

2016 Social Responsibility Report of BBMG Corporation

About this report

This is the 6th Social Responsibility Report released by BBMG Corporation (“**BBMG**” or the “**Company**”) since its establishment, which gives a true view of the active performance of economic, social, governance and environmental responsibilities of the Company to realize comprehensive, coordinated and sustainable development. BBMG Corporation was jointly founded by BBMG Group Company Limited* (北京金隅集團有限責任公司), China National Non-Metallic Materials Corporation* (中國非金屬材料總公司) (currently renamed as China National Materials Company Limited* (中國中材股份有限公司)), Hopson Holdings Limited, Beifang Real Estate Development Co., Ltd.* (北方房地產開發有限責任公司) and Tianjin Building Materials Group (Holdings) Corporation (天津市建築材料集團(控股)有限公司) upon approval by Jing Fa Gai [2005] No. 2682 Document issued by Beijing Municipal Commission of Development and Reform.

Time frame

From 1 January to 31 December 2016.

Report scope

This report covers BBMG Corporation and its subsidiaries.

Data scope

In this report, except for the financial and human resources data, the data in relation to technology and environmental protection are not applicable to the subsidiaries of Tangshan Jidong Cement Co., Ltd. and Jidong Development Group Co., Ltd.

Information sources

All the information and data are extracted from the official documents, statistical reports and financial reports of the Company, as well as the practical social responsibility information as collected, summarized and reviewed by the Company. The business data and cases contained herein are respectively derived from the relevant statistical data of internal departments and subsidiaries of the Company. The financial data is extracted from the annual results report for the year of 2016 released in the People's Republic of China (“**China**” or “**PRC**”) and Hong Kong. All the financial data are expressed in RMB, unless otherwise specified.

Basis for preparation

The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) promulgated by The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), the *Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange* and *Guidelines on Preparation of ‘Corporate Report on Performance of Social Responsibilities’* issued by the Shanghai Stock Exchange, the *Sustainability Reporting*

Guidelines (4.0) published by the Global Reporting Initiative (CRI), the *Guidance on Social Responsibility* (ISO26000) issued by the International Organization for Standardization, as well as relevant provisions of the State-owned Assets Supervision and Administration Commission of the State Council and State-owned Assets Supervision and Administration Commission of Beijing Municipality.

Interpretations of terms

For the purpose of concise description and convenient reading, the terms of “BBMG”, “the Company” and “We” are used in the report to refer to BBMG Corporation. “BBMG Group” refers to BBMG Group Company Limited* (北京金隅集團有限責任公司).

Report availability

This report is prepared in Chinese and English. The Chinese electronic version is available on the Information Disclosure Column of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Investors Relations column of the website of the Company (www.bbm.com.cn/listco). The English version of the report is also available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Company introduction

BBMG Corporation is a joint stock limited company established in Beijing in December 2005 upon approval by Beijing Municipal Commission of Development and Reform and the Ministry of Commerce of the PRC.

BBMG is one of the largest manufacturers of building materials in China, as well as the largest manufacturer of building materials in the circum-Bohai Sea region in China. Fully leveraging on its unique resources, the Company is principally engaged in the manufacture of building materials supplemented and supported by the property development and real estate operation business, forging a unique building materials manufacturer with complete vertical integrated industrial chain structure among major building materials manufacturers in China.

BBMG insists on the modern new-type industrialization, focuses on independent innovation, and has been pushing forward development of circular economy and energy-saving economy, gradually forming a building material manufacturing industrial structure represented by high-grade cement, furniture, mineral wool sound-absorbing boards, aerated concrete and refractory materials, BBMG has developed and cultivated a batch of famous-brand products in Beijing and China represented by “BBMG” cement, “Tiantan” furniture and “Star” mineral wool sound-absorbing boards. Taking the opportunity of adjustment of industrial structure, BBMG has developed property development business and real estate operations business represented by the high-end property management and leisure and resort as its new strong economic growth points through the resource integration and implementation of “going-out” strategy and these operations have presented a sustainable development trend.

In the coming years, BBMG will develop into a first-class international enterprise group with high returns for shareholders and good performance of social responsibilities following the

characteristic path of integrated, rapid and sustainable development by focusing on independent innovation, realizing integration among economic benefits, ecological benefits and social benefits, further enhancing its core industrial chain and strengthening core competitiveness under the guidance of “Scientific Outlook on Development”.

Corporate spirits: Focus on practical, innovation and benefits and endeavor to be first class

Corporate development concept: Integration, communion, mutual benefits and common prosperity

Corporate core values: Trust, responsibility and respect

Corporate mission: Fulfillment of missions, values and responsibilities

Corporate human spirits: Especially hardworking, dedicated, passionate, innovative, collaborative, enterprising, considerate and practical

Corporate business culture: Be willing and capable to do the right thing in a right manner with good team spirits

1. Social responsibility management

The Company has always integrated the performance of social responsibilities with daily operation activities to formulate the management system consistent with sustainable development requirements and provide more economical and environment-friendly products through continuous innovation and practice, thus creating better comprehensive values for stakeholders, realizing the harmonious development of economy, environment and society, and promoting the sustainable development of the Company and the society.

1.1 Social responsibility management system

While continuously strengthening the sustainable operational capacity, the Company has also incorporated the performance of social responsibilities into the corporate management system, delegated responsibilities to all departments and required the headquarter and its subsidiaries to comprehensively carry out practical activities of corporate social responsibility management, in a bid to realize the social responsibility objective of complete coverage, adequate performance, gradual perfection and industry leading. The incentive system for social responsibility management has also been formulated to commend teams and individuals with outstanding contributions to the corporate social responsibility in terms of business operation, scientific and technological R&D, safe production, energy conservation, environmental protection, etc. The establishment and gradual improvement of the system has been conducive to the determination of specific evaluation standards for the responsibility value, and the sustainable development of the Company.

1.2 Communication with stakeholders

The Company has attached great importance to concerns and interests of all the stakeholders, continuously perfected the mechanism for the participation by stakeholders, and maintained active, smooth and normative communication with all the relevant parties, in order to improve the communication efficiency, enhance the operation transparency, and realize the


harmonious development mode of integration, communion, mutual benefits and common prosperity between the Company and all the stakeholders.

