reasonable suggestions and strive to build harmonious labor relationship, enhance the sense of belonging and sense of ownership of all staffs.

Structural diversity

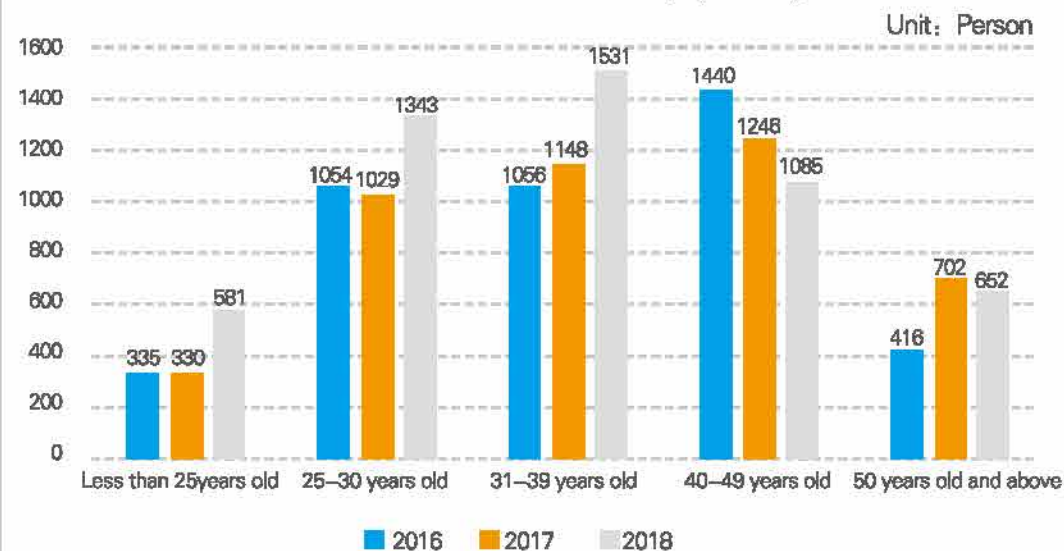
The Group attaches great importance to the structural diversity under high-efficiency operation. Employees of both gender, different ages, and different education background complement each other's advantages to better give full play to the talents of staffs. While reserving and passing down traditional production technologies and management experience, we also advance with times and highlight the talent echelon construction to build a learning, professional and knowledge-based talent pool so as to vitalize the development of the Company.

As of 2018, the company employed 5,174 staffs. The proportion of male and female employees was 80.44% and 19.56% and management personnel accounted for 23.29%. 100% employees entered into formal employee labor contract. No major labor disputes occurred throughout the year.

