CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2018

Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December		
	2018	2017 (restated)	Growth rate
	(RMB in millions)		
Bank balances and cash	**20,898**	23,374	-10.6%
Total assets	**436,648**	454,158	-3.9%
Equity attributable to equity holders of the Company	**72,211**	64,274	12.3%

	For the year ended 31 December		
	2018	2017 (restated)	Growth rate
	(RMB in millions)		
Revenue	**218,955**	184,121	18.9%
Profit after tax	**14,060**	9,793	43.6%
Profit attributable to equity holders of the Company	**8,067**	4,939	63.3%
Net cash flows from operating activities	**48,531**	25,258	92.1%
Sales volume of cement and clinker *(in thousand tonnes)*	**368,983**	376,789	-2.1%
Sales volume of commercial concrete *(in thousand m^3)*	**95,990**	92,542	3.7%
Sales volume of aggregate concrete *(in thousand tonnes)*	**35,276**	30,764	14.7%
Sales volume of gypsum board *(in million m^2)*	**1,869**	1,821	2.6%
Sales volume of glass fiber yarn *(in thousand tonnes)*	**2,181**	1,964	11.0%
Sales volume of turbine blade *(MW)*	**8,040**	7,181	12.0%
Revenue from engineering services *(RMB in millions)*	**34,143**	31,306	9.1%
Average selling price of cement and clinker *(RMB per tonne)*	**318.4**	254.7	25.0%
Average selling price of commercial concrete *(RMB per m^3)*	**432.1**	341.4	26.6%
Average selling price of aggregate concrete *(RMB per tonne)*	**50.6**	39.8	27.1%
Average selling price of gypsum board *(RMB per m^2)*	**5.62**	5.20	8.1%
Average selling price of glass fiber yarn *(RMB per tonne)*	**5,464**	5,388	1.4%
Average selling price of turbine blade *(RMB per MW)*	**619,703**	615,184	0.7%

Contents

This Annual Report, in both Chinese and English versions, is available on the Company's website at http://cnbm.wsfg.hk (the "Company Website"). Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the Corporate Communications in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt of the Corporate Communications (either in printed form or via the Company Website).

Shareholders may send their requests at any time to receive the Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

Corporate Profile

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively. The Company issued bonus shares on 13 June 2011 on the basis of ten bonus shares to be issued for every ten shares held by the Shareholders. On 2 May 2018, the Company and Sinoma completed the share exchange. As of 31 December 2018, the Company has a total issued share capital of 8,434,770,662 Shares.

The Group is mainly engaged in cement, new materials and engineering services businesses. As regards the current market positions (in terms of the production capacity or contract amount in 2018), the Group is:

- the largest cement producer in the world;
- the largest commercial concrete producer in the world;
- the largest gypsum board producer in the world;
- the largest turbine blade producer in the PRC;
- the largest glass fiber producer in the world;
- the largest cement engineering service provider in the world;
- the leading glass engineering service provider in the world.

Corporate Information

DIRECTORS:

Executive Directors

Cao Jianglin *(Chairman)*
Peng Jianxin *(Vice Chairman)*
Peng Shou *(President)*
Cui Xingtai *(Vice President)*

Non-executive Directors

Xu Weibing
Chang Zhangli
Tao Zheng
Chen Yongxin
Shen Yungang
Fan Xiaoyan

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Qian Fengsheng
Xia Xue

STRATEGIC STEERING COMMITTEE:

Cao Jianglin *(Chairman)*
Peng Shou
Zhou Fangsheng

NOMINATION COMMITTEE:

Sun Yanjun *(Chairman)*
Liu Jianwen
Cao Jianglin

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Cao Jianglin

AUDIT COMMITTEE:

Qian Fengsheng *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

Li Xinhua *(Chairman of the Supervisory Committee)*
Zhou Guoping
Guo Yanming
Wu Weiku *(Independent Supervisor)*
Li Xuan *(Independent Supervisor)*
Cui Shuhong *(Staff Representative Supervisor)*
Wang Yingcai *(Staff Representative Supervisor)*
Zeng Xuan *(Staff Representative Supervisor)*

Secretary of the Board	:	Yu Kaijun
Joint Company Secretaries	:	Yu Kaijun Lo Yee Har Susan (FCS, FCIS)
Authorised Representatives	:	Cao Jianglin Yu Kaijun
Alternate Authorised Representative	:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant	:	Pei Hongyan (FCCA)
Registered Address	:	Tower 2 (Building B), Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC

Corporate Information *(Continued)*

Principal Place of Business	:	21st Floor Tower 2, Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Postal Code	:	100036
Place of Representative Office in Hong Kong	:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	:	Agricultural Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation
PRC Legal Adviser	:	Jia Yuan Law Offices F408 Ocean Plaza, 158 Fuxing Men Nei Street Xicheng District, Beijing The PRC
Hong Kong Legal Adviser	:	Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong
International Auditor	:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong

Corporate Information *(Continued)*

Domestic Auditor	:	Baker Tilly China Certified Public Accountants (Special General Partnership) Building 12, Foreign Cultural and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong	:	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Stock Code	:	03323
Company Websites	:	http://cnbm.wsfg.hk www.cnbmltd.cn

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Aksu Tianshan"	阿克蘇天山多浪水泥有限責任公司 (Aksu Tianshan Duolang Cement Co., Ltd.)
"Anhui Jieyuan"	安徽節源環保科技有限公司 (Anhui Jieyuan Environmental Protection Technology Co., Ltd.)
"BAIC"	Beijing Municipal Administration of Industry and Commerce
"Baishan Cement"	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Baker Tilly China"	天職國際會計師事務所(特殊普通合夥) (Baker Tilly China Certified Public Accountants (Special General Partnership))
"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"BBMG"	北京金隅資產經營管理有限責任公司 (BBMG Assets Management Co., Ltd.)
"Beijing Composite"	北京玻鋼院複合材料有限公司 (Beijing Composite Materials Co., Ltd.)
"Beijing Synthetic Crystals"	北京中材人工晶體研究院有限公司 (Beijing Sinoma Synthetic Crystals Co., Ltd.)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Institute"	中建材蚌埠玻璃工業設計研究有限公司 ((CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBM Green Residence"	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)

"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院有限公司 (China Building Materials Academy Co., Ltd.)
"CBMI Construction"	中材建設有限公司 (CBMI Construction Co., Ltd.)
"CBRC"	China Banking Regulatory Commission
"CCDRI"	成都建築材料工業設計研究院有限公司 (Chengdu Design & Research Institute of Building Materials Industry Co., Ltd.)
"Cement+"	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal points of profit growth
"Chengtong Financial"	北京誠通金控投資有限公司 (Beijing Chengtong Financial Investment Co., Ltd.)
"China Clearing"	China Securities Depository and Clearing Corporation Limited
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd.) (previously known as 中國玻纖股份有限公司 China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)

Definitions *(Continued)*

"China United Cement"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited) (previously known as 北新物流有限公司 BND Co., Limited)
"CNBM Trading"	中建材集團進出口有限公司 (China National Building Material Import and Export Co., Ltd.)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMI Tanzania"	中建材投資坦桑尼亞有限公司 (CNBMI Tanzania Ltd.)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the PRC
"Conch Venture"	中國海螺創業控股有限公司 (China Conch Venture Holdings Limited)
"CTG"	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Digital Qilianshan 2.0"	the establishment of a digital Qilianshan management and control system by Qilianshan with one-stop, closed-loop management combining people, capital and property with production, supply and demand through integration and interconnection of information systems
"Director(s)"	the director(s) of the Company

"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"EPC"	turn-key project services that include design, procurement and construction
"Equipment Group"	中材裝備集團有限公司 (Sinoma Technology & Equipment Group Co., Ltd.)
"Forchn International"	富春國際有限公司 (Forchn International Co., Limited)
"Fukang Tianshan"	新疆阜康天山水泥有限責任公司 (Xinjiang Fukang Tianshan Cement Co., Ltd.)
"Group"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guangxi South Cement"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"Guoxin Investment"	國新投資有限公司 (Guoxin Investment Co., Ltd.)
"HAZEMAG Germany"	HAZEMAG&EPR GmbH
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HKD
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)

Definitions *(Continued)*

"IFRS"	International Financial Reporting Standards
"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Individual H Shareholders"	Shareholders whose names appear on the register of Members of H Shares of the Company
"Industrial Ceramics Institute"	山東工業陶瓷研究設計院有限公司 (Shandong Industrial Ceramics Research & Design Institute Co., Ltd.)
"Jetion Solar"	中建材浚鑫科技股份有限公司 (Jetion Solar (China) Co., Ltd.)
"Jiahua Cement"	嘉華特種水泥股份有限公司 (Jiahua Special Cement Company Limited)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangsu Solar Energy"	江蘇太陽能新材料有限公司 (Jiangsu Solar Energy Materials Co., Ltd.)
"Jiangsu Tianshan"	江蘇天山水泥集團有限公司 (Jiangsu Tianshan Cement (Group) Co., Ltd.)
"Jiangxi Porcelain"	中材江西電瓷電氣有限公司 (Sinoma Jiangxi Porcelain Electric Co., Ltd.)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited*)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"Kashgar Tianshan"	喀什天山水泥有限責任公司 (Kashgar Tianshan Cement Co, Ltd)

"Kharachi Company"	喀喇沁草原水泥有限責任公司 (Kharachi Grassland Cement Co., Ltd.)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Liyang Tianshan"	溧陽天山水泥有限公司 (Liyang Tianshan Cement Co., Ltd.)
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"Luopu Tianshan"	洛浦天山水泥有限責任公司 (Luopu Tianshan Cement Co., Ltd.)
"MES"	Manufacturing Execution System, a management system of information-based production aiming at execution on plant floors of manufacturers
"Merger Agreement"	the merger agreement dated 8 September 2017 entered into between the Company and Sinoma, pursuant to the terms and conditions of which the Company and Sinoma implemented the Merger
"Merger of CNBM and Sinoma" or "Merger"	the merger by absorption of Sinoma by the Company in accordance with the Company Law and other applicable PRC laws as stipulated under the Merger Agreement
"Midong Tianshan"	新疆米東天山水泥有限責任公司 (Xinjiang Midong Tianshan Cement Co., Ltd.)
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"MNC"	牡丹江北方水泥有限公司 (Mudanjiang North Cement Company Limited)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nanjing Mining"	中國非金屬材料南京礦山工程有限公司 (Sinoma Nanjing Mining Engineering Co., Ltd.)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局 (National Bureau of Statistics of China)

"Ningxia Building Materials"	寧夏建材集團股份有限公司 (Ningxia Building Materials Group Co., Limited)
"Ningxia Saima"	寧夏賽馬水泥有限公司 (Ningxia Saima Cement Co., Ltd.)
"Nitride Ceramics"	中材高新氮化物陶瓷有限公司 (Sinoma Advanced Nitride Ceramics Co., Ltd.)
"Non-Competition Agreement"	the non-competition agreement dated 28 February 2006 entered into between the Company and the Parent, which is stated on pages 155 to 157 of the prospectus of the Company
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"NRDI"	南方玻璃纖維研究設計院有限公司 (Nanjing Fiberglass R&D Institute Co., Ltd.)
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 (China National Building Materials Group Corporation))
"Parent Group"	the Parent and its subsidiaries
"PCP"	Price – Cost – Profit
"PRC"	the People's Republic of China
"Promoters"	the promoters of the Company, namely the Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"Qilianshan"	甘肅祁連山水泥集團股份有限公司 (Gansu Qilianshan Cement Group Company Limited)
"Qilianshan Holdings"	甘肅祁連山建材控股有限公司 (Gansu Qilianshan Building Materials Holdings Company Limited)
"Qingtongxia Cement"	寧夏青銅峽水泥股份有限公司 (Ningxia Qingtongxia Cement Co., Ltd.)