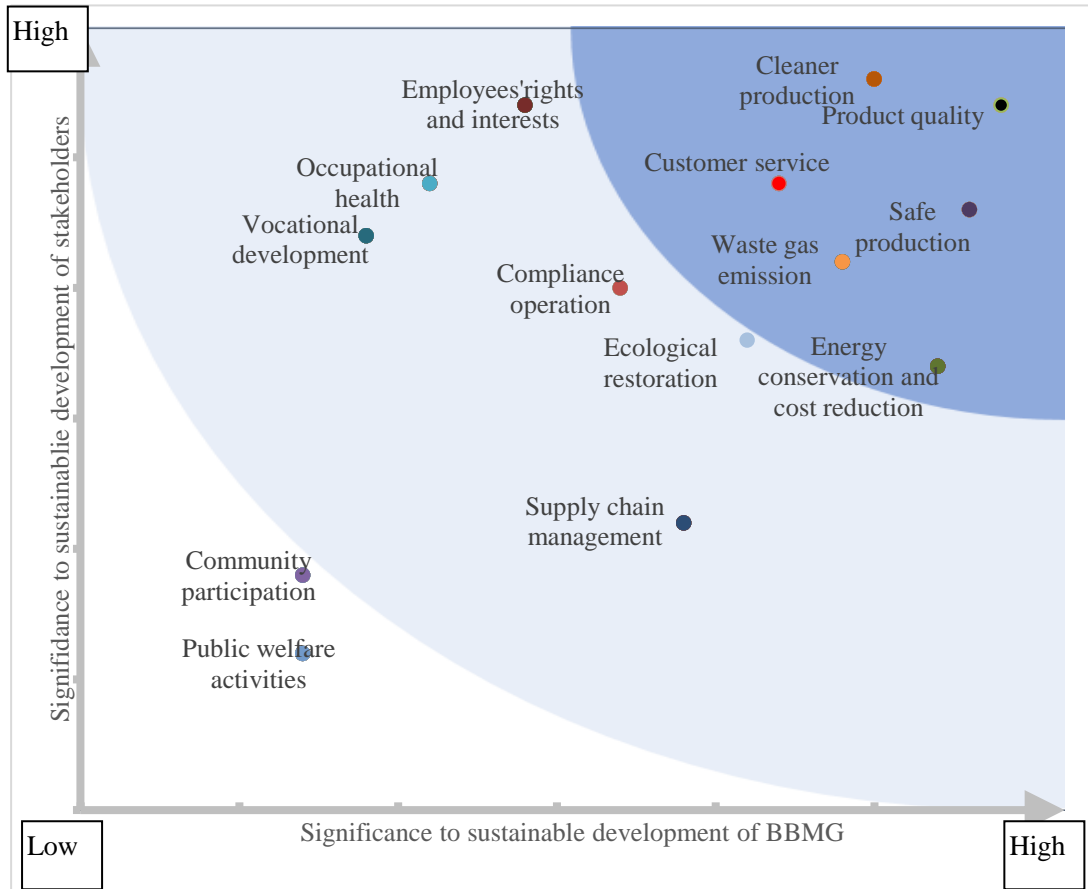
Stakeholders	Demands to the Company	Performance of the Company
Investors	Reasonable returns Risk control	Improvement of corporate governance structure Internal control supervision
Customers	High-quality products High-quality after-sales service	Diversification of products Product innovation Establishment of customer service system Customer satisfaction survey
Suppliers	Honest cooperation Mutual assistance and benefits	Establishment of supplier management system Full-process monitoring and periodic management of upstream and downstream enterprises
Government and regulatory authorities	Tax payment in accordance with laws Enhancement of employment Compliance operation Risk prevention	Response to and support industrial and national policies Establishment of internal control system Disclosure of compliance operation information
Natural environment	Transformation and upgrading Energy conservation and emission reduction Waste gas emission Ecological restoration	Construction of energy management system Manufacture of green products Utilization of advanced emission reduction technology Elimination of waste
Employees	Safe production Protection of labor rights and interests Vocational development Care for employees	Establishment of safety management system Prevention and control of occupational diseases and occupational health monitoring Democratic management Smooth vocational development channel Assistance for employees in need Guarantee the balance between life and work of employees

Social public	Attention to social development Joint development of harmonious communities	Serve community Participation in public welfare activities Voluntary activities
---------------	--	---

1.3 Evaluation of material proposals

The Company has made analysis and evaluation of the environment, corporate strategy and sustainable development capability, identified expectations and demands of stakeholders, sorted substantial proposals from two aspects, namely, “significance to the sustainable development of the Company” and “significance to stakeholders”, and finalized the extent and boundary of topic disclosure, in order to guarantee more accurate and comprehensive disclosure of relevant information of operation and management.

Proposal screening process	
	Source of proposal
	<ul style="list-style-type: none"> -Suggestions from the management of the Company - Analysis and suggestions from internal and external experts <li style="padding-left: 20px;">-Analysis of multi-media information -Benchmarking study of the same industry at home and abroad <li style="padding-left: 20px;">-Guidance on social responsibility standards
	Screening standards
	<ul style="list-style-type: none"> -Contribution to sustainable development -Universal attention from stakeholders <li style="padding-left: 20px;">-Key emphasis on guidance related to social responsibilities -Compliance with the strategic development of the Company
Substantive judgment result	

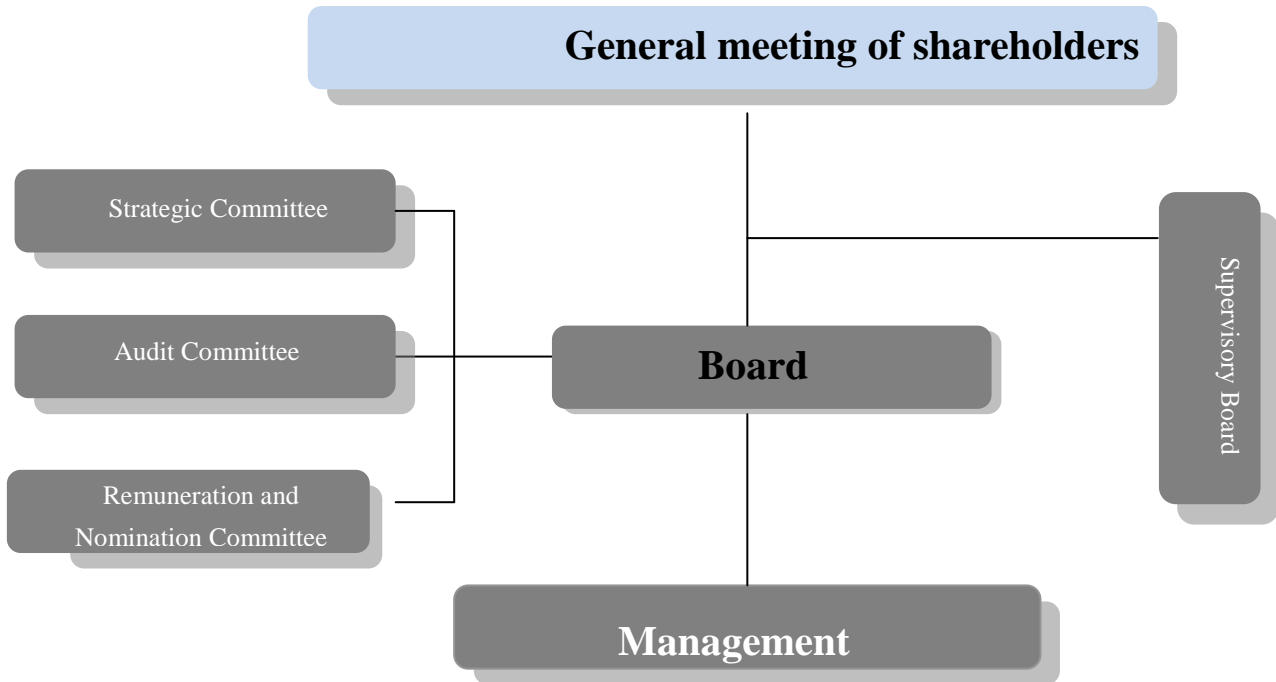


2. Sustainable operation

The Company has conducted operation in compliance with laws, implemented comprehensive risk management mechanism for internal control supervision, provided safe and high-quality products and services to customers, and extended the requirements on quality safety and social responsibilities to the supply chain, with the purpose of promoting the joint healthy development of the industrial chain to provide strong protection for the sustainable and healthy operation of the Company.

2.1 Corporate governance

The Company has continuously improved its corporate governance structure, standardized the operation and management process of the Company, established operation mechanism with close linkage and effective communication between board of directors (the “**Board**”), the supervisory board of the Company (the “**Supervisory Board**”) and the management to ensure the establishment of an operation and management structure with well-defined powers and responsibilities, independent duties, mutual coordination, effective balance, scientific decision-making and standardized operation.



2.2 Integrity and compliance

The Company has established and enhanced its internal control system, enhanced the development of anti-corruption system, and ensured the operational integrity and compliance of the Company in various aspects such as the organization setting, procedure management and formulation of laws and regulations, following the “standard, efficient and transparent” management concept.