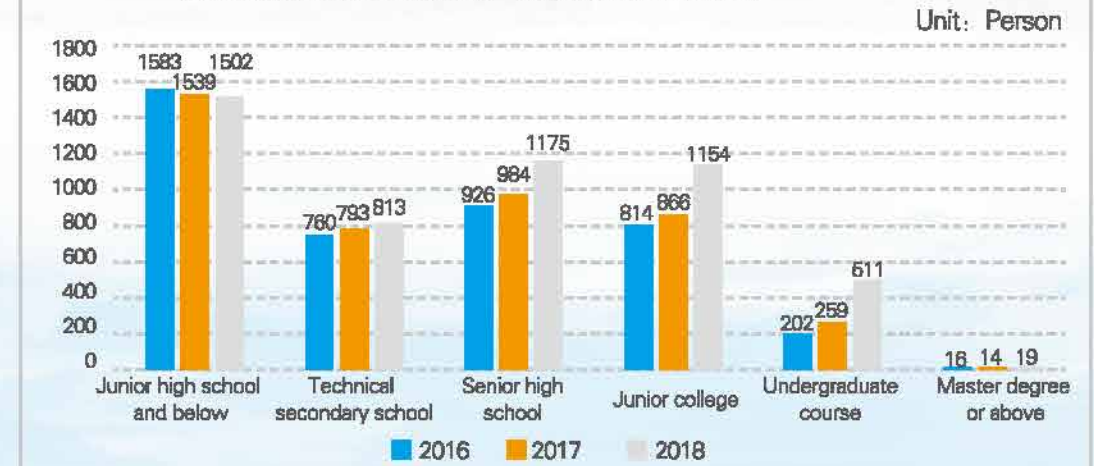
Employee employment type graph



Structure chart of employees' age



Structure chart of employees' education background



Compensation and benefits optimization

In strict accordance with relevant laws and regulations of the Labor Law, Labor Contract Law and the Social Insurance Law, the Group and its subsidiaries established performance-oriented, market-oriented performance assessment incentive mechanism for all staffs based on improving the capacity of employees. Moreover, a comprehensive salary and benefit system that is based on favorable compensation, multi-level welfare guarantee, good working atmosphere was built to issue the salary of employees in full and on time, ensure the legitimate rights of employees.

Five social insurance and one housing fund

In accordance with national laws and regulations, employees shall pay medical care, old age, maternity, unemployment, work injury and housing provident fund in full and on time.

Activity

Organize various recreational and sports activities, such as basketball, table tennis, singing competition, etc.



Annual health checkup

Provide free physical examination for employees every year. Employee physical examination rate is 100%.

Paid training

We formulated the measures for the implementation of paid leave for employees, implemented the national rest time and work system, and arranged leave, personal leave, sick leave, family visit leave, maternity leave and other national statutory holidays for employees.



Strengthened vocational training

We put talent training as our top priority and establish complete route from talent recruitment, system training to comprehensive improvement and form systematic, normalized and growth-supported system that covers all personnel, all posts and whole process and combines interior and exterior, online and office, theory and practice, business ability and safety education. Through comprehensively improving the qualities and abilities of employees, we provide strong talent guarantee and intellectual support for the Company. In 2018, the total input for employees training reached RMB 1.4632 million with per capital training duration of 11.11 hours.



Case: In 2018, the industry and education activities in the west region were carried out by the group. At the meeting, President Ma Weiping analyzed the current situation of cement industry, Through "four responsibilities", he introduced the corporate culture and future development of Yaobai Group and put forward the following expectations for talent training of vocational colleges: first, in light of the shortage of industrial technicians, directed education under university and enterprise cooperation should be carried out for current talent development of the industry; second, the teaching system should adapt to the needs of the development of times; third, the building material industry association should be leveraged on to boost the professionalism of technicians. Fourth, diversified knowledge and attainment education should be carried out.



Talent recruitment and results sharing

Employees are the strong driving force for the growth and development of the enterprise. We firmly implement the strategy of developing company through strong talent force, welcome social elites, guide the career development plan of employees, constantly improve the selection and appointment mechanism, expand employee growth channel, strive to build broader stage for employees to fully present their talents and share the development results with each of the employee. In combination of industry characteristics and commodity price of different regions, the Group adjusts the salary of employees timely. In 2018, the per capital income of employees grew 29% on a year-on-year basis. The Group actively recruits college graduates and strong-willed youth, which not only lays a strong talent basis for the future development of the Company, but also makes its due contribution to promote social employment. In 2018, the Group attended the job fairs in over 10 colleges including Xi'an Institute of Arts and



Science, Luoyang Institute of Science and Technology, Baoji University of Arts and Sciences in Xi'an, Baoji and Luoyang and finally employed a total of 121 graduates. In the meanwhile, subsidiaries of all regions actively responded to the call of the Group, coordinated the regional resources and planned the talent resources within the region in advance. A total of 1300 talents were recruited. 1040 job opportunities were offered to the place where the enterprise is located. The Group established salary distribution system with salary and performance incentive as main body and continued to improve the annual salary system, optimized assessment plan to fully inspire the working enthusiasm of employees.

Care for employees, people-oriented

The Group provides free health checkup to all staffs on a yearly basis and continues to improve the occupational health and

monitoring files of employees. The group trade unions and the trade unions of subsidiaries actively donate money and items to employees in distress and help them go through the difficulties. In 2018, only through the group trade union, a total of nearly RMB 200,000 was donated to 12 families of families in distress. The Group pays close attention to the physical and psychological health of its employees, continues to enrich spiritual and cultural life and strives to create a positive and healthy culture atmosphere full of positive energy for the employees. All subsidiaries conducted rich and colorful recreational and sports activities such as basketball match, table tennis match, badminton match, tug-of-war, race around factory to greet the new year, which enriched the spare time of employees and created harmonious atmosphere for happy work and life. Moreover, the cohesion of employees was enhanced and the sense of belonging and recognition was boosted.