"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2018 to 31 December 2018
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Saima Kejin"	寧夏賽馬科進混凝土有限公司 (Ningxia Saima Kejin Concrete Co., Ltd.)
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shandong Sinoma Engineering"	山東中材工程有限公司 (Shandong Sinoma Engineering Co., Ltd.)
"Shanghai Saize"	上海賽澤股權投資中心(有限合夥) (Shanghai Saize Equity Investment Center Partnership LLP)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanshui Cement"	中國山水水泥集團有限公司 (China Shanshui Cement Group Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares, H Shares and Unlisted Foreign Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Sinoma"	中國中材股份有限公司 (China National Materials Company Limited), a joint stock company incorporated in the PRC with limited liability
"Sinoma (Gansu)"	中材甘肅水泥有限責任公司 (Sinoma (Gansu) Cement Co., Ltd.)
"Sinoma (Tianshui)"	天水中材水泥有限責任公司 (Sinoma (Tianshui) Cement Co., Ltd.)

Definitions *(Continued)*

"Sinoma Advanced"	中材高新材料股份有限公司 (Sinoma Advanced Materials Co., Ltd.)
"Sinoma Anhui"	中材安徽水泥有限公司 (Sinoma Anhui Cement Co., Ltd.)
"Sinoma Blade"	中材科技風電葉片股份有限公司 (Sinoma Wind Power Blade Co., Ltd.)
"Sinoma Cement"	中材水泥有限責任公司 (Sinoma Cement Co., Ltd.)
"Sinoma Hanjiang"	中材漢江水泥股份有限公司 (Sinoma Hanjiang Cement Co., Ltd.)
"Sinoma Hengda"	中材亨達水泥有限公司 (Sinoma Hengda Cement Co., Ltd.)
"Sinoma International"	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.)
"Sinoma Investment"	中國中材投資(香港)有限公司 (Sinoma Investment (Hong Kong) Co., Ltd.)
"Sinoma Jinjing"	中材金晶玻纖有限公司 (Sinoma Jinjing Fiberglass Co., Ltd.)
"Sinoma Lithium Membrane"	中材鋰膜有限公司 (Sinoma Lithium Membrane Co., Ltd.)
"Sinoma Luoding"	中材羅定水泥有限公司 (Sinoma Luoding Cement Co., Ltd.)
"Sinoma Mining"	中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.)
"Sinoma Parent"	中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a state-owned enterprise, which, prior to 2 May 2018, directly and indirectly holds approximately 43.87% of Sinoma's issued share capital and is a wholly-owned subsidiary of the Parent
"Sinoma Parent Group"	Sinoma Parent and its subsidiaries

"Sinoma Pingxiang"	中材萍鄉水泥有限公司 (Sinoma Pingxiang Cement Co., Ltd.)
"Sinoma Science & Technology"	中材科技股份有限公司 (Sinoma Science & Technology Co., Ltd.)
"Sinoma Suzhou"	蘇州中材建設有限公司 (Sinoma (Suzhou) Construction Co., Ltd.)
"Sinoma Zhuzhou"	中材株洲水泥有限責任公司 (Sinoma Zhuzhou Cement Co., Ltd.)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"South New Materials"	南方新材料科技有限公司 (South New Materials Technology Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Finance"	泰安市泰山財金投資有限公司 (Taian Taishan Finance Investment Co., Ltd.)
"Taishan Gypsum"	泰山石膏有限公司 (Taishan Gypsum Co., Ltd*)
"Taishan Investment"	泰安市泰山投資有限公司 (Taian Taishan Investment Co., Ltd.)
"Tianjin Mining"	天津礦山工程有限公司 (Sinoma Tianjin Mining Engineering Co., Ltd.)

Definitions *(Continued)*

"Tianshan Building Materials"	新疆天山建材(集團)有限責任公司 (Xinjiang Tianshan Building Materials (Group) Co., Ltd.)
"Tianshan Cement"	新疆天山水泥股份有限公司 (Xinjiang Tianshan Cement Co., Ltd.*)
"Tianshan Real Estate"	新疆天山建材(集團)房地產開發有限公司 (Xinjiang Tianshan Building Materials (Group) Real Estate Development Company Limited*)
"three delicacies"	streamline the organizational structure, enhance refined management level and improve operating efficiency
"Triumph Energy Saving"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Conservation Engineering Co., Ltd)
"Triumph Robotics"	中建材凱盛機器人(上海)有限公司 (CNBM Triumph Robotics (Shanghai) Co., Ltd.) (formerly Known as 江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited))
"Unlisted Foreign Shares"	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company
"Unlisted Shares"	the Domestic Shares and the Unlisted Foreign Shares
"Wangqing North Cement"	汪清北方水泥有限責任公司 (Wangqing North Cement Limited Liability Company)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Wushan Cement"	祁連山武山水泥廠 (Qilianshan Wushan Cement Factory)
"Xi'an Mining"	中國建築材料工業建設西安工程有限公司 (China Building Materials Industrial Construction Xi'an Engineering Co., Ltd.)

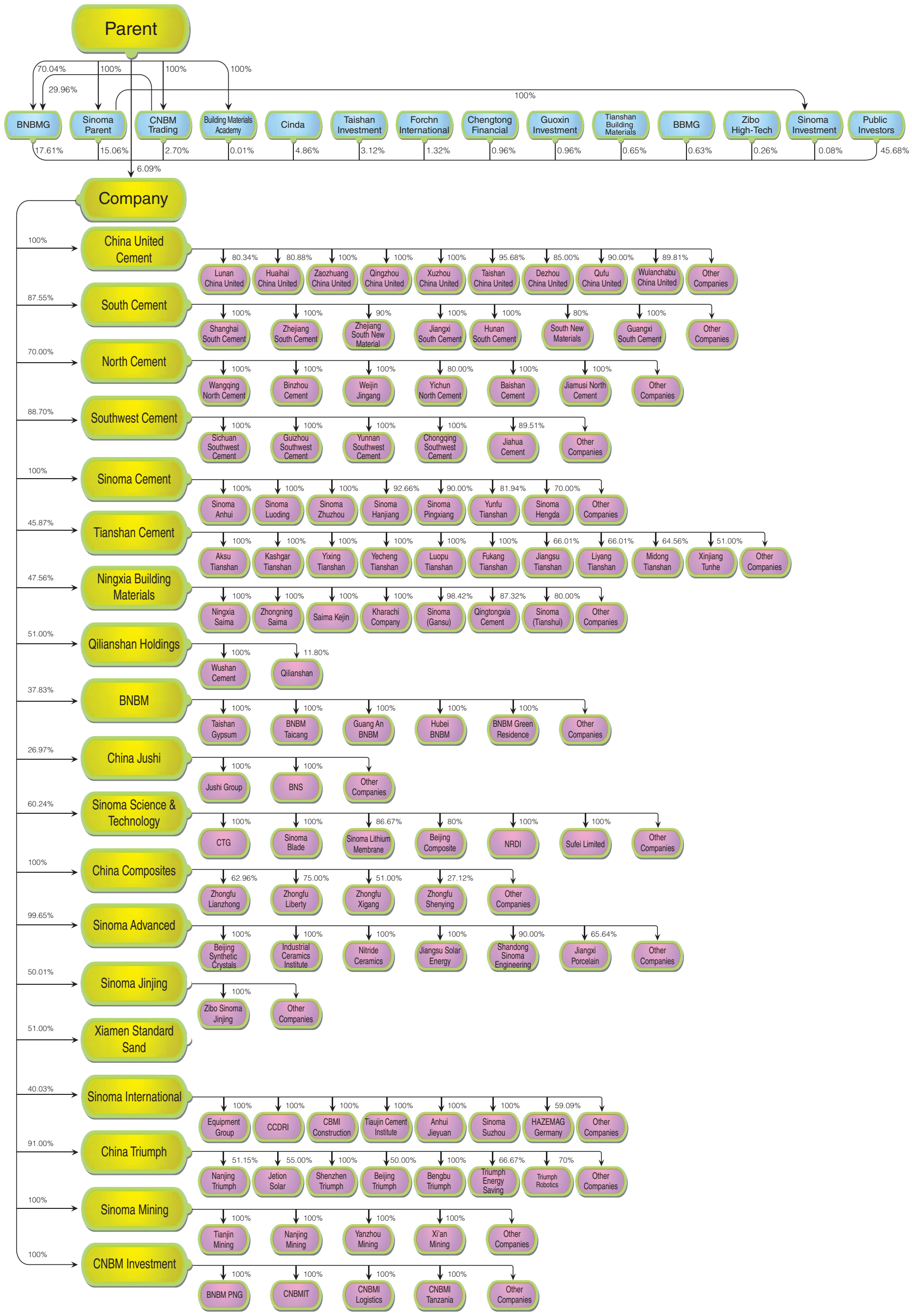
"Xiamen Standard Sand"	廈門艾思歐標準砂有限公司 (Xiamen ISO Standard Sand Co., Ltd.)
"Xinjiang Tunhe"	新疆屯河水泥有限責任公司 (Xinjiang Tunhe Cement Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yanzhou Mining"	兗州中材建設有限公司 (Sinoma Construction Yanzhou Co., Ltd.)
"Yecheng Tianshan"	葉城天山水泥有限責任公司 (Yecheng Tianshan Cement Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yixing Tianshan"	宜興天山水泥有限責任公司 (Yixing Tianshan Cement Co., Ltd.)
"Yunfu Tianshan"	中材天山(雲浮)水泥有限公司 (Sinoma Yunfu Tianshan Cement Co., Ltd.)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited*)
"Zhejiang South New Material"	浙江三獅南方新材料有限公司 (Zhejiang Sanshi South New Material Limited Company)
"Zhongfu Lianzhong"	連雲港中復連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd)

"Zhongfu Liberty"	常州中復麗寶第複合材料有限公司 (Changzhou China Composites Liberty Co., Ltd.)
"Zhongfu Shenying"	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Co., Ltd)
"Zhongfu Xigang"	威海中復西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd.)
"Zhonghai Trust"	中海信託股份有限公司 (Zhonghai Trust Co., Ltd)
"Zhongning Saima"	寧夏中寧賽馬水泥有限公司 (Ningxia Zhongning Saima Cement Co., Ltd.)
"Zibo High-Tech"	淄博高新技術風險投資股份有限公司 (Zibo High-Tech Venture Investment Co., Ltd.)
"Zibo Sinoma Jinjing"	淄博中材金晶玻纖有限公司 (Zibo Sinoma Jinjing Fiberglass Co., Ltd.)

* *For identification purposes only*

Shareholding Structure of the Group

The simplified structure of the Group as of 31 December 2018 is set out below:



Shareholding Structure of the Group *(Continued)*

Note:

1. The aforementioned percentages are rounded to 2 decimal places. Due to being rounded, the total percentage of shareholdings may be discrepant with the total amount.

2. In August 2015, the Parent increased its shareholding of H Shares of the Company by 8.536 million shares, accounting for 0.10% of the total share capital.

3. Prior to the Merger of CNBM and Sinoma, the Parent held 8.00 million H Shares of Sinoma through Sinoma Investment, a wholly-owned overseas subsidiary of Sinoma Parent. After completion of the Merger of CNBM and Sinoma, Sinoma Investment held 6.80 million H Shares of the Company, representing for 0.08% of the total share capital of the Company.

4. On 31 August 2018, the Company and Shanghai Saize (上海賽澤) entered into an equity transfer agreement to acquire 4.4525% equity interests of South Cement held by Shanghai Saize. The Company's shareholding in South Cement increased from 83.1% to 87.5525%. On 26 September 2018, South Cement completed the registration of industrial and commercial changes for the above equity transfer.