2.2.1 Internal control supervision

The Company has ensured the legal compliance of the operation and management of the Company by establishing a standard, complete, scientific and reasonable internal control system, and guarding against problems early on. At the same time, it has also strengthened the risk management consciousness, established the scientific and effective risk prevention and control mechanism with unified deployment and close integration with the business, integrated risk consciousness into the daily operation activities in terms of the strategic management and control, and performed risk management work in relation to various risks, especially significant risks, in order to minimize risk. In 2016, the Company completed appraisal of its internal control system, the preliminary review of internal control of the whole system, the preparation of the whole-system internal control self-appraisal report and annual disclosure work.

Appraisal work in relation to internal control is led by the Audit Committee of the Board. The Company has established the internal control appraisal team to organize and implement the self-appraisal of internal control. The internal control appraisal team comprised members of the Board and Audit Committee, members of the management, and personnel selected from the Audit Department and relevant functional departments, and is under the leadership of the management. The Audit Department of the Company was responsible for the organization of

the internal control appraisal, and the personnel in charge of the process operation and control activities in the subsidiaries were responsible for the appraisal of the effectiveness of the respective internal control activities.

2.2.2 Anti-Corruption

The Company has continuously improved its rules and regulations related to anti-corruption and corruption-free operation, improved the relevant supervisory mechanism, and substantiated anti-corruption work responsibilities. In 2016, the Company convened the general meeting for the clean and honest Party administration (黨風廉政建設大會), signed the Responsibility Statement of Improvement of Corruption-Free Party Conduct (《黨風廉政建設責任書》) and Anti-Corruption Commitment (《廉潔承諾書》). The Company also established a three-level responsibility system in relation to high-level leaders, middle-level leaders and employees in key positions, in order to ensure systematic and effective anti-corruption administration with clear objectives and responsibilities. A special inspection and investigation team was also established to inspect and investigate the clean and honest Party administration in 53 affiliated companies. In addition, the Company also organized centralized study of the Party rules and discipline, watching of warning and educational films, establishment of corruption-free corporate culture, knowledge test of the Party constitution, discipline and rules, and a composition competition with the theme of “discipline education always with you”, which continuously strengthened discipline and corruption-free consciousness, and provided strong discipline guarantee for the sustainable and healthy development of the Company. In 2016, the Company had no material instances of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud or money laundering.

2.3 Scientific and technological innovation

Persisting in technology innovation in a practical manner, the Company has realized obvious achievements in the technological transformation, industrialization of achievements, quality management, establishment of innovation platform, etc. It has formulated and implemented the *Administrative Measures on the Scientific Research Project Achievements (Trial)* to standardize the establishment, progress, inspection, expenditure and assets of scientific research projects, conduct fine management of the whole process of the project, and enhance the project management. With an investment of RMB720 million in technology R&D in 2016, the Company recorded revenue from sales of new products of RMB1.8 billion, received 10 provincial and ministry-level (including industry) technology awards, obtained 117 national patents, and played a leading role in formulating 65 national, industrial and local standards.

In 2016, the Company organized 23 major scientific research projects with plentiful achievements, which promoted the integration and development of the industry of the Company and the Internet technology by means of Internet +, information technology, etc. According to the project appraisal, 14 out of 22 technology R&D projects (including two-year projects) were industrialized with an industrialization rate of 63.7% in the year, and 13 kinds (series) of new products and 10 new technologies were developed.

Traditional industries led by technology innovation in 2016:

Tianjin BBMG Concrete Co., Ltd. supplied 18,000 cubic meters of C80 concrete for Chow Tai Fook project with the largest jack-up height of 300m by using the design and quality control method for high-performance concrete proportion, reaching the advanced level in China

The efficient and energy-saving project of wind-introduction de-chlorination in rotary kiln bypass jointly developed by Beijing BBMG Group Academia Sinica*(北京金隅集團中央研究院), Qinyang BBMG Cement Co., Ltd.*(沁陽市金隅水泥有限公司) and Beijing BBMG Liushui Environmental Protection Technology Co., Ltd.*(北京金隅琉水環保科技有限公司) effectively solved the frequent blockage of kilns by the harmful substance gathering in the production of cement with carbide slag by Qinyang BBMG Cement Co., Ltd.*(沁陽市金隅水泥有限公司).

Beijing BBMG Liushui Environmental Protection Technology Co., Ltd.*(北京金隅琉水環保科技有限公司) customized the newly developed high-quality cement in the engineering construction of the main terminal of the new airport in Beijing

The low-temperature waste heat sludge drying tower independently developed by Beijing BBMG Beishui Environmental Protection Technology Co., Ltd.*(北京金隅北水環保科技有限公司) dried the domestic sludge with low-temperature waste heat in the cement kiln and reduced the moisture content from 83% to less than 10%, which enhanced the energy utilization rate

Beijing BBMG Mortar Co., Ltd.* (北京金隅砂漿有限公司) constructed the dry-mixed mortar production line suitable for mechanized construction, which finished construction at home and abroad for nearly 1,800,000 sq. m.

The new stone-like coating developed by Beijing BBMG Coating Co., Ltd.*(北京金隅塗料有限公司) effectively covered the base course cracks through the grading of different colored sand and optimization of emulsion.

The intelligent monitoring system for the distribution room developed by BBMG Property Management Co., Ltd. conducted real-time accurate monitoring on the operation data of the distribution room via sensors, and reduced the processing lag caused by the failure to promptly discover hidden fault hazards in the traditional manual duty

The intelligent property management and control system implemented by Beijing Jinhaiyan Property Management Co., Ltd. conducted data acquisition and monitoring of equipment, facilities, environment, fire control and security by means of Internet of Things + Internet, providing powerful guarantee for the safe operation of the property

Key scientific research projects in 2016:

Research and Application of Pressure Swing Adsorption Technology of CO₂ in Flue Gas of Kiln Tail

The first adsorption and purification device for the carbon dioxide in flue gas was established in the PRC with CO₂ capture rate of 1920kg/d or above, which could effectively reduce the disposal cost for fly ash

Research and Application of C130 Ultra High-strength Concrete

Super-high pumping experiment was successfully carried out, with the technology reaching the advanced level in the PRC

Research on New-generation Super-low Energy-Consumption Architectural Technology Integration and Indicator System

Relevant products such as the mineral wool, passive window, fresh air system and thermal insulation system were successfully applied in the project, and the passive super-low energy-consumption sample room was built, with all the product indices complying with the construction standards for passive houses issued by German Energy Agency

Development and Application of Unified Marketing E-Commerce Platform for BBMG Cement Industry (Version 1.0)

The project involves the establishment of the Wechat official account and official website, which enabled the purchase of cement via the mobile app, and effectively cultivated customers' purchasing habit of delivery upon payment

Integrated Technology and Application Projects of Green and Healthy High-tech Residence

Technological products and network information were integrated to realize the modern technology in life such as intelligent home management, information-based security management of the residential area, information-based property service and information service of community APP platform

Development and Demonstration of Intelligent Production and Operation System of Concrete Mixing Station (Version 1.0)

The project involves the establishment of ERP management systems such as BBMG ready-mixed concrete information management system and unattended weighing management system, which could reduce human resources costs, strengthen settlement and enhance management efficiency

External recognition of quality management in 2016:

Qinyang BBMG Cement Co., Ltd. was honored as National Circular Economy Technology Center

Bio-Island and Mangrove were successfully selected as Top 100 Enterprises of

Environmental Protection Technology Wisdom Platform

Tangshan Jidong Development Integrated Housing Co., Ltd. was honored as Hebei Provincial Technology Center and Manufacturing Base for Prefabricated Building of Hebei Province