9.2 Supply chain management

Channel expansion, transparent procurement

Supply chain management has always been a systematic task that needs to be upgraded. The Group places emphasis on the control of procurement links and developed Interim Procedures for Material Supply Management, Administrative Measures for Materials Procurement Bidding, Implementation Rules for Materials Procurement Bidding and Interim Procedures for Suppliers Management.

1. The Group expands procurement channels, promotes open bidding of procurement in an all around way and sticks to the principle of "fairness, justice and openness" during the cooperation with suppliers. We make registration public, strictly select and review on a regular basis. The material company establishes bidding office to carry out bidding on transportation, raw materials, production facilities, dust collection, technical improvement, vehicles and rice, flour and oil supply. Through the procurement advantages and price, quality comparison, the procurement prices of the materials of the same kind dropped by 5–10%.

2. Guided by material safety and economic supply, the Group digs into the supply chain management and changes in market supply and demand, actively researches the strategic direct-supply

channels to increase supply, step up efforts in expanding supply channels, optimizes and expands the coverage of unified distribution so as to achieve supply of high-quality coal at affordable prices. Meanwhile, the Group adds 8 direct supply mine points of raw coals to ensure timely supply. We also focus on daily laboratory report of mining side, prepare the raw coal quality ledger so as to improve the quality of raw coal procurement, while effectively reducing the cost of raw coal procurement.

3. The Group communicates with production units on the service condition of substitute materials and constantly promotes it.

4. The Group actively promotes the online operation of supply chain system, strengthens the standardized warehouses building, warehouse materials inventory, puts tight grip on receipt and delivery, ensure the matching of accounts and reality. Throughout the year, the material coded reached nearly 30,000, PDA scanning management was completed, so that the 2018 procurement tasks were completed to ensure the production and operation of each unit.

The year of 2018 witnessed the completion of 41494 procurement plans, procurement contract signing rate of 100%, contract performance rate of 100% including 16407 items of local procurement and local procurement rate of 39.5%.

Mutual benefit and win-win outcome

The Group determines to enforce the basic state policy of resources saving and environmental protection. While pursuing sustainable development of itself, it also seeks common development with strategic partners on the supply chain. For one thing, the Group established stricter supplier access mechanism for all materials attributes and took the performance of social responsibility of suppliers as major considerations. On equal conditions, we prefer enterprises that place emphasis on public welfare and have good social effect. All partner suppliers are equipped with scale advantages and strong quality control and R&D capacity. They are mainly domestic and foreign enterprises or listed companies with brand advantages, capital advantages, price advantages and quality advantages. For another, we uphold the philosophy of discussion and collaboration, mutual benefits and win-win outcome, take the initiative to invite suppliers to visit the company and guide them to learn about the technical reform, product upgrade direction in cement industry as well as the target of process reform of enterprises. Through carrying out discussion on customized supply demand, trial communication on advanced products, promotion of upgrading of procurement materials, we enhance the R&D capacity of suppliers and the market competitiveness.

Our company actively explores new modes of cooperation with suppliers and strives to create a win-win situation for cooperation. For example, in electricity peaks during the Spring Festival and

summer, we carry out price negotiations with local power plants and leverage on our own inventory advantages to absorb waste residue resources of the power plant, which not only creates economic benefits for the company, but also contributes to the environmental protection cause and realizes cooperation reciprocity with suppliers. Adhering to the "going out" and "bringing in", the Group maintains the bilateral supply and demand relationship with suppliers and actively expands the scope of cooperation with suppliers. In the meanwhile, it's dedicated to entering into strategic partnerships with more quality companies. Through long-term cooperation with quality suppliers, we are able to purchase the raw material with best cost performance to meet the production needs, so as to provide products of high quality to downstream customers. Meanwhile, the advanced production management experience can be drawn by and from suppliers so as to achieve cooperation philosophy on resources saving and environmental protection and better perform social responsibilities.