5. On 26 December 2018, the Company entered into equity transfer agreements with Hunan Xingxiang Investment Holding Group Co., Ltd. (湖南興湘投資控股集團有限公司), Zhejiang Bangda Investment Co., Ltd. (浙江邦達投資有限公司) and other minority shareholders of South Cement, respectively, pursuant to which the Company agreed to be transferred a total of 5.875% equity interest held in South Cement.

   On 27 December 2018, the Company entered into a capital increase agreement with ABC Investment and BOCOM Investment, pursuant to which each of ABC Investment and BOCOM Investment contributes RMB1 billion to South Cement with a total contribution amount of RMB2 billion.

   As of today, the above transactions are not yet completed.

6. On 26 December 2018, the Company entered into an equity transfer agreement with Shanghai Zhentong Equity Investment Management Company Limited (上海圳通股份投資管理有限公司), pursuant to which the Company agreed to be transferred the 3.5% equity interest held in Southwest Cement.

   On 27 December 2018, the Company entered into a capital increase agreement with ABC Investment and BOCOM Investment, pursuant to which each of ABC Investment and BOCOM Investment contributes RMB1 billion to Southwest Cement with a total contribution amount of RMB2 billion.

   As of today, the above transactions are not yet completed.

7. The Company indirectly held 11.80% equity interest of Qilianshan through Qilianshan Holdings and directly held 13.24% equity interest of Qilianshan.

8. Upon approval at the 2017 Annual General Meeting of Sinoma International on 16 April 2018, Sinoma International repurchased 16,610,945 performance-based shares from Xu Xidong, Zhang Ximing, Jiang Guirong, Xuan Hong, Zhang Ping, Anhui Haihe New Energy Investment Co., Ltd. and Wuhu Henghai Investment Center (Limited Partnership) and cancelled the same. Please refer to the relevant announcements published by Sinoma International on the website of Shanghai Stock Exchange on 16 April 2018 for details. On 27 September 2018, Sinoma International completed the cancellation of the repurchased shares. Upon completion of the repurchase and cancellation, the aggregate share capital of Sinoma International changed to 1,737,646,983 shares. The proportion of equity interest held by the Company in Sinoma International increased from 39.7% to 40.03%.

9. On 29 September 2018, the Parent and China Railway Materials Group Corporation entered into an agreement on Transfer of State-owned Equity Interests of Tianshan Building Materials (《關於天山建材國有股權無償劃轉》) in relation to the gratuitous transfer of state-owned equity interests of Tianshan Building Materials, which stipulated the gratuitous transfer of 50.95% equity interests of Tianshan Building Materials held by the Parent to China Railway Materials Group Corporation. On 28 December 2018, the change in registration of the above company had been completed.

Financial Highlights

The summary of financial results of the Group for 2018 and 2017 is as follows:

	For the year ended 31 December	
	2018	2017 (restated)
	(RMB in thousands)	
Revenue	**218,955,189**	184,120,712
Gross profit	**65,087,624**	48,557,999
Profit after tax	**14,060,449**	9,793,211
Profit attributable to equity holders of the Company	**8,066,995**	4,939,379
Distribution made to the equity holders of the Company	**843,477**	339,302
Earnings per share-basic (RMB)(1)	**0.956**	0.586

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 8,434,770,662 shares for 2017 and the weighted average number of 8,434,770,662 shares for 2018.

	As at 31 December	
	2018	2017 (restated)
	(RMB in thousands)	
Total assets	**436,648,169**	454,157,651
Total liabilities	**300,223,140**	329,392,320
Net assets	**136,425,029**	124,765,331
Non-controlling interests	**41,995,004**	43,775,456
Equity attributable to equity holders of the Company	**72,210,938**	64,273,605
Net assets per share-weighted average (RMB)(1)	**8.56**	7.62
Debt to assets ratio(2)	**45.6%**	46.1%
Net debt ratio(3)	**130.6%**	149.0%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 8,434,770,662 shares for 2017 and the weighted average number of 8,434,770,662 shares for 2018.

(2) Debt to assets ratio = total borrowings/total assets*100%.

(3) Net debt ratio = (total borrowings-bank balances and cash)/net assets* 100%.

Business Highlights

The major operating data of each segment of the Group for 2018 and 2017 are set out below:

CEMENT SEGMENT

China United Cement

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**57,852**	57,851
Production volume - clinker *(in thousand tonnes)*	**51,143**	52,612
Sales volume - cement *(in thousand tonnes)*	**52,429**	53,967
Sales volume - clinker *(in thousand tonnes)*	**12,598**	13,045
Average selling price - cement *(RMB per tonne)*	**349.7**	274.5
Average selling price - clinker *(RMB per tonne)*	**290.2**	249.4
Sales volume - commercial concrete *(in thousand m^3)*	**36,847**	36,501
Average selling price - commercial concrete *(RMB per m^3)*	**438.3**	343.7

South Cement

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**103,175**	97,087
Production volume - clinker *(in thousand tonnes)*	**84,483**	87,583
Sales volume - cement *(in thousand tonnes)*	**96,608**	94,287
Sales volume - clinker *(in thousand tonnes)*	**18,665**	18,777
Average selling price - cement *(RMB per tonne)*	**330.4**	249.3
Average selling price - clinker *(RMB per tonne)*	**327.3**	248.0
Sales volume - commercial concrete *(in thousand m^3)*	**47,519**	43,620
Average selling price - commercial concrete *(RMB per m^3)*	**442.0**	346.0

CEMENT SEGMENT *(CONTINUED)*

North Cement

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**14,722**	16,690
Production volume - clinker *(in thousand tonnes)*	**9,553**	12,337
Sales volume - cement *(in thousand tonnes)*	**14,522**	16,331
Sales volume - clinker *(in thousand tonnes)*	**909**	2,001
Average selling price - cement *(RMB per tonne)*	**327.3**	314.6
Average selling price - clinker *(RMB per tonne)*	**287.0**	253.9
Sales volume - commercial concrete *(in thousand m^3)*	**3,219**	2,889
Average selling price - commercial concrete *(RMB per m^3)*	**359.6**	334.0

Southwest Cement

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**90,419**	85,987
Production volume - clinker *(in thousand tonnes)*	**71,368**	63,534
Sales volume - cement *(in thousand tonnes)*	**90,052**	86,361
Sales volume - clinker *(in thousand tonnes)*	**3,934**	2,325
Average selling price - cement *(RMB per tonne)*	**298.2**	247.5
Average selling price - clinker *(RMB per tonne)*	**275.1**	227.2
Sales volume - commercial concrete *(in thousand m^3)*	**1,308**	1,333
Average selling price - commercial concrete *(RMB per m^3)*	**330.3**	295.0

Business Highlights *(Continued)*

CEMENT SEGMENT *(CONTINUED)*

Sinoma Cement

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**20,704**	22,038
Production volume - clinker *(in thousand tonnes)*	**19,818**	21,552
Sales volume - cement *(in thousand tonnes)*	**20,579**	22,464
Sales volume - clinker *(in thousand tonnes)*	**4,055**	4,934
Average selling price - cement *(RMB per tonne)*	**335.9**	234.7
Average selling price - clinker *(RMB per tonne)*	**341.0**	240.2
Sales volume - commercial concrete *(in thousand m^3)*	**679**	777
Average selling price - commercial concrete *(RMB per m^3)*	**480.8**	381.8

Tianshan Cement

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**15,249**	19,031
Production volume - clinker *(in thousand tonnes)*	**14,798**	17,525
Sales volume - cement *(in thousand tonnes)*	**15,428**	18,994
Sales volume - clinker *(in thousand tonnes)*	**4,034**	3,890
Average selling price - cement *(RMB per tonne)*	**370.8**	274.6
Average selling price - clinker *(RMB per tonne)*	**271.1**	227.8
Sales volume - commercial concrete *(in thousand m^3)*	**2,110**	2,692
Average selling price - commercial concrete *(RMB per m^3)*	**431.1**	311.2

CEMENT SEGMENT *(CONTINUED)*

Ningxia Building Materials

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**13,216**	15,713
Production volume - clinker *(in thousand tonnes)*	**10,796**	12,288
Sales volume - cement *(in thousand tonnes)*	**12,740**	15,228
Sales volume - clinker *(in thousand tonnes)*	**1,150**	449
Average selling price - cement *(RMB per tonne)*	**258.1**	235.3
Average selling price - clinker *(RMB per tonne)*	**216.0**	214.7
Sales volume - commercial concrete *(in thousand m^3)*	**1,330**	1,668
Average selling price - commercial concrete *(RMB per m^3)*	**321.7**	311.7

Qilianshan

	For the year ended 31 December	
	2018	2017
Production volume - cement *(in thousand tonnes)*	**18,503**	21,227
Production volume - clinker *(in thousand tonnes)*	**14,448**	16,015
Sales volume - cement *(in thousand tonnes)*	**18,851**	21,457
Sales volume - clinker *(in thousand tonnes)*	**414**	75
Average selling price - cement *(RMB per tonne)*	**277.0**	252.3
Average selling price - clinker *(RMB per tonne)*	**215.1**	231.9
Sales volume - commercial concrete *(in thousand m^3)*	**979**	1,343
Average selling price - commercial concrete *(RMB per m^3)*	**376.2**	346.1

NEW MATERIALS SEGMENT

BNBM

	For the year ended 31 December	
	2018	2017
Gypsum board – BNBM		
Production volume *(in million m^2)*	**325.1**	305.5
Sales volume *(in million m^2)*	**320.4**	307.7
Average selling price *(RMB per m^2)*	**7.56**	6.57
Gypsum board – Taishan Gypsum		
Production volume *(in million m^2)*	**1,539.5**	1,520.6
Sales volume *(in million m^2)*	**1,531.3**	1,513.1
Average selling price *(RMB per m^2)*	**5.23**	4.92

China Jushi

	For the year ended 31 December	
	2018	2017
Glass fiber yarn		
Production volume *(in thousand tonnes)*	**1,581**	1,404
Sales volume *(in thousand tonnes)*	**1,471**	1,357
Average selling price *(RMB per tonne)*	**5,153**	5,055

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Science & Technology

	For the year ended 31 December	
	2018	2017
Glass fiber		
Production volume *(in thousands tonnes)*	**700**	609
Sales volume *(in thousands tonnes)*	**710**	607
Average selling price *(RMB per tonne)*	**6,109**	6,134
Turbine blade		
Production volume *(MW)*	**5,154**	4,748
Sales volume *(MW)*	**5,587**	4,859
Average selling price *(RMB per MW)*	**595,741**	596,204

China Composites

	For the year ended 31 December	
	2018	2017
Turbine blade		
Production volume *(MW)*	**2,521**	2,157
Sales volume *(MW)*	**2,453**	2,322
Average selling price *(RMB per MW)*	**674,280**	654,900

Chairman's Statement

Dear shareholders,

In 2018, China's development is facing complicated and intrigue domestic and foreign situation which is rare for many years, which leads to a downward pressure on the economy. With joint efforts and perseverance to overcome difficulties and well-knit work, the economy, achieved a stable performance while at the same time securing progress on a high base, with a year-on-year increase in 6.6% of gross domestic product, a year-on-year increase in 5.9% of the fixed asset investment, a year-on-year increase in 9.5% of real estate development investment, and a year-on-year increase in 3.8% of infrastructure investment. Under continuous stability of market demand, environmental protection continued to be more and more strict, the building materials industry continuously improved the understanding, experience and ability of rebalance between demand and supply and deepened the supply-side structural reform which resolutely practised peak shifting production, elimination of outdated production facilities and restriction of additions, resulting in improved operation quality in the industry, rational stability of main products price and achieved the best economic efficiency in the history.