Hebei Tailings Research Institute was approved to be Hebei Tailings Comprehensive Utilization Technology Center

Hebei Tailings Research Institute was honored as the Innovative Team for Comprehensive Utilization of Tailings of Hebei Province in 2016

Handan BBMG Taihang and Dachang BBMG Coating Co., Ltd. were certified as high-tech enterprises of Hebei Province

Beijing BBMG Liushui Environmental Protection Technology Co., Ltd. was certified as the high-tech enterprise of Beijing

Beijing BBMG Liushui Environmental Protection Technology Co., Ltd. and Tongda were honored as the Outstanding Technology Innovation Team of Beijing in 2016

Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. was identified as Zhongguancun high-tech enterprise

The cement kiln co-processing transformation and upgrading demonstration project of Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. was awarded the “Honorary Award of the 4th China Industry Awards”

The Technology Center of Zuoquan BBMG Cement Co., Ltd. was honored as the Municipal Enterprise Technology Center of Jinzhong City

2.4 Safe production

The Company has attached great importance to the safety management, continuously perfected the safety management system, strengthened the responsibilities of the safe production entities, implemented the inspection and treatment system for hidden hazards, intensified the education and training, and enhanced the safety consciousness of employees, in a bid to build a safe enterprise. In 2016, it invested RMB210 million in the safe production (i.e. the safety investment of the Company and its subsidiaries (excluding Tangshan Jidong Cement Co., Ltd. and Jidong Development Group Co., Ltd) from January to October 2016, excluding the safety investment for the construction of newly built, renovated and expanded projects).

2.4.1 Safety management system

Responsibility system

The Company has established the safe production, fire control, transportation and security committees and branches in each subsidiary, and improved the development of the safety organization. The *Administrative Measures for Safe Production* and the *Safe Production*

Responsibility System of Headquarters have been revised and improved to detail safe production standards, strengthen the management responsibility of the business division, highlight the supervisory responsibility of the safety management department, further specify the contents, responsibilities and methods of the safety work, and build a responsibility system with complete coverage. The Company also strengthened the assessment of safety responsibility objectives, entered into the *Responsibility Statement of the Safe Production and Security Management* with its employees, and required the implementation of the responsibility system by each unit, in order to realize complete coverage of safety responsibility.

Inspection and treatment system for hidden hazards

The Company has promoted the development of the inspection and treatment system for hidden hazards. The Company comprehensively carried out problem-oriented inspection, promptly discovered hidden hazards and tracked the relevant rectification, forming closed-loop management. Intensive management and control measures were taken for key safety risks in the fields of construction, disposal of hazardous waste, fire control in high-rise buildings, special equipment, transportation and mines according to the working requirements in key periods.

2.4.2 Safety management activities

The Company enhanced the upgrading of the benchmark for “safety BBMG”, and guaranteed the safe production throughout the Company by strictly implementing the “three-simultaneous” supervisory process.

Adhering to scientific and strict “three-simultaneous” supervisory process

The Company supervised and provided guidance for the identification and analysis of project risks and the argumentation of prevention and control measures, which provides standards and basis for the project design, and essentially enhanced the safety of newly built projects. In the argumentation of projects with unclear hazard sources, such process required design and argumentation from the aspects of personnel arrangement and protective infrastructure, and emphasized the utilization of mechanical and automatic tools, in order to minimize the hazard factors to humans.

Upgrading the benchmark of “safe BBMG”

The Company enhanced the quality upgrade and consolidated the foundation in the subsidiaries under the guidance of the “standardization of safe production”. With all the manufacturing subsidiaries meeting safe production standards, the Company provided guidance for non-manufacturing subsidiaries such as Beijing BBMG Property Management Co., Ltd., Beijing BBMG Jianji Assets Management Co., Ltd. and Beijing Jinhaiyan Property Management Co., Ltd. in meeting safety standards and extending connotations of standardization. It supervised the subsidiaries to focus on the result and process of establishment, improve the equipment and facilities, and enhance the occupational safety consciousness of all employees. “Same responsibilities for Party and government, and double duties for one post”, “Safety shall be given top priority in the business management” and

“Inspection and treatment system for hidden hazards” were included into the “safe unit” benchmark management system to form the “safe BBMG” quantitative assessment system and establish the long-term “macro-safety” mechanism.

2.4.3 Occupational health and safety

The Company designated the Safe Production Department and Security Department to be responsible for the supervision and management of the occupational health of the Company, and actively carried out the publicity and education of occupational health laws and regulations, formulation of rules and regulations, implementation of responsibilities and on-site inspection. It required, supervised and provided guidance for each subsidiary to set up the administrative department and administrative staff for the occupational disease prevention and treatment, determined and improved assessment contents of various occupational health management systems, and carefully performed the “three-simultaneous”¹ work of the occupational health of the engineering project, thus establishing the long-term mechanism for the safety and occupational health management.

The Company carefully conducted the prevention and treatment of occupational diseases and the monitoring of occupational health according to production and operation characteristics and phases of all the affiliated companies, provided protective articles for occupational hazards, supervised the inspection of such articles to guarantee the normal operation, and put up occupational health protective signs and hazard notifications to remind employees in contact with occupational hazards to correctly wear and use the relevant protective gear and effectively prevent the occupational hazard. More investments were made into the management of occupational hazards to prevent, control and eliminate the occupational hazards. In 2016, there were no new case of incumbent employees found suffering from occupational diseases.

In order to enhance the safety management and to better protect workers in occupational health and safety, the Company has established a series of safety management policies in accordance with relevant laws and regulations.

3. Value creation

The outstanding performance achieved by the Company in the intensified market competition shall be attributed to the trust from investors, and support from customers and suppliers. The Company has been committed to realizing and improving investors’ rights and interests while striving to achieve the operation performance objective, and offering satisfactory products and services to customers as well as establishing long-term stable relationship with suppliers, maintaining adequate communication and interaction with investors, customers and suppliers, in order to realize mutual development and business prosperity.

3.1 Protection of rights and interests of investors

Since its listing, the Company has always adhered to the operation concept of integrity

¹ (“Three Simultaneity” means every construction projects (engineering) newly constructed, rebuild and extended in domestic. construction projects (engineering) constructed and rebuild, technical renovation projects(engineering) and construction projects introduced must be simultaneously carried out of design, construction, and production and operation with the principal part of a development project with their facilities of occupational safety and health meeting the standards stipulated by the State.)

management, standard governance, transparent information and outstanding performance by attaching highly importance to investors' rights and interests, focusing on the protection of investors' rights and interests with devoting to create wealth for investors, which has built up an image of high-quality blue-chip for the Company in the capital market and cultivated a group of institutional investors advocating value investment concept, thus winning the trust and a good reputation among investors.

3.1.1 Creating value for investors

The Company has guided the value investment concept, and highly focused on the protection of investors' rights and interests, especially small and medium investors.

Key operation performance indicators in 2016:

Aggregate operating revenue: RMB 47.74 billion

Total profit: RMB 3.68 billion

Net profit attributable to the shareholders of the listed company: RMB 2.687 billion

Basic earnings per share: RMB 0.25

3.1.2 Investor relationship management

The Company has continuously improved the investor relationship management system, designated the administrative body, established the liaison mechanism for shareholders, standardized the reception of public investors, dealt with relevant matters involving consultation explanation, external speech and media interview, carefully listened to the appeal of investors so as to fully protect the rights of small investors to know and to make recommendations. In 2016, the Company strictly complied with the Listing Rules and relevant provisions of Shanghai Stock Exchange and the Hong Kong Stock Exchange, actively participated in various investor relationship activities, and provided real-time information for investors via the websites of the Hong Kong Stock Exchange, the Company and the disclosure media stipulated by the government.