Headed by the labor union of Group, mutual-aid fund of employees gathers the love and care of more than 5,000 employees of the Yaobai Group. Through the full implementation of funding activities, the care from enterprise to employees is fully reflected to make each of the recipient proceed with confidence, face the difficulty and add to the courage and strength of their pursuit of better life.





9.3 Educational poverty alleviation and public welfare activities

Educational poverty alleviation

Over the years, our group has always placed the development of education the top priority of the performance of social responsibility, actively performed the social responsibility of large enterprise so as to contribute more to social harmonious social development, better life of people with continuously innovative poverty alleviation method and more accurate poverty alleviation measures.

In 2018, the Group established the public welfare foundation for student loans of Shaanxi Yaobai. Each year, 5 million yuan from the proceedings of Foundation will be allocated to subsidy the students from poor family. As a leading domestic industry enterprise in Shaanxi, the Group initiated a new model for Shaanxi enterprise to invest in and establish permanent foundation for student loans and comprehensively contributed to the accurate educational poverty alleviation and contributed its part to poverty alleviation. The Foundation has funded the schooling of 1337 excellent university students.

The Group input funds of 50 million yuan into the projects of the

third junior high school and the tenth primary school project in Pucheng County in 2018. In this way, more students in Pucheng will have access to high-quality teaching environment and educational resources to contribute to the development of education causes and benefit the next generation.

Based on educational poverty alleviation, the Group also actively conducted activities to care for the elderly living in poverty. It subsidized over 200 senior citizens in villages, towns where the production factories are located, totaling over 100,000 yuan. On each important festival, the subsidiaries under the Group will actively carry out poverty alleviation work in light of local conditions to visit the poor families around the factory and send necessities of life such as rice, flour and oils. For villages that carry out infrastructure, a total of nearly 10,000 tons of cements will be donated throughout the year for the road and bridge construction, houses building of surrounding communities.

Public benefits activities

As a large-scale listed enterprise, while developing our strength, we also attach great importance to the social development and people's welfare and devote ourselves to the social public welfare. Since 2018, the Group has further expanded the in-depth integration with local community, and has made due contribution to the public welfare of local communities.

The Group continues to participate in Hong Kong Chi Heng Foundation as platinum sponsor and invested RMB 500,000 to aid children and young people affected by AIDS and help them complete schooling and growth healthily. Mr. Du Cong, founder of the Chi Heng Foundation, awarded appreciation award to our Group.

The year of 2018 witnessed Yaobai staffs' active engagement in public welfare and giving back to society. Through these public

welfare activities and voluntary activities, the distance between the enterprise and surrounding communities and stakeholders was drawn near and the responsibilities concept of giving back to the communities was practiced. While pursuing its own development, the company also drove the development of local economic and social development and achieved a harmonious and win-win situation between the enterprise and the local community.



10 Conclusion

In 2018, Yaobai Group developed while giving back to society and spreading warmth. It took actual actions to interpret the responsibilities of the Yaobai staff. The sustainable and steady development of the company boosted the dream of prosperity and development of the society and contributed to building a well-off society.

In 2019, the unyielding Yaobai staffs will forge ahead despite of difficulties. It will give back to the society with outstanding development performance, actively fulfill the social responsibility of large enterprises. In the environment of "the Belt and Road" and "Building Great Xi'an", it will take action to practice commitment and prepare more gorgeous chapters.

Appendix

Company short name

Pucheng company
Hancheng Company
Shifeng Company
Fuping Company
Yaowangshan Company
Wainan Company
Lantian Company
Danfeng Company
Luonan Company
Zhenan Company
Yangxian Company
Mianxian Company
Xixiang Company
Xunyang Company
Jianghua Company
Luxin Company
Hetian Company
Yining Company
Huaxi Company
Tongchuan Company
Sales Corporation
Materials Company
Mining Company
Commercial Concrete Corporation
Baiyun Company
Guangxin Company
Testing Company
Baitong Company
Baian Company
Logistics Company
Xinbai Company
R & D company
New Material Company