Mr. Cao Jianglin
Chairman
Executive Director

On 3 May 2018, H shares of the Company after the merger were listed on the Stock Exchange, which means the merger by absorption has been successfully completed by the two Listing Companies. Facing the intricate macroeconomic situation and arduous reform development tasks and under the leadership of the Board, the Company overcame various difficulties and worked hard, so as to achieve enhancement of both development quality and operating results and make solid steps during the high-quality development. In 2018, the Group's consolidated operating revenue amounted to RMB218,955 million, representing a year-on-year increase in 18.9% whereas the profit attributable to equity holders of the Company amounted to RMB8,067 million, representing a year-on-year increase in 63.3%.

Last year, the management and the entire staff made concerted efforts and forge ahead. Since our achievements were hard earned, the experiences therefrom are very precious. Meanwhile, I hereby sincerely express my heartfelt gratitude to all our Shareholders for their lasting trust and great support. On behalf of the Board, I am pleased to present the Group's 2018 Annual Report and major results to you.

In 2018, the Group exerted great efforts in business management, integration and optimization, reform and innovation, enhancement of Party building, establishment of legal system based on the work direction of "maintaining steady growth, adjusting economic structure, promoting reforms and enhancing Party building". From the perspective of business management, the Company streamlined the organizational structure, enhanced refined management level and improved operating efficiency to streamline the organization, reduce the cost and focus on the market. From the perspective of integration and optimization, the Company continued the integration of three sectors, cement, new materials and engineering services, and speeded up collaboration within and among each business segments. From the perspective of reform and innovation, the Company deepened adjustment and transformation, continued to optimize and upgrade the cement business and proactively explored the industrial chain operation of "Cement+". The rapid development of new materials business accelerated the internationalization, and the promotion of innovation and transformation of engineering services business strengthened the international production capacity cooperation. The Company comprehensively improved the Party building to provide solitude political guarantee to the reform and development of the enterprise, and continuously promoted the establishment of legal system to safeguard the legitimacy and compliance of corporate governance and decision-making.

In 2019, the China's development is facing more complicated and intrigue situation with increased severe risks and challenges, which are either predictable or unpredictable, but the development is still and will be in the key period for strategic opportunities in a long run with enough resilience, huge potential and constantly bursting innovation. In the new year, the Group will insist on seizing opportunities with firm confidence and facing the challenges of more complicated situation.

2019 is a key year of fully building a modern socialist China and achieving the first centenary goal. The economic work develops with the general principle of seeking progress while maintaining stability. China insists on promoting high-quality development and continuing to fight against Three Tough Battle with supply-side structural reform as the main theme, in order to further stabilize employment, finance, foreign trade, foreign investment, investment and expectations, which brings about substantial fundation support for the development of the industry and the Group. From the perspective of industry, the main situation of material industry still remains steady and the demand is under the flat period, while a new environmental protection supervision and inspection project will be initiated and the supply-side structural reform will be further deepened. From the perspective of enterprises, the synergy for the Merger of CNBM and Sinoma will further increase the scale advantages and market capacity. CNBM will enter a new phase of high-quality development.

In 2019, the Group will continue to seek progress in stability, seek quality in development and seek innovation in reform, endeavouring to take new steps in reform and innovation, integration and optimization, "three delicacies" management and "Belt and Road". The Group will take firm action to operational management, optimization and upgrading, innovation-driven, reform work and Party building to maintain the growth, accelerate the high-quality development, strengthen development power, enhance the micro subject vitality, and lead the high-quality development with high-quality Party building. In the new year, the Group will accelerate the cultivation to become a world-class comprehensive building materials company and a new material industry group with global competitiveness and make new contributions to promote the continuing national economic and social healthy development, sparing no efforts to repay the Shareholders and the society.

Cao Jianglin
Chairman

Beijing, the PRC
22 March 2019

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at the date of this report are summarized as follows:

Business segments	Major products and services	Major operating entities attributable to the Company	Direct and indirect equity interests held by the Company
Cement	NSP cement and commercial concrete	China United Cement	100%
		South Cement	87.55%[1]
		North Cement	70.00%
		Southwest Cement	88.70%[2]
		Sinoma Cement	100%
		Tianshan Cement	45.87%
		Ningxia Building Materials	47.56%
		Qilianshan	25.04%
New materials	Dry wall and ceiling system	BNBM	37.83%
	Glass fiber and composite materials	China Jushi	26.97%
		Sinoma Science & Technology	60.24%
		China Composites	100%
		Sinoma Advanced	99.65%
		Sinoma Jinjing	50.01%
		Xiamen Standard Sand	51.00%
Engineering services	Design and engineering EPC services:		
	NSP cement production lines and	Sinoma International	40.03%
	Float glass production lines	China Triumph	91.00%
		Sinoma Mining	100%

1. On 26 December 2018, the Company entered into equity transfer agreements with Hunan Xingxiang Investment Holding Group Co., Ltd. (湖南興湘投資控股集團有限公司), Zhejiang Bangda Investment Co., Ltd. (浙江邦達投資有限公司) and other minority shareholders of South Cement, respectively, pursuant to which the Company agreed to be transferred a total of 5.875% equity interest held in South Cement.

   On 27 December 2018, the Company entered into a capital increase agreement with ABC Investment and BOCOM Investment, pursuant to which each of ABC Investment and BOCOM Investment contributes RMB1 billion to South Cement with a total contribution amount of RMB2 billion.

   As of today, the above transactions are not yet completed.

2. On 26 December 2018, the Company entered into an equity transfer agreement with Shanghai Zhentong Equity Investment Management Company Limited (上海圳通股份投資管理有限公司), pursuant to which the Company agreed to be transferred the 3.5% equity interest held in Southwest Cement.

   On 27 December 2018, the Company entered into a capital increase agreement with ABC Investment and BOCOM Investment, pursuant to which each of ABC Investment and BOCOM Investment contributes RMB1 billion to Southwest Cement with a total contribution amount of RMB2 billion.

   As of today, the above transactions are not yet completed.

Mr. Peng Shou
President
Executive Director

In 2018, there were both opportunities and challenges in transformation and upgrading of economy and adjustment to industry structure in the complex and severe domestic and overseas economic environment. Focusing on high-quality development and taking the supply-side structural reform as the main line, the Company promoted reorganisation and integration, thus synergic effect was continuously manifested. The Company also optimized management, enhanced quality and efficiency, and spared no efforts to promote the adjustment and optimization of three sectors, international operation, and technological innovation, achieving enhancement of both development quality and operating results. In 2018, compared with the same period of last year, the sales volume of cement and clinker of the Group decreased by 2.1% year on year to 369 million tonnes, the sales volume of commercial concrete increased by 3.7% year on year to 96 million cubic metres, the sales volume of aggregate concrete increased by 14.7% year on year to 35.28 million tonnes, the sales volume of gypsum board increased by 2.6% year on year to 1,869 million square metres, the sales volume of glass fiber increased by 11.0% year on year to 2.18 million tonnes and the sales volume of turbine blade increased by 12.0% year on year to 8,040 MW. The revenue from engineering services amounted to RMB34,143 million, representing a 9.1% increase year on year. The revenue of the Group amounted to RMB218,955 million, representing a 18.9% increase year on year. Profit attributable to equity holders of the Company amounted to RMB8,067 million, representing a 63.3% increase year on year.

CEMENT SEGMENT

In 2018, the economy of China has maintained in a reasonable range with overall stability as well as positive pace. The growth of fixed-asset investment stabilized in a moderate trend, while the total amount of infrastructure investment was at a high level. The real estate investment grew steadily, as which supported the demand of cement was still at a plateau. As a result, the national clinker production amounted to 1.42 billion tonnes, representing a year-on-year increase of 3.6%, the national cement production amounted to 2.21 billion tonnes, representing a year-on-year decrease of 5.3%. The economy in the southern region is improving as a whole, while that in the northern region polarized with economy in the north China increasing against the trend, and that in the northeast region and northwest region continuing to decline. (Data source: National Bureau of Statistics) and.

In 2018, with the further promotion of supply-side structural reform and the gradual optimization of industrial structure in cement industry, the overall operation of the industry remained steady with a good trend. With the Three-Year Action Plan for Winning the Blue Sky Defense Battle (《打贏藍天保衛戰三年行動計畫》) issued by the State Council and the "Revisit and Inspection" of the central government environment inspection and special inspections, the government strengthened ecological environmental protection, peak shifting production in cement industry enlarged from "2+26" cities to Beijing-Tianjin-Hebei and surrounding regions, Yangtze River Delta, and Fen-Wei Plain. MIIT issued the policy of decrement replacement of cement capacity which requires holding a hearing for interprovincial replacement of cement capacity, and conducted industrial planning so that some provinces and cities ceased to undertake the transfer of cement industry or exited the industry. The Standardization Administration of China implemented the abolishment of PC32.5R cement on 1 October 2019. The relationship between supply and demand in the industry was moderated, promoting the rational stability of cement prices. In 2018, the industry profit of cement increased by 76.3% year on year to RMB154.6 billion, hitting a new record high. However, overcapacity of the industry has not been resolved fundamentally and supply-side structural reform remains as the major task. (Sources: NBS, MEP, MIIT and Digital Cement)

In 2018, the Company proactively rose up to the challenges posed by flat demand period, overcapacity, environmental protection and mine rehabilitation, increased pressure of energy saving and production limitation, and rising prices of raw materials such as sand stones. Besides, the Company advanced the enhancement of the product standard and improved the production capacity replacement policy through firmly promoting the supply-side structural reform and implementing peak shifting production and the requirements by environment inspection. Upholding the operating ideology of "PCP", the Company solidified the core market via focus on major clients, substantial orders and key projects. The Company advanced precise management and lean production, and deepened benchmark management which contributed to cost reduction and efficiency improvement; accelerated development of "cement +" model, optimized the layout of cement and commercial concrete, and expand the construction of aggregate continued to strengthen the mining construction and management to realize the sustainable development; and steadily developed intellectual demonstration line and co-disposal of the cement kilin. As at the end of 2018, the production capacity of cement reached 521 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

China United Cement

China United Cement continued to adhere to the "PCP" operating ideology and carry out the effective peak shifting production in winter and practised the peak shifting production in summer and safeguarding the industry orders.

China United further promoted in-depth management integration and accelerated the integration in regional market by taking each region as main entity. The regional cement enterprises were merged into or restructured by various aggregate and commercial concrete enterprises and a new multi-business integrated operation system was established to realize resource sharing and synergic operation. Accelerating the technological innovation and strengthening the "Reduce the number of management hierarchy and legal entities", China United reduced the cost through multiple methods. China United also improved the management level of environmental protection through implementing the "Blue Sky Action" and continuously increasing investment in environmental protection.

China United attached great importance to the aggregate business construction, promoting the upgrade of business structure; proactively developed hazardous waste and sludge disposal projects, resulting in the significant improvement of synergic disposal capacity and the enhancement of both corporate economic efficiency and social efficiency; and carried forward the incentive mechanism construction to improve the enthusiasm of employees. As at the end of 2018, the production capacity of cement reached 106 million tonnes.

South Cement

By deeply practising the operating ideology of "PCP", South Cement firmly promoted the supply-side structural reform and reduction in production capacity; and implemented peak shifting production by leveraging the leading role of regional market.

Through promoting downsizing and efficiency improvement, and the plant and marketing organization, South Cement continued to raise the labour productivity. South cement thoroughly practiced full process delicacy management of raw material procurement and made great efforts to "Reduce the number of management hierarchy and legal entities" to realize cost reduction and efficiency improvement; and steadily advanced lean production, and perfected information management system construction to foster the establishment of a management system for "three delicacies".