BBMG investor relationship management system:

The Chairman of the Board is the first superintendent responsible for the investor relationship management affairs of the Company

The Board Secretary is fully responsible for the specific investor relationship management affairs of the Company

The Board and senior management provide full support for investor relationship management affairs of the Company

Announcement of the results

The Company has prepared results information presented by ways of detailed results reports and presentation materials during the period of publishing the interim and annual results. The teleconferences between the mainland and Hong Kong, on-site investors' presentations, press conferences and online road show live broadcast were also held to provide updates in relation

to the market environment, financial performance, operating strategies and future prospects to the public in an accurate and effective manner, which has maintained highly transparent investor relationship strategy and effectively strengthened the interaction and communications with investors.

Financial calendar for 2016:

2015 annual results announcement was published on 23 March 2016

2016 first quarterly results announcement was published on 26 April 2016

2016 interim results announcement was published on 29 August 2016

2016 third quarterly results announcement was published on 26 October 2016

2016 annual results announcement was published on 29 March 2017

Closure of register of H shares members is from 18 April 2017 to 17 May 2017

The 2016 Annual General Meeting will be held on 17 May 2017

The financial year-end date is 31 December

Communication activities

The Company has convened the annual general meeting and extraordinary general meetings on a regular and irregular basis respectively in accordance with the *Company Law* of the PRC, *Opinions on Standardization of General Meetings of Listed Companies* and *Articles of Association*, in order to guarantee the equal status and legitimate rights of all the shareholders, especially the small and medium shareholders. The Company has actively attended the investors' conferences, road shows and recommendation conferences held by famous investment institutions and securities companies, exchanged opinions with fund managers, analysts and small and medium investors, conducted online interaction with public investors, and released the operation result, business expansion and future development prospects of the Company by establishing the investor reception hotline and investor column on the website.

Performance of communications with investors in 2016:

The Company convened 31 meetings in total, including 2 general meetings, 13 Board meetings, 6 meetings of Supervisory Board, and 10 meetings of committees of the Board;

Considered and reviewed 121 proposals;

Answered more than 300 consulting calls from the hotline;

Held one online performance explanation meeting and four meetings of analysts;

Accumulatively received 1,048 investors via teleconferences, on-site surveys, investigations and small symposiums;

Answered six questions raised by investors via the Shanghai Stock Exchange E-Interaction (上證 e 互動).

3.2 Deepening the customer service connotation

Under the guidance of the national innovation-driven strategy, the comprehensive innovation in technology, system, model and type of operation have been driven by “mass entrepreneurship and innovation”, “Internet +” and intelligent manufacturing; the rapid development of new economy has brought a huge driving force for the upgrading of traditional industries and created a driving force for stable growth; and the upgrade of consumption structure has enhanced personalized demands for high-quality brands.

Confronted with the development trend of deep reform in macro-economy, the Company has greatly promoted the transformation and upgrading, created a core industrial chain with unique and vertical integration in the form of “cement and ready-mixed concrete – modern construction materials manufacturing, commerce and logistics – property development – property investment and management”, enhanced the product value and service connotation through continuous innovation, and satisfied diversified customer demands. As of the end of 2016, the Company has provided products and services for over 20 cities and provinces in China.

3.2.1 Providing diversified products

The main business of the Company covers four major business segments, namely, cement and ready-mixed concrete, modern building materials and commerce and logistics, property development, and property investment and management. With acceleration of industrial transformation and upgrading, the cement industry has turned from a grey industry to a green one, while the industry’s development layout has shifted from single product to a comprehensive industrial chain. By leveraging the advantages accumulated in the manufacture of green building materials, the Company has extended its industrial chain upward and downward and expands toward property development. While focusing on business collaboration and high-end development, the Company has developed toward the modern service sector, including modern property management services and financial services. Taking advantage of the characteristics of the real estate development industry of large amount of funds and great demand for products, the Company, through market behaviors, has driven the application of modern building materials, cement, concrete and other products as well as the development of relevant services such as design, decoration and property management. The Company, by enhancing the quality of products and the capacity of offering relevant services, has enhanced its competitiveness in modern building materials and property management services and promoted the quality of real estate projects. Property operation and high-end property management services with the support of the Company’s edge in brand, operation, management and techniques, have succeeded in the enhancement of values of real estate for both commercial and residential purposes.

Cement and ready-mixed concrete

The Company is one of the 12 major cement conglomerates or groups supported by the PRC government, and its products have been widely applied in key municipal, provincial and national projects. Its products include cement, ready-mixed concrete, ready-mixed mortar, aggregate, grinding aid and admixture.

Modern building materials and commerce and logistics

The Company is the largest building materials company in China, one of the largest Chinese building materials manufacturers, the largest building materials manufacturer in the Pan-Bohai Economic Rim and the leader in the building materials industry. Its key products include furniture and woods, wall body and insulation materials, and decorative and fitting materials.

Property development

The Company is one of the leading property developers in terms of comprehensive strength and one of the largest affordable housing developers in Beijing. Its service covers the property development, architectural design, engineering construction, sales agency, etc. The developed products include common commercial residences, high-end villas, commercial properties and economically affordable houses.

Property investment and management

The Company is the largest owner and manager of investment properties in Beijing holding approximately 1,200,000 m² high-end properties (including investment properties of approximately 722,000m²) and managing approximately 12,000,000m² properties (including residential communities and commercial units at low floors) as at the end of 2016. It has been leading the industry in Beijing and even China for years in terms of specialized techniques, brand awareness, occupancy rate and revenue.

3.2.2 Guaranteeing product quality

Each segment of the Company has reached the advanced level in the industry in terms of the manufacturing base, production scale and service capability, which formed the manufacturing capability with competitive edges, and established sound quality management system and information-based quality control management platform on the above basis, through which the Company can provide first-class products and services for customers. In 2016, manufacturing enterprise continuously conducted the random quality inspection and laboratory capability verification of products and raw materials, which stably controlled the overall quality of the enterprise. BBMG Property Management Co., Ltd. in the property investment and management segment comprehensively introduced the excellent performance management mode, carried out various activities for quality improvement, and won several quality-related awards.

Strengthening internal and external quality supervision

In 2016, the Company extensively carried out the quality supervision of products and raw materials of the manufacturing enterprise, strengthened their quality risk consciousness and enhanced the risk management level. The enterprise in the property development segment introduced the third-party quality supervision and assessment mechanism, eliminated construction units with the lowest score, and strictly controlled the qualification of the construction units, which consolidated the basis for quality, and realized 100% pass in the one-time project inspection.

Enhancing quality through technology innovation

In 2016, under the leadership of the Technology Innovation Service Platform of Beijing BBMG Academia Sinica, enterprises in each business segment continuously established their own technology centers and innovation studios, and actively set up the quality problem solving team via the above platforms, providing intellectual support for the settlement of actual problems of the enterprise.

Building quality management benchmark enterprise

In 2016, the Company actively participated in the external quality appraisal, strove to become a benchmark enterprise in the quality management, and further consolidated the product quality management. BBMG Dingxin in the cement and ready-mixed concrete segment was honored as the Advanced Unit with Excellent Performance Mode in 2016 by China Quality Association, and BBMG Property Management in the property investment and management segment was the first five-star property management enterprise in Beijing identified by China Quality Association, and shortlisted into Beijing Quality Award of Beijing Municipal Quality Association.

3.2.3 Enhancing customer service

Adhering to the “customer comes first” service concept, the Company commits itself to establishing long-term stable cooperative relationship with customers, setting up the customer service system targeted at customer demands, continuously deepening connotations of the customer service, and providing value-added services for customers.