Company name

Pucheng Yaobai Special Cement Co., Ltd.
Hancheng Yubai Yangshanzhuang Cement Co., Ltd.
Shaanxi Shifeng Cement Co., Ltd.
Shaanxi Fuping Cement Co., Ltd.
Tongchuan Yaowangshan Cement Co., Ltd.
Wainan Pucheng Yubai Cement Co., Ltd.
Xi'an Lantian Yaobai Cement Co., Ltd.
Shangluo Yaobai Longqiao Cement Co., Ltd.
Shangluo Yaobai Longqiao Cement Co., Ltd. Luonan Branch.
Shangluo Yaobai xiushan Cement Co., Ltd.
Hanzhong Yaobai Cement Co., Ltd.
Hanzhong Mianxian Yaobai Cement Co., Ltd.
Hanzhong Xixiang Yubai Cement Co., Ltd.
Ankang Yaobai Cement Co., Ltd.
Ankang Yaobai Jianghua Cement Co., Ltd.
Hetian Luxin Building Materials Co., Ltd.
Hetian Yubai Cement Co., Ltd.
Yili Yaobai Cement Co., Ltd.
Guizhou Linshan Cement Co., Ltd.
Tongchuan Yaobai Special Cement Co., Ltd.
Yaobai Special Cement Group Co., Ltd. Sales Corporation
Xi'an Yaobai Materials Co., Ltd.
Shaanxi Fuda Mining Engineering Co., Ltd.
Shaanxi Xinyida Building Products Co., Ltd.
Xi'an Baiyun Intelligent Data Technology Co., Ltd.
Guangxin International Finance Leasing Co., Ltd.
Shaanxi Jiandaxin Engineering Testing Co., Ltd.
Xi'an Baitong Building Installation Engineering Co., Ltd.
Shaanxi Bai'an Admixture Co., Ltd.
Xi'an Zhonggang Smart Logistics Co., Ltd.
Xi'an Xinbai Commercial Operation Management Co., Ltd.
Yaobai Special Cement Technology Development Co., Ltd.
Shaanxi Yaobai New Wall Material Co., Ltd.

Report evaluation

West China Cement Limited. Social Responsibility Report Review Committee conducts an evaluation of 2017 Social Responsibility Report of West China Cement Co., Ltd. (hereinafter referred to as the "Report"). This evaluation is carried out based on the requirements of T/CCAS 003 Verification Standard 2018 Version (hereinafter referred to as "T/CCAS 003-2018").

West China Cement Co., Ltd. takes charge of the data collection, analysis, summary and information disclosure in the Report. The Review Committee performs this evaluation work following the clauses agreed by both parties through negotiation. All stakeholders of West China Cement Co., Ltd. are expected readers of this evaluation. This evaluation process is carried out on the prerequisite that the data provided by West China Cement Co., Ltd. are complete and credible.

Evaluation method

Our evaluation process is planned and executed in strict accordance with T/CCAS 003-2018.

The Report is evaluated according to the following principles:

The principles of inclusiveness, materiality and responsiveness defined in T/CCAS 003-2018 are followed;

The documents, data and other information provided by West China Cement Co., Ltd. to the expert group are inspected and reviewed;

The sampling evaluation is carried out on the implementation mechanism of the management of corporate as social responsibility described in the Report;

The sampling verification is carried out for the generation, collection, management process of qualitative and quantitative data disclosed in the Report.

Evaluation scope and limitations

The working range for this evaluation includes the following:

The economic, social and environmental data from January to December 2018 of West China Cement Co., Ltd. disclosed in the Report;

No interview of external stakeholders

The evaluation is carried out based on T/CCAS 003-2018 principle and requirements of performance information inspection (type 1). The review depth is medium review.

The GRI3.2 core indicator disclosed in the Report;

No verification of financial data in the Report;
Evaluation work was completed in February 2019 by Review Committee.

Conclusion

The Review Committee holds that the 2018 Social Responsibility Report gives an accurate and objective description on the performance of social responsibility policy of West China Cement Co., Ltd. No systematic or substantial misrepresentations are found. The Review Committee applies the T/CCAS 003-2018 principle to evaluate the Report.

AA1000AS 2008 Principles

Inclusiveness: Good.

In the Report, the expectations from key stakeholders including the government, shareholders and investors, competent authorities of industry, customers, suppliers, employees, partners, the environment and the community are taken into account. Through systematic communication methods, the main responsibility performance issues followed by internal and external stakeholders are determined.