With the positive progress of optimization and upgrading projects, South Cement actively advanced aggregate businesses to further enhance the sustainable competitiveness. Through deepening technological innovation and developing energy conservation and emission reduction technology application, South Cement boosted the parallel kiln coordinated disposal ability by cement kiln. South Cement reinforced mining construction and management to put efforts on acquiring, securing and providing resources. As at the end of 2018, the production capacity of cement reached 146 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

North Cement

In light of the deteriorating operating situation with prominent supply and demand contradiction, North Cement adhered to the operating ideology of "PCP", and stuck to the implementation of the winter peak shifting production and adjusted marketing strategies in time to guarantee the bidding success rate for key projects.

North Cement also continued its integration and optimization, stably promoted "Reduce the number of management hierarchy and legal entities", and improved the general management level for benchmarking outstanding enterprises.

Thoroughly conducting research and development of high-end products, North Cement increased the sales of special cement and continued to commence technological upgrade and transformation. As at the end of 2018, the production capacity of cement reached 37 million tonnes.

Southwest Cement

Upholding the operating ideology of "PCP", Southwest Cement proactively practised peak shifting production, production limitation Focusing on the development of high quality. Southwest Cement also optimized the products and customer structure.

Southwest Cement established 14 marketing centers in Sichuan, Chongqing and Guizhou via deepening structural adjustment, promoting production and sales segregation and conducting the centralized management of marketing, and continued to optimize the marketing allocation to maximise benefits. Insisting on the principle of "proportion control, institution adjustment, long-term account receivables clearance", Southwest Cement strictly controlled credit management and collected account receivables, strengthened cash flow management, enhanced the efficiency in capital utilization through centralised management of funds, and explored diversified remuneration distribution mechanism to promote the enthusiasm of all employees.

The intelligent development was moved forward in an orderly manner by speeding up the transformation and upgrade. Southwest Cement extended the industry chain and promoted co-processing project of garbage and solid waste in cement kilns. Taking advantage of the big platform of the Group, Southwest Cement proactively developed asset-light operation mode of special cement. As at the end of 2018, the production capacity of cement reached 120 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Sinoma Cement

Adhering to the operating ideology of “PCP”, and taking advantage of the opportunity of supply-side structural reform in cement industry, Sinoma Cement was dedicated to the regional market and realized high-quality operation.

Sinoma Cement implemented all-round closed-loop management, and continued to enhance comprehensive competitiveness. With the comprehensive decrease in “Reduce the number of management hierarchy and legal entities” indicators, Sinoma Cement continued to streamline the organizational structure and improve the asset structure significantly. Sinoma Cement also intensified benchmarking management, put efforts on technological innovation, and realized cost reduction and efficiency enhancement with centralized management of tendering procurement. The coordination of comprehensive risk management system and internal management operated steadily.

Sinoma Cement promoted coordination and integration of resources in upstream and downstream industry, such as aggregate business, commercial concrete and prefabricated parts, to strengthen its capability in sustainable development. Prefabricated construction projects started the comprehensive construction, and co-processing project of sludge and hazardous waste in cement kilns was orderly conducting. As at the end of 2018, the production capacity of cement reached 25 million tonnes.

Tianshan Cement

Proactively coping with challenges of significant fluctuation in Xinjiang cement market and low utilisation rate of production capacity and regarding profit as the center, Tianshan Cement carried out the operating ideology of “PCP”. It highly participated in the peak shifting production, and implemented supply-side structural reform.

Tianshan Cement also adjusted and established internal organizational structure with higher market competitiveness, and intensified vertical management and centralized control. Tianshan Cement achieved higher asset operation efficiency, and further enhanced the debt asset structure.

As the result of deep combination of Informatization and Industrialization, e-commerce cement sales platform has covered the whole Xinjiang province and is expanding to Jiangsu region. It continued to practice environmental management and green development concepts, carry out the cement kiln coordinated disposal projects and implement new production patterns such as “Green Mine” and “Garden Factory”. As at the end of 2018, the production capacity of cement reached 39 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Ningxia Building Materials

Encountering adverse conditions due to the decrease in demand in regional markets, Ningxia Building Materials focused on both internal management and new market exploration, adopted flexible marketing strategies and secured its market share in regional market.

Ningxia Building Materials strictly controlled the cost by carrying out the monthly benchmark analysis, setting up benchmarks, finding gaps and fulfilling shortcomings, and promoted the intelligent manufacturing standards to raise labor productivity and realize cost reduction and efficiency enhancement.

It also proactively promoted aggregate business development and extended industry chain. As at the end of 2018, the production capacity of cement reached 21 million tonnes.

Qilianshan

Qilianshan strictly implemented operating ideology of “PCP” to spare no efforts to guarantee the quantity, stabilize the price, and improve the profit; and took the lead to practise winter peak shifting production within the region and actively guided summer peak shifting production.

As a result of focusing on the key performance indicators, keeping an eye on the cost and expense saving plan, strengthening the all staff, all-round and full process cost and expense control, and deepening reduction of the number of management hierarchy and legal entities, resulting that the cost reduction and control achieved notable success.

Qilianshan continued to build the “Digital Qilianshan 2.0”, established data analysis and decision-making application system, and realized real-time online benchmarking of key performance indicators. By expanding the connection with outstanding e-commerce platform, Qilianshan realized “online procurement” of standard industrial product and office supplies. Promoting the construction of Qilianshan cement mall, over 90% cement products were sold online. Qilianshan also implemented excessive profit dividend incentive measures, further improved the remuneration and welfare system, and established a long-term mechanism for personnel management. As at the end of 2018, the production capacity of cement reached 25 million tonnes.

NEW MATERIALS SEGMENT

BNBM

Thoroughly implementing the strategic idea of "originating from management to operation" and the operating ideology of "PCP", BNBM consolidated the "high ground" strategy, deepened brand advantage and won contract for national key projects. BNBM continued to occupy the high ground of the industry with the increase in sales volume and prices of gypsum boards, fully implemented marketing 2.0, promoted prefabricated construction of facade and interior fitting out, and created new energy for business growth to seek for new focal points for profit growth.

Continuing to reduce the number of management hierarchy and legal entities, BNBM achieved the goal of "100-person plant" and "100-person base". BNBM reorganized Shandong Wanjia (山東萬佳) to consolidate its leadership in the global gypsum board industry, and spared no efforts to promote technological innovation and building a fitting system for a whole house.

As it won the "2018 Global Gypsum Industry Company" for the third time, it became the first member company of EFQM (the European Foundation for Quality Management) in the PRC. Starting the operation of CNBM Tanzanian Company Limited (北新建材坦桑尼亞公司) officially indicated that CNBM has opened the global industry layout, resulting in the thriving production and sales, premium quality and increasing prices.

China Jushi

By focusing on the market demand and regarding efficiency enhancement as the center, China Jushi deeply promoted the structure adjustment so that the sales structure and production structure kept optimizing, the proportion of high-end products and market competitiveness continued enhancing, and sales volume achieved new high.

It thoroughly conducted precise benchmarking management which contributed to the remarkable effect of increasing, saving and reducing plan as well as energy conservation and emission reduction, and helped it win the China Industry Award. It continued to strengthen technological innovation that the application of E8 glass fiber formula and incubation of E9 glass fiber formula provided continuous support for the quality and efficiency enhancement and cost reduction.

China Jushi put great efforts in developing intelligent production that the construction of glass fiber intelligent production line with annual capacity of 150,000 tons, electronic glass fiber production line with annual capacity of 60,000 tons together as 200 million-square metre electronic fabrics have been completed. The globalization strategy has been steadily pushed forward that 200,000 tons Egypt production plant was completed, the project in the United States is expected to be completed in 2019, and the project in India is advanced progressed steadily.

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Science & Technology

Sinoma Science & Technology proactively adapted to the trend of low feed-in tariff of wind turbine. By focusing on the market and regarding the products as the center, Sinoma Science & Technology paid attention to the development of high power and offshore blades and successfully achieved the transformation and upgrade in order to keep the leading advantages in the China wind turbine blade market. It sped up the pace of internationalization and has completed the establishment procedures of overseas research and development center. It also proactively conducted cost reduction and efficiency enhancement through technological innovation and delicacy management.

Insisting on the value-oriented marketing approach, CTG was dedicated to the market and clients and deepened production and sales synergies. CTG optimized the production structure with the guidance of demand and kept the balance of production and sales while the production volume increased. It continued to optimize the structure of production capacity, reduced costs and increased efficiency, and strengthened production craftsmanship to improve the management efficiency. Centering on the “Belt and Road” strategy, it has proactively promoted the layout of overseas production capacity. Adhering to independent research, development and innovation of the core technology, and strengthening and improving technical reserves resulted in the mass production of new high-tech and ultra-fine fiber and low-dielectric glass.

Sinoma Lithium Membrane proactively promoted the development and expansion of membrane business in order to occupy the market. Sinoma Lithium Membrane has continuously facilitated 4 biaxially-oriented wet process lithium battery membrane production lines. It focused on developing domestic and foreign strategic clients with its excellent products, and it carried out testing and certification works at the same time and gained mass production orders.

China Composites

China Composites proactively devised the offshore and overseas strategy to seize offshore wind turbine blade market share and high ground which enabled gross profit margin of its products to remain at a relatively high level in the industry. Adhering to the high-quality development driven by innovation and following the market trend, China Composites successfully developed blades adapting to low wind speed and offshore production, which renewed the world record for the length of wind turbine blades. China Composites stably promoted reduce the number of management hierarchy and legal entities, receivables collection and inventory control, and received significant effects.

It also drove the construction of the intelligent plants, adopted “MES” system production management, realized full life cycle management of the blades and achieved cost reduction and efficiency enhancement. T1000 grade carbon fiber has achieved an important breakthrough from trial to a hundred ton scale of production, changing the passive situation of the high-end carbon fiber in the country which rely on import in long term. China Composites also steadily developed the international operation, and expanded the international market, which attributed to the significant growth in the export business and the increasing international voice and market position.

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Advanced

Sinoma Advanced actively expanded the international market and gained significant growth in the market share of its leading products such as electroceramics. The sale volume of aluminium oxide ceramic and its ceramic membranes and other materials continued to grow.

"Key technology patents for high temperature ceramic base with wave-transparent materials" are recognised as the second batch of key and core technology intellectual property in Shandong Province; the development of glass ceramic and key material application shaping achieved breakthroughs; and tantalum-cerium ceramic substrate with high thermal conductivity solved the key technical problems of shaping and sintering.

ENGINEERING SERVICES SEGMENT

Sinoma International

Sinoma International fully leveraged the advantages of internationalised operation, consolidated the development of principal business, proceeded with business transformation and deepened reform and innovation.

In the international market, the Company constantly strengthened the refined management of the whole process of cement EPC project, resulting in a further increase in gross profit margin, while the six clinker cement production lines of Egypt's GOE have been fulfilled. Actively implementing the principle of "contributing to the local economy, cooperating with the local enterprise, getting along well with the local people", Sinoma International completed various important overseas projects ahead of the contract. Sinoma International promoted localized operations by effective synergies, and successively fulfilled Thailand potash mine project, Suez Canal Bridge project and other industrialized and localized engineering projects. It further optimized the business structure and cultivated localized operating companies with strong innovation capability and profitability in Russia, Uganda, Zambia, etc. to enhance the "transformation on the same site" so as to further accelerate the overseas industrialization layout.

In the domestic market, Sinoma International captured the opportunities of optimization and upgrade for the cement industry, offered domestic major clients with system solution services. It also reinforced its efforts in environmental protection projects and achieved new progress in the energy saving and environmental protection business.

ENGINEERING SERVICES SEGMENT *(CONTINUED)*

China Triumph

China Triumph deepened transformation and development, consolidated the service brand and made efforts to create a high-quality comprehensive building materials engineering service platform.