Each business segment has conducted in-depth investigation and summary based on daily business, and played a supportive role in the sales channel, marketing management and customer service management. For instance, the *Administrative Measures for Unified Marketing of the Cement Industry* for the cement industry, stipulating that relevant companies shall visit customers on a regular basis, has followed the product usage by customers, analyzed and satisfied customer demands, dealt with customers’ complaints, collected and classified quality problems put forward by customers, and promptly notified subsidiaries of the cement industry of relevant situations, so as to make coordination between customers and subsidiaries of the cement industry, and properly solve various matters.

Customer management system

Equipped with a fixed customer management team, the enterprise in each business segment have established standard customer service contents and process, determined the relevant standards and requirements for the service quality in each production and operation phase, and actively responded to customer complaints following the customer-oriented principle. In 2016, property management subsidiaries continuously strengthened the service brand of BBMG, improved the service standard, and enhanced the service level and capability with the help of informatization and Internet.

Customer service system

The Company has a large customer information system. The multi-dimension customer

information control system has been established to strictly keep the customer information confidential, and regularly updated to enhance the reliability and security. The customer service management systems for four business segments have been respectively formulated according to the product classification and operation characteristics. In order to satisfy different demands of different types of customers, the Company has established relationship with each type of customers, strengthened the communication and exchanged with them, and provided personalized service for customers on the above basis.

Customer satisfaction survey

Enterprises in each business segment have conducted the customer satisfaction survey according to actual situation, and formed the customer satisfaction survey questionnaire model with unique characteristics. The result code and sample analysis were generated through scientific sampling and assessment analysis, periodic comparison and analysis reports were generated and changes in customer expectation were mastered through the assessment and collection for several times. The customer service level and quality has been continuously improved according to the analysis result. In 2016, the property management enterprise comprehensively carried out the third-party customer satisfaction survey, and continuously enhanced the service quality of the property service business.

3.3 Cooperating with suppliers for mutual benefits

Following the principle of openness, fairness, justice and scientific selection, the Company has standardized the whole-process management of supply chain. Focusing on product quality and safe production, it extended the social responsibility requirements to the supply chain, strived to establish stable cooperative relationship with suppliers, and helped suppliers enhance their consciousness and capability in performing social responsibilities during the cooperation, so as to enhance the sustainable development of the supply chain.

Purchase system and principle

The Company has established a complete supplier management system, which conducts strict procedures in selecting suppliers through screening, assessment, appraisal and annual review of suppliers in compliance with standards, carries out full-process monitoring and periodic management of upstream and downstream suppliers, implements strict admission system for suppliers at various levels, carefully verifies the certification system, management system, service system and industry rating of partners, and conducts real-time monitoring or regular or irregular operation and management responsibility assessment of the partners in aspects such as legal compliance, environmental protection, protection of laborers' rights and interests and honest operation.

Credit rating

The Company has actively established long-term strategic cooperation with domestic and foreign suppliers that have passed credit rating and authentication, and strictly conducted environmental assessment and survey on suppliers.

Policies on managing environmental risks of the supply chain

The admission standards for internal stakeholders have been established in terms of energy conservation, emission reduction and environmental protection, in order to guarantee the energy conservation and environmental protection in the Company's production activities, and promote the fulfillment of the social responsibility of energy conservation and emission reduction by stakeholders.

4. Environmental protection

The Company has actively promoted the energy conservation, cost reduction and cleaner production, increased investment in environmental protection technology, and realized a green and sustainable development. In 2016, the Company invested RMB56,200,000 in the environmental protection and control.

4.1 Environmental management

The Company has formulated the *Environmental Protection Management System*, effectively fulfilled major responsibilities under the leadership of each business division and supervision by the environmental protection administrative authority, and formed a three-level management system comprising supervisors, directors and entities. In 2016, the Company continued with the environment standardization, strengthened the training for the environmental protection management staff at various levels of the Company, enhanced the environmental protection and red line consciousness, comprehensively conducted environment inspection and supervision of each enterprise, improved environmental protection conditions, enhanced the environmental protection management level, and realized the pollutant discharge in compliance with relevant standards.

Environment standardization

The Company further deepened the environment standardization, and strengthened the standardization of cement, concrete and new building materials manufacturers, and initiated the standardization of property and real estate enterprises. In 2016, the Company finished the environment standardization of 45 enterprises, which greatly enhanced the environmental protection management and control.

Grid-type environmental protection inspection and supervision

The Company has supervised the environmental protection in the form of daily inspection, special inspection and supervision in case of emergency, carried out daily inspection of the production and operation site, operation of environmental protection facilities, standardized discharge, and dust control of each segment, and conducted special inspection and supervision in terms of air and water pollution, gradually forming the grid-type pattern of the environmental protection supervision and inspection. In 2016, the Company carried out inspection for more than 150 times, which effectively fulfilled the corporate responsibility as an environmental protection entity, and reduced the environmental risks.

4.2 Resource conservation

The Company has established and perfected the industrial energy-saving management system

to continuously enhance the resource utilization efficiency and promote the green and low-carbon cycling of the industry. The restriction and guidance by laws, regulations and standards have been strengthened, and the energy measurement basis has been consolidated to promote the energy-saving standardization, continuously carry out the cleaner production review, and significantly reduce the energy and material consumption.

4.2.1 Energy conservation and cost reduction

The Company has detailed the full-process management of production and operation, strengthened major responsibilities of energy-consuming units and guaranteed the participation by all the employees. It has intensified the overall guidance of the energy-saving objective of key energy-consuming enterprises, improved the double control mechanism for energy-saving quantity and intensity, strengthened the development of the energy management system, reinforced the energy efficiency management and control based on information technology, and continuously carried out energy-saving diagnosis, energy audit and energy management and control center projects, in order to realize the final objective of the visual energy, online optimization and maximum energy efficiency.

The Company has actively conducted the energy efficiency benchmarking and target attainment activities. In 2016, the Company carried out 15 energy-saving projects for 691 sets of outdated mechanical and electrical equipment, 11 waste heat and pressure utilization projects, 19 kiln reform projects, 29 energy-saving transformation projects for production process system, 33 energy system optimization projects, and cleaner production review and assessment projects for 11 enterprises, which enhanced the energy efficiency of key energy-consuming equipment, and saved 48,900 tons of standard coal and 117,400m³ of water.

Type of energy	Numerical value
Power consumption of power grid (kWh)	2,663,208,537
Total coal consumption (ton)	4,381,346.7
Waste heat power generation (kWh)	939,292,900
Gasoline (ton)	400.01
Diesel (ton)	11,671.96
Comprehensive energy consumption (tons of standard coal)	3,715,945.23

4.2.2 Reduction of water consumption

The Company has controlled the water consumption in the production and working procedure, fully promoted the water-saving technical transformation, and popularized the industrial

process, technology and equipment for water saving, in order to enhance the water usage efficiency. It has also organized special water-saving activities, publicized the water conservation, and promoted the cyclic utilization of water resources and disposal and recycling of industrial wastewater. In 2016, the water consumption amounted to 9,879,982 tons with the recycled water utilization rate of 94.61%.

4.3 Cleaner production

The Company has continued to implement the *Cleaner Production Promotion Law* and *Cleaner Production Review Methods*, reviewing the cleaner production in enterprises according to the law by stages and in groups. In 2016, 13 enterprises passed the review and inspection of the cleaner production organized by the environmental protection authorities in different places. According to the *Interim Administrative Regulations on the Sewage Discharge License* promulgated by the Ministry of Environmental Protection on 26 December 2016, the Company actively pushed forward the procedures in obtaining the sewage discharge license, ensuring to conduct operations according to the law.