Materiality: Good

The Report establishes a substantive matrix of social responsibility issues through the implementation of substantive issues analysis so as to make clear the substantive issues concerning the sustainable development of the Company and disclose the internal management mechanism and performance standards of West China Cement Co., Ltd. on how to put these issues into practice and display these key sustainable development performance information in a transparent way.

Responsiveness: Good

Through explaining the core values, mission, social responsibility concept, sustainable development strategy and performance indicators of West China Cement Co., Ltd., coupled with data and detailed text description throughout 2018, the Report shows the achievement of the Company in the practice of sustainable development goals and responds to the specific responsibility performance issues concerning internal and external stakeholders and major core issues of enterprise sustainable development of social concern.

Improvement opportunity

The screening techniques and processes of substantive issues are disclosed in a more clearer way according to GRI 4.0 guidelines in the Report;

The measures taken and achievements made by the Report disclosure enterprise in the technological innovation, transformation of results and introduction and application of new technologies are more openly set according to GRI 4.0 guidelines;

Measures and performance in resolving excess cement capacity are more comprehensively interpreted; The mechanism of communication and feedback between the company and stakeholders is improved, the appeals of all parties are heard and responded to improve the degree of involvement of all stakeholders.

Members of the Review Committee

Zhang jimin	Ma Weiping		
Bi Xiangliang	Wang Rui	Wang Fayin	Zhang Peng
Wang Jiujun	Liu Jianjun	Li Yongji	Lian Jie
Li Xianjun	Chu Yufeng	Tong Xin	Bai Mingke
Yang Junqi	Cao Hongxi	Liu Xiaojun	Liu Xin
Xu Linzhou	Ren Baishun	Li Yansong	Ma Gang

Reader feedback form

Dear readers:

Hello!

Thank you for reading the "2017 West China Cement Corporate Social Responsibility Report". We sincerely look forward to your evaluation of our social responsibility work and this social responsibility report. Your opinions and suggestions will help us continue to promote social responsibility management and practice, and continuously improve the level of disclosure of social responsibility information. You can fill in the following contents and send us feedback by mail or email. Thank you very much!

West China Cement Co., Ltd.

March 2019

Your comment on this report: (Please fill "√" in the appropriate place)

Which stakeholder do you belong to?

<input type="checkbox"/> Employees	<input type="checkbox"/> Customers	<input type="checkbox"/> Government	<input type="checkbox"/> Public	<input type="checkbox"/> Partners
<input type="checkbox"/> Public service organizations	<input type="checkbox"/> Others			

Your overall assessment of the report:

1.Report contents	<input type="checkbox"/> Very good	<input type="checkbox"/> Good	<input type="checkbox"/> General	<input type="checkbox"/> Not good	<input type="checkbox"/> Very poor
2.Information quality	<input type="checkbox"/> Very good	<input type="checkbox"/> Good	<input type="checkbox"/> General	<input type="checkbox"/> Not good	<input type="checkbox"/> Very poor
3.Textual statement	<input type="checkbox"/> Very good	<input type="checkbox"/> Good	<input type="checkbox"/> General	<input type="checkbox"/> Not good	<input type="checkbox"/> Very poor
4.Design layout	<input type="checkbox"/> Very good	<input type="checkbox"/> Good	<input type="checkbox"/> General	<input type="checkbox"/> Not good	<input type="checkbox"/> Very poor
5. Overall evaluation	<input type="checkbox"/> Very good	<input type="checkbox"/> Good	<input type="checkbox"/> General	<input type="checkbox"/> Not good	<input type="checkbox"/> Very poor

Your assessment of the significant impact of West China Cement reflected in this report on the economy, society and the environment

<input type="checkbox"/> Very good	<input type="checkbox"/> Good	<input type="checkbox"/> General	<input type="checkbox"/> Poor
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Do you obtain the information required in this report:

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Do you think this report is easy to read with this content arrangement and layout design?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Open-ended question:

Your opinions and suggestions on West China Cement social responsibility:

What kind of information do you want to obtain through the West China Cement Group's Social Responsibility Report?

Contact us:

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