With the leading technology and the first-class service, glass engineering solidified the domestic and overseas market share; cement engineering was dedicated to the key regions; new energy engineering relied on the industrial chain synergy and rose up rapidly; intelligent agriculture made intensive efforts in domestic modern agriculture, and proactively exploited overseas intelligent agriculture market; intelligent housing engineering leveraged the advantages to build the green industrial complex of intelligent houses, photovoltaic power and intelligent agriculture.

Sinoma Mining

With a view to establishing a first-class mining enterprise, Sinoma Mining was dedicated to the traditional industry, i.e. cement mine engineering and mining services. New contracts created a record high, the volume of mining and stripping of mining services was significantly increased and overseas market made new achievements. The effect of restoration industry of the ecological environment of mines was seen, and the construction of green mines and safe mining brand made new progress.

FINANCIAL REVIEW

Revenue of the Group increased by 18.9% to RMB218,955.2 million in 2018 from RMB184,120.7 million in 2017. Profit attributable to equity holders of the Company increased by 63.3% to RMB8,067.0 million in 2018 from RMB4,939.4 million during 2017.

Revenue

Our revenue increased by 18.9% to RMB218,955.2 million in 2018 from RMB184,120.7 million in 2017. The major reason was that the revenue of cement segment increased by RMB30,772.9 million, revenue of new materials segment increased by RMB2,656.3 million, and revenue of engineering services segment increased by RMB2,392.8 million.

Cost of sales

Out cost of sales increased by 13.5% to RMB153,867.6 million in 2018 from RMB135,562.7 million in 2017. The major reason was that the cost of sales of cement segment increased by RMB13,713.5 million, the cost of sales of new materials segment increased by RMB2,176.0 million, and the cost of sales of engineering services segment increased by RMB1,490.8 million.

FINANCIAL REVIEW *(CONTINUED)*

Other income

Other income of the Group decreased by 53.3% to RMB2,083.4 million in 2018 from RMB4,457.7 million in 2017. This was primarily due to the net income arising from changes in fair value of financial assets at fair value through profit or loss of the Group decreased from RMB-14.1 million in 2017 to RMB-1.523.7 million in 2018, and the government grants decreased from RMB1,264.6 million in 2017 to RMB603.3 million in 2018, but was partially offset by the increase of VAT refunds from RMB1,348.4 million in 2017 to RMB1,796.2 million in 2018.

Selling and distribution costs

Selling and distribution costs increased by 10.5% from RMB10,441.4 million in 2017 to RMB11,534.8 million in 2018. The major reasons for such increase were an increase of RMB759.4 million in transportation costs and an increase of 187.6 million in labor costs.

Administrative expenses

Administrative expenses increased by 42.2% to RMB26,538.1 million in 2018 from RMB18,667.9 million in 2017. This was primarily due to an increase of RMB2,729.6 million in allowances for impairment of accounts receivable of the Group, an increase of RMB2,421.6 million allowances for impairment of property, plant and equipment, an increase of RMB1,829.9 million in allowances for impairment of goodwill, an increase of RMB650.6 million in labor costs, and an increase of RMB483.0 million in R&D fee.

Finance costs

Finance costs decreased by 1.4% to RMB10,739.7 million in 2018 from RMB10,892.4 million in 2017, primarily due to the decrease in borrowings.

Share of profits of associates

Our share of profits of associates increased by 94.3% to RMB2,006.5 million in 2018 from RMB1,032.8 million in 2017, primarily due to the increase in profits of our associates in the cement segment and the increase in profit of China Jushi, an associate of the Company.

Income tax expense

Income tax expense increased by 48.1% to RMB6,299.5 million in 2018 from RMB4,254.8 million in 2017, primarily due to the increase in profit before tax.

FINANCIAL REVIEW *(CONTINUED)*

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 19.3% to RMB5,012.6 million in 2018 from RMB4,201.3 million in 2017, primarily due to the increase in operating profit in cement segment, new materials segment and engineering services segment of the Group.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 63.3% to RMB8,067.0 million in 2018 from RMB4,939.4 million in 2017. Net profit margin increased from 2.7% in 2017 to 3.7% in 2018.

Cement Segment

China United Cement

Revenue

Revenue of China United Cement increased by 25.1% to RMB39,169.5 million in 2018 from RMB31,316.3 million in 2017, mainly attributable to the increase in the average selling price of cement products and commercial concrete and the increase in sales volume of commercial concrete, partially offset by the decrease in sales volume of cement products.

Cost of sales

Cost of sales of China United Cement increased by 19.4% to RMB26,920.3 million in 2018 from RMB22,546.9 million in 2017, mainly attributable to the increase in the raw material prices and coal prices as well as increase in sales volume of commercial concrete, partially offset by the decrease in sales volume of cement products.

Gross profit and gross profit margin

Gross profit of China United Cement increased by 39.7% to RMB12,249.2 million in 2018 from RMB8,769.4 million in 2017. Gross profit margin of China United Cement increased from 28.0% in 2017 to 31.3% in 2018. The increase in gross profit margin was mainly due to the increase in the average selling price of cement products and commercial concrete, partially offset by the increase in the raw material prices and coal prices.

Operating profit

Operating profit of China United Cement increased by 22.5% to RMB5,380.7 million in 2018 from RMB4,392.1 million in 2017. Operating profit margin of China United Cement decreased from 14.0% in 2017 to 13.7% in 2018. The decrease in operating profit margin was primarily due to the increase in allowance for impairment of receivables, the decrease in the net gain from the changes in fair value of financial assets at fair value through profit or loss and the decrease in discount on acquisition of interests in subsidiaries, partially offset by the increase in gross profit margin and increase in VAT refunds.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

South Cement *(continued)*

Revenue

Revenue of South Cement increased by 36.5% to RMB59,029.6 million in 2018 from RMB43,257.6 million in 2017, mainly attributable to the increase in the average selling price and the increase in the sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of South Cement increased by 22.7% to RMB39,265.1 million in 2018 from RMB32,005.5 million in 2017, mainly attributable to the increase in the sales volumes of cement products and commercial concrete and the increase in the prices of raw materials and coal.

Gross profit and gross profit margin

Gross profit of South Cement increased by 75.7% to RMB19,764.5 million in 2018 from RMB11,252.1 million in 2017. Gross profit margin of South Cement increased from 26.0% in 2017 to 33.5% in 2018. This was mainly attributable to the increase in the average selling prices of cement products and commercial concrete, partially offset by the increase in the raw material prices and coal prices.

Operating profit

Operating profit of South Cement increased by 58.8% to RMB8,864.1 million in 2018 from RMB5,583.1 million in 2017. Operating profit margin of South Cement increased from 12.9% in 2017 to 15.0% in 2018. This was primarily due to the increase in gross profit margin, partially offset by increase in allowances for impairment of property, plant and equipment, goodwill and receivables.

North Cement

Revenue

Revenue of North Cement decreased by 6.6% to RMB6,171.6 million in 2018 from RMB6,610.4 million in 2017, mainly attributable to the decrease in the sales volume of cement products, partially offset by the increase in the average selling prices of cement products and commercial concrete and the increase in sales volume of commercial concrete.

Cost of sales

Cost of sales of North Cement increased by 4.6% to RMB4,532.4 million in 2018 from RMB4,331.7 million in 2017, mainly attributable to the increase in the raw material prices and coal prices and the increase in sales volume of commercial concrete, partially offset by the decrease in the sales volume of cement products.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

North Cement *(continued)*

Gross profit and gross profit margin

Gross profit of North Cement decreased by 28.1% to RMB1,639.2 million in 2018 from RMB2,278.7 million in 2017. Gross profit margin of North Cement decreased to 26.6% in 2018 from 34.5% in 2017, mainly attributable to the increase in the raw material prices and coal prices, partially offset by the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of North Cement decreased to RMB-835.0 million in 2018 from RMB235.5 million in 2017. Operating profit margin of North Cement decreased from 3.6% in 2017 to -13.5% in 2018, primarily due to the decrease in the gross profit margin, increase in allowances for impairment of goodwill and property, plant and equipment, and decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss.

Southwest Cement

Revenue

Revenue of Southwest Cement increased by 27.2% to RMB28,365.2 million in 2018 from RMB22,293.8 million in 2017, mainly attributable to the increase in the average selling prices of cement products and commercial concrete and increase in the sales volume of cement products.

Cost of sales

Cost of sales of Southwest Cement increased by 27.6% to RMB20,814.5 million in 2018 from RMB16,309.6 million in 2017, mainly attributable to the increase in the sales volume of cement products and increase in raw material prices and coal prices.

Gross profit and gross profit margin

Gross profit of Southwest Cement increased by 26.2% to RMB7,550.7 million in 2018 from RMB5,984.2 million in 2017. Gross profit margin of Southwest Cement decreased from 26.8% in 2017 to 26.6% in 2018, mainly attributable to the increase in raw material prices and coal prices, partially offset by increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Southwest Cement increased by 23.9% to RMB4,347.0 million in 2018 from RMB3,509.4 million in 2017. Operating profit margin of Southwest Cement decreased from 15.7% in 2017 to 15.3% in 2018, primarily due to the decrease in the gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Sinoma Cement

Revenue

Revenue of Sinoma Cement increased by 27.2% to RMB8,996.1 million in 2018 from RMB7,071.7 million in 2017, mainly attributable to the increase in the average selling prices of cement products and commercial concrete, partially offset by the decrease in sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of Sinoma Cement increased by 9.9% to RMB5,806.2 million in 2018 from RMB5,284.1 million in 2017, mainly attributable to the increase in the raw materials prices and coal prices, partially offset by the decrease in sales volumes of cement products and commercial concrete.

Gross profit and gross profit margin

Gross profit of Sinoma Cement increased by 78.4% to RMB3,189.8 million in 2018 from RMB1,787.6 million in 2017. Gross profit margin of Sinoma Cement increased from 25.3% in 2017 to 35.5% in 2018, which was mainly due to the increase in the average selling prices of cement products and commercial concrete, partially offset by the increase in the raw materials prices and coal prices.

Operating profit

Operating profit of Sinoma Cement increased by 109.8% to RMB2,310.0 million in 2018 from RMB1,101.2 million in 2017. Operating profit margin of Sinoma Cement increased from 15.6% in 2017 to 25.7% in 2018, which was primarily due to the increase in gross profit margin.

Tianshan Cement

Revenue

Revenue of Tianshan Cement increased by 11.3% to RMB7,724.6 million in 2018 from RMB6,939.3 million in 2017, mainly attributable to the increase in the average selling prices of cement products and commercial concrete, partially offset by the decrease in sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of Tianshan Cement increased by 0.5% to RMB5,047.9 million in 2018 from RMB5,020.5 million in 2017, mainly attributable to the increase in the raw material prices and coal prices, partially offset by the decrease in sales volumes of cement products and commercial concrete.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Tianshan Cement *(continued)*

Gross profit and gross profit margin

Gross profit of Tianshan Cement increased by 39.5% to RMB2,676.8 million in 2018 from RMB1,918.8 million in 2017. Gross profit margin of Tianshan Cement increased from 27.7% in 2017 to 34.7% in 2018, which was mainly due to the increase in the average selling prices of cement products and commercial concrete, partially offset by the increase in raw material prices and coal prices.

Operating profit

Operating profit of Tianshan Cement increased by 105.2% to RMB1,634.0 million in 2018 from RMB796.2 million in 2017. Operating profit margin of Tianshan Cement increased from 11.5% in 2017 to 21.2% in 2018, which was primarily due to the increase in gross profit margin, and decrease in allowances for impairment of property, plant and equipment, partially offset by the decrease in the net gain from change in fair value of financial assets at fair value through profit or loss.