4.3.1 Reduction of emissions of waste gases and greenhouse gases

The Company has strictly abided by relevant emission standards of air pollutants and greenhouse gases such as the *Emission Standard of Air Pollutants for Cement Industry* and *Emission Standard of Air Pollutants for Wooden Furniture Manufacturing Industry*. It has ensured that the discharge of pollutants fully comply with relevant standards through the improvement in production technology and technical reform.

Promoting emission reduction technology

Relying on the advanced emission reduction technology, the Company has enhanced the refined management and control, and controlled the waste gas emission, in order to ensure that pollutants are discharged in compliance with relevant standards in a continuous and stable manner. The discharge of pollutants such as NO_x and SO₂ has been obviously decreased with the denitrification and desulfurization technology. The technology for storage and utilization of CO₂ in the waste gas of cement kiln has been developed to reduce the content of CO₂ in the waste gas of cement kiln. The dust collection equipment has been updated and reformed and closed conveying equipment has been adopted in the product packaging and delivery, in order to ensure that dust discharge is in compliance with relevant standards.

Manufacturing green building materials

The new building material manufacturing segment has formulated relevant standards for materials, construction and inspection, manufactured pollution-free and environment-friendly interior decoration materials, developed green furniture and production technology, carried out VOC reduction plan, and provided reliable and green building materials for the society. The energy-saving and green furniture production line built by Beijing BBMG Tiantan Furniture Co., Ltd. increased the volatile section of the drying oven for the water paint with long volatilization time and high humidity, which enhanced the dehumidification and balancing capability, greatly reduced VOC emission, and reduced the environmental impact.

Controlling carbon emission

The Company completed the carbon emission report, verification, inspection and performance in key carbon emission units in Beijing on time with 100% performance rate. The Company had traded emission quota of over 410,000 tons to external parties throughout year, and replaced China Certified Emission Reduction (CCER) of 280,000 tons.

Type of emission	Quantity
SO ₂ emission (ton)	4,031.33
NO _x emission (ton)	19,199.39
Dust emission (ton)	3,525.76

4.3.2 Elimination of waste

The Company has enhanced the technology supporting capability, promoted the accurate pollution treatment through technology innovation, made comprehensive utilization of resources, popularized the technology without waste or with less waste, committed to a circular economy via intensive production, continuously enhanced the resource development and reasonable utilization, and realized the recycling, reduction and harmless treatment of three wastes of the enterprise to the largest extent.

The cement and ready-mixed concrete segment has strengthened the innovation and management of the development mode of the environmental protection industry, gave play to the function of the infrastructure, and enhanced the environmental service capability. Cement kiln have been utilized for the co-disposal of industrial and city garbage, which leads to reduction of usage of natural resources and allows reutilization of waste resources, reducing the pollution, and creating a new mode of cross-industry sustainable development. In 2016, the Company made comprehensive use of 18 types of waste in the national list totaling 14,139,700 tons, and accumulatively eliminated various waste totaling 14,392,500 tons.

4.4 Policies on minimizing significant impact on the environmental and natural resources

While realizing the business development, the Company has paid special attention to the impact on the environment, and actively conducted the restoration of the environment (including the ecological environment). Environmental impact assessments and geological disaster assessments have been conducted and relevant protection proposals formulated prior to project implementation. The Company also strengthened knowledge education in relation to environmental protection for construction staff, enhanced the environmental protection consciousness of the construction staff, and reduced the damage to the environment during the project implementation. Upon completion of projects, the Company implements measures to aid the restoration of ecology and land.

The Company has increased its investment in ecological restoration and strengthened the R&D in ecological restoration technology. In 2016, it enhanced measures in relation to the

“green mining”, and developed technology in relation to ecological restoration and solidification and stabilization technology of contaminated soil.

5. Employees’ growth

Employees are the key driving force for the sustainable development of the Company. We have persisted in the equal employment and democratic management, expanded the channel for employees’ growth, and conducted rich and colorful cultural entertainment activities, building a fair and just environment for employees’ growth, and guaranteeing the balance between work and life of employees.

5.1 Protection of employees’ rights and interests

The Company has protected the legitimate rights and interests of employees, and fairly treated employees with different backgrounds. The workers’ congress system has been adopted to guarantee the employees’ entitlement to collective negotiation, realize democratic management, and actually respect and maintain the human rights of employees.

5.1.1 Equal employment

The Company has persisted in the equal employment in strict accordance with relevant laws and regulations. The Company respects and fairly treats employees of different nationalities, races, genders, ages, religious beliefs and cultural backgrounds, and adopted the principle of equal pay for equal work. Forced or child laborers were strictly prohibited and resisted by the Company. The Company maintained endowment insurance, medical insurance, unemployment insurance, work-related insurance and birth insurance, and paid the housing provident fund for employees. Employees may be entitled to legal holidays and vacations according to national policies and relevant laws and regulations.

The Company has recruited employees via various channels to strengthen the talent reserves. In 2016, it organized the secondary enterprises to attend eight university recruitment fairs, and actively participated in special recruitment fairs such as the allocation of village officials assumed by university students upon expiry of tenure, introduction of graduates native to Tibet, and arrangement of university student soldiers released from military service. In 2016, BBMG recruited 130 graduates of the bachelor degree and above from more than 30 majors of 59 Chinese universities and five foreign universities.

According to the layout of four principal businesses of the Company, the employees are mainly located in several places such as Beijing, Hebei, Tianjin, Henan, Shanxi, Sichuan and Zhejiang. As at the end of 2016, the Company had 49,721 serving employees in total as follows:

Composition and distribution of female and male employees	
Composition	Number
Male employees	36,020
Female employees	13,701

Profession composition and distribution			
Number	Type of composition	Number	Proportion
1	Production personnel	27,224	54.8%
2	Sales personnel	4,018	8.1%
3	Technical personnel	10,261	20.6%
4	Financial personnel	1,708	3.4%
5	Administrative personnel	5,391	10.8%
6	Other personnel	1,119	2.2%
Total		49,721	100%

Education level composition and distribution			
Number	Type of composition	Number	Proportion
1	Postgraduate or higher	809	1.6%
2	Undergraduate	11,335	22.8%
3	Tertiary college graduate	10,776	21.7%
4	Secondary vocational school graduates or lower qualifications	26,801	53.9%
Total		49,721	100%

5.1.2 Democratic management

Workers' congress

The Company has continuously improved the workers' congress system, and formed the democratic management pattern of "unified leadership by the Party Committee, overall responsibility by administrative department, implementation organization by labor union, active participation by employees, and endeavor by all the parties", and guaranteed employees' right to participate, know, express and supervise. Beijing BBMG was determined as one of the experimental units of the first ten workers' congress of the Group by Beijing Municipal Federation of Labor Unions, and BBMG Dacheng Development and Fengshan Hot Spring Resort were honored as "the Advanced Unit with Harmonious Labor Relationship in Beijing City". In 2016, the Company successfully organized the 4th session of the first workers' congress. All the sessions of the workers' congresses were held in each unit, and all the new workers' representatives received relevant training. The democratic management organization at the grassroots level was perfected.

Collective consultation on wages

The Company formulated and issued the *Implementation Proposal for the Special Action Promoting the Collective Negotiation of Beijing BBMG*, in order to guarantee the extensive participation by employees. At present, more than 95% collective contracts were established and renewed in each enterprise. According to the requirements of the Municipal Federation of Labor Unions and Beijing Municipal Bureau of Human Resources and Social Security, the collective contracts and collective consultation agreements on wages were classified and filed online for immediate inquiry and more standard management.

5.2 Vocational development

The Company has focused on the cultivation of team spirits and learning ability, and offered adequate development space and job opportunities for employees, in order to realize the mutual development of the Company and its employees.

5.2.1 Promotion channel

The Company has provided perfect career development channels for employees. The promotion channels for operation and management personnel and professional technical personnel has been established with the supporting remuneration management and career development system, which has guaranteed the career development of employees, and satisfied the career demands of employees' growth and self-value realization.

The Company has formulated the internal employee cultivation plan for grassroots management, selected excellent employees with outstanding business capability and management potential by means of performance assessment as reserve management, provided guidance for employees in the career development planning, and offered a development platform.

5.2.2 Employee training

The Company has highly emphasized the employee training, collected training plans of the Company and subsidiaries, formulated key training plans at various levels, and made active innovation in the training mode to guarantee the training effect. The training contents covered the professional technology and general job skills, which have comprehensively enhanced the comprehensive qualities of employees.

5.3 Care for employees

The Company has understood the demands of employees, solved problems that employees are concerned with. The Company has enriched the cultural life of employees in their spare time, realized the balance between work and life, enhanced employee satisfaction, and strived to build a positive and harmonious atmosphere for employees.

Assistance for employees

The Company has actively implemented the *Opinions Concerning the General Establishment of Special Assistance Fund in Subsidiaries of BBMG* approved by the staff representative committee. The files of employees in difficulty have been established and improved subject to

prompt adjustments as per minimum subsistence allowances and dynamic management, which has provided basic basis for the assistance for employees in difficulty, and actually solved living difficulties for employees.

The Company has shown concerns to employees by adhering to the principle of “normal care for employees in difficulty and key assistance in emergencies”. In 2016, it helped three employees overcome difficulties and all the needy employees obtain the relevant certificate. Festival subsidies, special funds and autumn student subsidies totaling RMB490,000 were issued to 128 destitute and needy employees, labor models and employees suffering from severe diseases in 25 departments, and senior leaders, Party and government leaders of each enterprise and trade union leaders expressed sympathy and solicitude for over 2,000 employees at their home.

Mutual assistance guarantee for employees

The mutual assistance guarantee has received great popularity and recognition among employees, becoming an excellent brand of service provided by trade union for employees. According to the “generalized system of benefit and full coverage” working requirements, the mutual assistance guarantee for employees has strengthened the resource integration based on information technology, and realized the information-based, flat and networked operation by connection with the Mutual Service Card of Trade Union Members of Card of Bank of Beijing. More employees benefited from such efforts with the continuously expanded coverage. In 2016, the Company held three sessions of mutual assistance insurance training, prepared and distributed 20,000 copies of *Mutual Assistance Guarantee Brochure of BBMG Employees*, and organized eight mutual assistance guarantee activities for enterprises in and outside Beijing. The accumulated insurance premium amounted to RMB3,403,500 and the claims totaling RMB1,206,000 have been settled for employees, benefiting more than 30,000 employees.

Enriching employees' lives

The Company has continuously organized rich and diversified activities, and ensured the balance between the life and work of employees. It has offered training for national-level outward bound instructors, and totally 75 employees have obtained the qualification certificate of national-level outward bound instructors issued by the Ministry of Human Resources and Social Security. The Company has organized various activities such as football, badminton, table tennis, tug-of-war, compound poker, field athletics championship, held outdoor education and training, and encouraged employees to actively participate in various cultural and sports activities.

Caring for female employees

The Company has protected rights and interests of female employees, and for this purpose, it has proactively conducted various activities. The Company provided equivalent remuneration, management positions, professional training and career development opportunities for female employees as male employees. The Company contributed to the birth insurance fund for female employees, and offered antenatal care leave, maternity leave and breastfeeding leave for female employees. In addition, it also positively conducted activities for the convenience

of and to enrich the work and life of female employees. Since 2016, the home of female employees in each unit successively conducted the “8 March” pace-setting group and “8 March” pace-setting medal appraisal activities. Trade union at various levels actively organized the construction of “mother & infant caring room”. The Trade Union of the Company offered RMB2,000 to each of the 27 established mother & infant caring rooms as the construction subsidies.

6. Public welfare

As a large-scale state-owned enterprise in the industry and region, the Company has always acknowledged its responsibility for realization of both the economic and social benefits. In 2016, the Company actively participated in social service and public welfare charity activities in response to the call of government, reduced the non-capital functions of the Company, and provided cooperation in relation to air quality assurance work in the capital.

6.1 Regional contribution

Reducing the noncapital functions of Beijing

The coordinated development of the Beijing, Tianjin, and Hebei region has realized the sustainable development in Beijing, gave full play to the resource advantages in the capital, expedited the transformation of development pattern and structural adjustment, enhanced the development level and urban quality, and better facilitated the implementation of key national development strategies. The orderly reduction of the noncapital functions of Beijing has been the important and prioritized process of the coordinated development of the Beijing, Tianjin, and Hebei region. For more than one year since the implementation of the coordinated development of the Beijing, Tianjin, and Hebei region, the Company has taken several measures to contribute to the reduction of the non-capital functions of Beijing. The Company successively relocated ten building material manufacturers such as Xinhai Shoes Mall in Dahongmen of Fengtai District, Fangshi Shoes Mall, BBMG Coating in Xisanqi, Haidian District, and Tiantan Furniture out of the capital city, achieving obvious achievements. The Company invested in the design and construction of the international e-commerce center and science and technology industrial park respectively in Dahongmen and Xisanqi, laying a sound foundation for the industrial transformation. Meanwhile, the former stores in Dahongmen were moved into Beijing Xinhai Shopping Mall in Yongqing, Langfang, Hebei, and ten building material manufacturers in Xisanqi were relocated to Dachang BBMG Modern Industry Park in Langfang, Hebei, making great contributions to the coordinated development of the Beijing, Tianjin, and Hebei region as a state-owned enterprise.

Providing assistance in coping with heavily polluted weather

In order to improve the air quality in the capital, the Company has taken measures to cope with heavily polluted weather in active response to the call of the local government. When Beijing issued the orange and yellow warning signals for severe air pollution, the Company has determined the daily countermeasures for cement manufactures, construction sites and new material manufacturers and mitigated impacts to air pollution by means of reduction of output or suspension of operations for inspection.

Supporting the development of affordable housing

The Company has been committed to the development and construction of affordable housing in Beijing with complete types of houses such as the affordable housing, housing with restrictions on size and selling prices, owner-occupied housing, low-rent housing and public rental housing, making great contributions in guaranteeing the living environment in Beijing. In 2016, the Company successfully delivered several affordable housing projects including BBMG Huijingyuan and BBMG Changheyuan.

6.2 Public welfare activities

The Company has actively participated in various charity donations and focused on the investment in the public-welfare education field. The Company has included the donation for education and incentive fund into the annual public-welfare program, and encouraged and recognized outstanding university students and excellent teaching staff in the Company, with an aim to support the development of the all types and levels of education in China. By leveraging its strengths and resources, the Company has successively established several production-study-research bases, so as to provide teaching and employment services for the colleges and universities.

6.3 Voluntary activities

Following the principle of “dedication, friendship, mutual assistance and progress”, the Company has established BBMG Young Volunteer League composed of more than 12,000 young employees in and outside Beijing of the Company. Voluntary activities have been serving the important channel of ideological and moral education of the subsidiaries of the Company. They have called for all the young employees to devote themselves to the public welfare undertakings and direct them to firmly establish the voluntary service spirits of “dedication, friendship, mutual assistance and progress” by conducting various forms of voluntary activities such as renovation of workshop environment, charitable donation, and visits to elderly people without family and disabled children.

29 March 2017

* *For identification purposes only*