Ningxia Building Materials

Revenue

Revenue of Ningxia Building Materials decreased by 4.8% to RMB4,067.4 million in 2018 from RMB4,270.4 million in 2017, mainly attributable to the decrease in the sales volumes of cement products and commercial concrete, partially offset by the increase in the average selling prices of cement products and commercial concrete.

Cost of sales

Cost of sales of Ningxia Building Materials decreased by 11.1% to RMB2,655.0 million in 2018 from RMB2,985.8 million in 2017, mainly attributable to the decrease in sales volumes of cement products and commercial concrete, partially offset by the increase in the raw material prices and coal prices.

Gross profit and gross profit margin

Gross profit of Ningxia Building Materials increased by 10.0% to RMB1,412.5 million in 2018 from RMB1,284.6 million in 2017. Gross profit margin of Ningxia Building Materials increased from 30.1% in 2017 to 34.7% in 2018, which was mainly due to the increase in the average selling prices of cement products and commercial concrete, partially offset by the increase in the raw material prices and coal prices.

FINANCIAL REVIEW (CONTINUED)

Cement Segment (continued)

Ningxia Building Materials (continued)

Operating profit

Operating profit of Ningxia Building Materials increased by 35.7% to RMB704.4 million in 2018 from RMB519.0 million in 2017. Operating profit margin of Ningxia Building Materials increased from 12.2% in 2017 to 17.3% in 2018. The increase in operating profit margin was primarily due to the increase in gross profit margin.

Qilianshan

Revenue

Revenue of Qilianshan decreased by 3.5% to RMB5,700.4 million in 2018 from RMB5,906.5 million in 2017, mainly attributable to the decrease in the sales volumes of cement products and commercial concrete, partially offset by the increase in the average selling prices of cement products and commercial concrete.

Cost of sales

Cost of sales of Qilianshan decreased by 6.6% to RMB3,853.8 million in 2018 from RMB4,127.5 million in 2017, mainly attributable to the decrease in sales volumes of cement products and commercial concrete, partially offset by the increase in the coal prices.

Gross profit and gross profit margin

Gross profit of Qilianshan increased by 3.8% to RMB1,846.6 million in 2018 from RMB1,779.0 million in 2017. Gross profit margin of Qilianshan increased from 30.1% in 2017 to 32.4% in 2018. The increase in gross profit margin was mainly due to the increase in the average selling prices of cement products and commercial concrete, partially offset by the increase in the coal prices.

Operating profit

Operating profit of Qilianshan increased by 8.6% to RMB837.9 million in 2018 from RMB771.9 million in 2017. Operating profit margin of Qilianshan increased from 13.1% in 2017 to 14.7% in 2018, which was mainly due to the increase in gross profit margin, partially offset by the decrease in the net gain from the changes in the fair value of financial assets at fair value through profit or loss.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment

BNBM

Revenue

Revenue of BNBM increased by 12.5% to RMB11,877.4 million in 2018 from RMB10,555.2 million in 2017. This was mainly attributable to the increase in the average selling price and sales volume of gypsum board.

Cost of sales

Cost of sales of BNBM increased by 16.0% to RMB8,115.5 million in 2018 from RMB6,993.2 million in 2017. This was mainly due to the increase in the sales volume of gypsum board, and the increase in the raw material prices and coal prices.

Gross profit and gross profit margin

Gross profit of BNBM increased by 5.6% to RMB3,761.9 million in 2018 from RMB3,562.0 million in 2017. Gross profit margin of BNBM decreased to 31.7% in 2018 from 33.7% in 2017, mainly due to the increase in the raw material prices and coal prices, partially offset by the increase in the average selling price of gypsum board.

Operating profit

Operating profit of BNBM increased by 2.3% to RMB2,864.1 million in 2018 from RMB2,798.8 million in 2017. Operating profit margin of BNBM decreased from 26.5% in 2017 to 24.1% in 2018, mainly due to the decrease in the gross profit margin and increase in R&D fee and litigation settlement fee.

Sinoma Science & Technology

Revenue

Revenue of Sinoma Science & Technology increased by 11.1% to RMB11,182.9 million in 2018 from RMB10,066.4 million in 2017, mainly attributable to the the increase in the sales volumes of glass fiber yarn and turbine blade, partially offset by the decreases in the price of glass fiber yarn and turbine blade.

Cost of sales

Cost of sales of Sinoma Science & Technology increased by 12.1% to RMB8,326.2 million in 2018 from RMB7,424.5 million in 2017, mainly attributable to the increase in the sales volume of glass fiber yarn and turbine blade.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment *(continued)*

Sinoma Science & Technology *(continued)*

Gross profit and gross profit margin

Gross profit of Sinoma Science & Technology increased by 8.1% to RMB2,856.8 million in 2018 from RMB2,641.9 million in 2017. Gross profit margin of Sinoma Science & Technology decreased to 25.5% in 2018 from 26.2% in 2017. The decrease in gross profit margin was mainly attributable to the decrease of the gross profit margin of turbine blade.

Operating profit

Operating profit of Sinoma Science & Technology increased by 19.5% to RMB1,528.4 million in 2018 from RMB1,278.7 million in 2017. The operating profit margin of Sinoma Science & Technology increased to 13.7% in 2018 from 12.7% in 2017, which was mainly attributable to the increase in VAT refunds, partially offset by the decrease in gross profit margin.

China Composites

Revenue

Revenue of China Composites increased by 10.1% to RMB2,393.2 million in 2018 from RMB2,172.9 million in 2017, mainly attributable to the increase in the average selling price and the sales volume of turbine blade.

Cost of sales

Cost of sales of China Composites increased by 11.8% to RMB1,865.4 million in 2018 from RMB1,668.2 million in 2017, mainly attributable to the increase in the sales volume of turbine blade.

Gross profit and gross profit margin

Gross profit of China Composites increased by 4.6% to RMB527.8 million in 2018 from RMB504.6 million in 2017. Gross profit margin of China Composites decreased to 22.1% in 2018 from 23.2% in 2017. The decrease in gross profit margin was mainly attributable to the decrease of the gross profit margin of turbine blade.

Operating profit

Operating profit of China Composites decreased by 29.3% to RMB190.5 million in 2018 from RMB269.3 million in 2017. The operating profit margin of China Composites decreased to 8.0% in 2018 from 12.4% in 2017. The decrease in operating profit margin was mainly attributable to the decrease in the gross profit margin and increase in repair cost.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment *(continued)*

Sinoma Advanced

Revenue

Revenue of Sinoma Advanced decreased by 16.2% to RMB1,139.7 million in 2018 from RMB1,360.0 million in 2017, mainly attributable to the decrease in average selling price and sales volume of solar-energy fused silica crucibles.

Cost of sales

The cost of sales of Sinoma Advanced decreased by 14.0% to RMB954.5 million in 2018 from RMB1,110.5 million in 2017, mainly due to the decrease in sales volume of solar-energy fused silica crucibles.

Gross profit and gross profit margin

Gross profit of Sinoma Advanced decreased by 25.8% to RMB185.2 million in 2018 from RMB249.4 million in 2017. Gross profit margin of Sinoma Advanced decreased to 16.2% in 2018 from 18.3% in 2017. The decrease in gross profit margin was mainly attributable to the decrease in the average selling price of solar-energy fused silica crucibles.

Operating profit

Operating profit of Sinoma Advanced decreased by 13.8% to RMB52.4 million in 2018 from RMB60.8 million in 2017. The operating profit margin of Sinoma Advanced increased to 4.6% in 2018 from 4.5% in 2017. The increase in operating profit margin was mainly attributable to the decrease in transportation costs, but was partially offset by the decrease in gross profit margin.

Engineering Services Segment

Sinoma International

Revenue

Revenue of Sinoma International increased by 10.0% to RMB21,395.2 million in 2018 from RMB19,450.4 million in 2017, mainly attributable to the increase in volume of completed engineering services in the period.

Cost of sales

Cost of sales of Sinoma International increased by 7.4% to RMB17,497.0 million in 2018 from RMB16,290.4 million in 2017, mainly attributable to the increase in volume of completed engineering services in the period.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment *(continued)*

Sinoma International *(continued)*

Gross profit and gross profit margin

Gross profit of Sinoma International increased by 23.4% to RMB3,898.3 million in 2018 from RMB3,160.0 million in 2017. Gross profit margin of Sinoma International increased to 18.2% in 2018 from 16.2% in 2017, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma International increased by 39.1% to RMB1,459.8 million in 2018 from RMB1,049.3 million in 2017. Operating profit margin of Sinoma International increased to 6.8% in 2018 from 5.4% in 2017, mainly attributable to the increase in gross profit margin.

China Triumph

Revenue

Revenue of China Triumph increased by 4.6% to RMB10,173.3 million in 2018 from RMB9,721.6 million in 2017, mainly attributable to the increase in volume of completed engineering services in the period.

Cost of sales

Cost of sales of China Triumph increased by 1.3% to RMB7,522.2 million in 2018 from RMB7,426.4 million in 2017, mainly attributable to the increase in volume of completed engineering services in the period.

Gross profit and gross profit margin

Gross profit of China Triumph increased by 15.5% to RMB2,651.1 million in 2018 from RMB2,295.2 million in 2017. Gross profit margin of China Triumph increased to 26.1% in 2018 from 23.6% in 2017, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit of China Triumph decreased by 10.7% to RMB1,168.9 million in 2018 from RMB1,308.3 million in 2017. Operating profit margin of China Triumph decreased to 11.5% in 2018 from 13.5% in 2017, mainly attributable to the decrease in gains from disposal of subsidiaries, partially offset by increase in gross profit margin and increase in exchange gains.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment *(continued)*

Sinoma Mining

Revenue

Revenue of Sinoma Mining increased by 25.3% to RMB2,839.4 million in 2018 from RMB2,266.6 million in 2017, mainly attributable to the increase in volume of completed engineering services in the period.

Cost of sales

Cost of sales of Sinoma Mining increased by 19.7% to RMB2,283.5 million in 2018 from RMB1,907.8 million in 2017, mainly attributable to the increase in volume of completed engineering services in the period.

Gross profit and gross profit margin

Gross profit of Sinoma Mining increased by 54.9% to RMB555.9 million in 2018 from RMB358.8 million in 2017. Gross profit margin of Sinoma Mining increased to 19.6% in 2018 from 15.8% in 2017, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma Mining increased by 43.6% to RMB286.7 million in 2018 from RMB199.7 million in 2017. Operating profit margin of Sinoma Mining increased to 10.1% in 2018 from 8.8% in 2017. The increase in operating profit was mainly attributable to the increase in gross profit margin, partially offset by the increase in R&D fee.

Liquidity and financial resources

As at 31 December 2018, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB226,906.2 million in total.

The table below sets out our borrowings as at the dates shown below:

	As at 31 December	
	2018	2017 (restated)
	(RMB in millions)	
Bank loans	**109,521.0**	131,973.5
Bonds	**88,443.9**	75,759.0
Other borrowings from non-financial institutions	**1,074.9**	1,519.9
Total	**199,039.8**	209,252.4

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and financial resources *(continued)*

The table below sets out the maturities of the Group's borrowings as at the dates indicated:

	As at 31 December	
	2018	2017 (restated)
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**124,351.3**	148,139.7
Between one and two years	**21,851.4**	25,216.8
Between two and three years	**25,282.5**	11,644.2
Between three and five years (inclusive of both years)	**22,456.1**	14,491.7
Over five years	**5,098.5**	9,759.9
Total	**199,039.8**	209,252.4

As at 31 December 2018, loans in the amount of RMB6,074.2 million were secured by assets of the Group with a total carrying value of RMB17,981.3 million.

As at 31 December 2018 and 31 December 2017, the debt to assets ratio of the Group, calculated by dividing total comprehensive borrowings by total comprehensive assets of the Group, were 45.6% and 46.1%, respectively.

Exchange Risks

The Group conducts its domestic business primarily in RMB. However, overseas engineering projects and export of products are denominated in foreign currencies, primarily US dollars and Euro. Therefore, the Group bears the risks of fluctuations of exchange rate to a certain extent.

Contingent Liabilities

No contingent liabilities were incurred resulting from the Group's provision of guarantee to banks in respect of bank credits used by an independent third party.

FINANCIAL REVIEW *(CONTINUED)*

Future Plans for Material Investments or Capital Assets

Save as disclosed above, the Group did not approve any plans from banks on other future material investments or newly added capital assets as of the date of this report.

Capital Commitments

The following table sets out the Group's capital commitments as at the dates indicated:

	As at 31 December	
	2018	2017 (restated)
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**0.5**	1,077.1

Capital Expenditures

The following table sets out the capital expenditures of the Group for the year ended 31 December 2018 by segments:

	For the year ended 31 December 2018	
	(RMB in millions)	*% of total*
Cement	**10,475.2**	57.5
Commercial concrete	**807.2**	4.4
New materials	**4,948.9**	27.2
Engineering services	**1,399.2**	7.7
Others	**580.6**	3.2
Total	**18,211.1**	100.0

CASH FLOW FROM OPERATING ACTIVITIES

For the year 2018, our net cash inflow generated from operating activities was RMB48,530.8 million. Such net cash inflow was primarily due to RMB53,427.0 million of cash flow from operating activities before the change in working capital, while trade and other receivables decreased by RMB4,745.0 million, which was primarily offset by a RMB6,816.9 million decrease in trade payables and other payables.

CASH FLOW FROM INVESTING ACTIVITIES

For the year 2018, our net cash outflow to investing activities was RMB16,290.3 million, which was primarily due to the purchase of property, plant and equipment amounting to RMB15,621.8 million in total and purchase of intangible assets amounting to RMB1,770.2 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the year 2018, we had a net cash outflow to financing activities amounting to RMB34,829.0 million, primarily attributable to a total of RMB208,212.8 million in repayment of borrowings, which was partially offset by RMB198,186.7 million for new borrowings.

OUTLOOK FOR 2019

2019 is a key year of fully building a modern socialist China and achieving the first centenary goal, as well as a key year of integration and deepening of the business segments of the Group. According to the government work report, China's development is facing more complicated and intrigue situation with increased severe risks and challenges, but the development is still in the key period for strategic opportunities. The government will continue to implement positive financial policies and sound monetary policies this year to ensure that the economy of China is able to operate within a reasonable interval. China will insist on promoting high-quality development with supply-side structural reform as the main theme. Since the merger by absorption of two listed companies has successfully been completed, the Company will keep in-depth business integration and develop a world-class comprehensive building materials industry group with global competitiveness.

In 2019, catering to the value of "innovation, performance, harmony and responsibility" and the cultural core of the code of "reverence, gratefulness, humility and appropriateness", the Group will implement the working guideline of "maintaining steady growth, focusing on the optimization, promoting reforms, and enhancing Party building" and management principle of "adhere to priority of efficiency and efficiency, adhere to the main highlight of specialization, adhere to the meticulosity, refinement and solidity, insist on the operating ideology of "PCP", adhere to the integration and optimization, adhere to the digitization", follow the management measures of "price stabilisation, cost reduction, quantity guarantee, inventory control and optimization". We focus on the following work:

OUTLOOK FOR 2019 *(CONTINUED)*

Firstly, the Group will fully promote the supply-side structural reform. Placing equal emphasis on the reduction in output and production capacity, the Group practiced output reduction for environmental protection purpose and self-discipline in limiting production, and accelerated the pace of phasing out backward production capacity to support for the optimization of output reduction and production capacity replacement policy, thereby maintaining sound development of the industry.

Secondly, the Group will spare no efforts to strengthen the management of "three delicacies" for the purpose of cost reduction and efficiency enhancement. With respect of streamlining the organizational structure, the Group will truly achieve the goal of streamlining through downsizing, and disposal of zombie companies and companies in operation difficulties; with respect of enhancing refined management level, the Company will carry out all-round improvement; with respect of improving operating efficiency, it will put the operating ideology of "PCP" into practice with focus on operation operating performance.

Thirdly, the Company will fully promote restructuring and integration by sticking to the "three-step plan for restructuring" to push forward the integration of business segments in an orderly fashion, and optimize internal operation management to further unleash the synergetic effect.

Fourthly, the Group will do everything in its power to improve the balance sheet by strictly controlling capital expenditures, optimizing financing structure and financing mode, strengthening asset operation, and reducing leverage and liabilities on an on-going basis.

Last but not the least, the Group will, with all its strength, to promote transformation and upgrading, and accelerate its pace towards high-quality development. To this end, the Group will speed up the development of the "Cement +" mode, optimize the layout of cement and commercial concrete and expand the production capacity of aggregate; maintain its leading position in the markets of gypsum board, glass fiber and turbine blade, expedite the development of new materials such as carbon fiber and lithium battery membrane; and strengthen its leading position in traditional markets of cement engineering service and glass engineering service, and quicken the transformation of localization and industrialization.

Corporate Governance Report

During the year from 1 January 2018 to 31 December 2018, the Company was in full compliance with provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. Keeping itself well informed of changes and development of the rules and taking account of current operations, the Company improved internal systems and enhanced the internal risk management and control system for the purpose of business standardization and process streamlining. Guided by the Listing Rules, the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board Meeting, the Rules of Procedure for the Supervisory Committee, the general meeting, the Board of Directors, the Supervisory Committee and the management established clear accountability and shared responsibility, with checks and balances among each other, which safeguarded an efficient operation and protected the long-term benefit of investors.

I. COMPLIANCE WITH THE MODEL CODE

The Company has adopted a set of code no less exacting than the standards set out in the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has complied with the standards of the securities transactions by Directors as required by the Model Code and the Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

II. THE BOARD

During 2018, the Board of the Company held 9 plenary Board meetings to consider and determine various matters including general corporate strategy, major investment and financing activities and personnel appointments and removals. All existing Directors attended the Board meetings in person or by proxy. The management is responsible for the specific implementation of resolutions of the Board and management of daily operations.

II. THE BOARD *(CONTINUED)*

The members of the Board and the attendance of the Directors at Board meetings and Shareholders' meetings of the Company during 2018 are as follows:

	Meetings attended/held					
Name	The Board	The Strategic Steering Committee	The Nomination Committee	The Remuneration and Performance Appraisal Committee	The Audit Committee	Shareholders' meetings
Current Directors						
Executive Directors						
Cao Jianglin *(Chairman)*	9/9	2/2	–	–	–	1/1
Peng Jianxin *(Vice Chairman)*[3]	6/6	–	–	–	–	–
Peng Shou	9/9	1/1	–	–	–	1/1
Cui Xingtai	9/9	–	–	–	–	1/1
Non-executive Directors						
Xu Weibing[3]	6/6	–	–	–	–	–
Chang Zhangli	9/9	–	–	–	–	1/1
Tao Zheng	9/9	–	–	–	–	1/1
Chen Yongxin	9/9[1]	–	–	–	–	1/1
Shen Yungang[3]	6/6	–	–	–	–	–
Fan Xiaoyan[3]	6/6	–	–	–	–	–
Independent Non-executive Directors						
Sun Yanjun	9/9	–	2/2	2/2	–	1/1
Liu Jianwen	9/9[2]	–	2/2	–	2/2	0/1
Zhou Fangsheng	9/9	2/2	–	2/2	–	1/1
Qian Fengsheng	9/9	–	–	–	2/2	1/1
Xia Xue	9/9	–	–	–	2/2	1/1
Past Directors[4]						
Song Zhiping	3/3	1/1	2/2	2/2	–	1/1
Guo Chaomin	3/3	–	–	–	–	1/1

II. THE BOARD *(CONTINUED)*

Notes:

1. The attendance includes one meeting attended by proxy. Mr. Chen Yongxin authorized Mr. Chang Zhangli, an executive Director at the time of the meeting, to attend the sixth meeting of the fourth session of the Board of the Company and exercise the voting right on his behalf.

2. The attendance includes one meeting attended by proxy. Mr. Liu Jianwen authorized Mr. Qian Fengsheng, an independent non-executive Director, to attend the seventh meeting of the fourth session of the Board of the Company and exercise the voting right on his behalf.

3. Mr. Peng Jianxin was elected as an executive Director, and each of Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan was elected as a non-executive Director, on 13 June 2018.

4. Mr. Song Zhiping and Mr. Guo Chaomin ceased to serve as an executive Director and a non-executive Director, respectively, with effect from 13 June 2018.

There is no finance, business, family relationship(s) or any other material connection between the Directors including between the chairman and the chief executive.

III. FUNCTIONS AND OPERATION OF THE BOARD

The Board of the Company is elected by shareholders at general meeting and reports to general meeting. The Board is the highest decision-making authority during the adjournment of the general meeting. The Board pays close attention to significant events of the Company, controls the development direction of the Company as a whole, and improves the governance of the Company through making well-informed and sound decisions, and ensures the sound and healthy development of the Company.

The Board makes decisions on certain significant matters in the operation of the Company, including convening general meetings and implementing their resolutions; formulating the business plans and investment proposals of the Company; formulating the annual preliminary and final financial budgets of the Company; formulating the profit distribution plan of the Company (including final dividends distribution plan) and the proposal for making up for losses; formulating the debt and financial policies and proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures; preparing material acquisition or disposal proposals of the Company and plans for the merger, division or dissolution of the Company; determining the Company's internal management structure; determining the appointment or removal of the general manager of the Company and the appointment or removal of the vice general manager and the chief financial officer subject to the nomination of the general manager and determining their remuneration; formulating the basic management systems including the financial management and personnel management systems; and formulating the revision plan for the Articles of Association of the Company.

III. FUNCTIONS AND OPERATION OF THE BOARD *(CONTINUED)*

The Directors were elected and the Board meetings were held in compliance with the procedures provided for in the Company's Articles of Association, and Rules of Procedure for the Board meeting. The Company ensures that all Directors are informed of operations in a timely manner, communicate and discuss with each other about their opinions, make reasonable decisions with prudence and promote the positive, active and healthy development of the Company. The Board keeps close contact with the management and authorizes it to implement specific matters and report to the Board, to ensure that all matters and problems related to the business and operation of the Group are dealt timely. The management under the leading of the president, is responsible for specific matters related to daily operation of the Company, and makes and implements the decision of operation, and conduct periodic reviews and provide feedbacks timely, to ensure the relevant arrangements of operation and management meet the demand of the Company.

The Company has established a system of independent Directors. There are five independent non-executive Directors in the Board, which is in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The Company has received a confirmation of independence from each of the five independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers the five independent non-executive Directors to be independent from the Company, its substantial shareholders and the respective connected persons of the above entities, have no financial or other interests in the above entities that may affect his/her independence and in full compliance with the requirements concerning independent non-executive directors under the Listing Rules. Mr. Qian Fengsheng, an independent non-executive Director of the Company, has appropriate accounting and financial management expertise as required under Rule 3.10 of the Listing Rules. Please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report for Mr. Qian Fengsheng's biography. The five independent non-executive Directors do not hold other positions in the Company. They assess and supervise the progress of achieving goals of the Company in matters in relation to strategies, policies, investments and material appointments, and provide independent professional advice, according to the Articles of Association of the Company and the requirements of the relevant laws and regulations. They therefore contribute to the further balanced structure and high-quality decisions of the Board.

IV. DIRECTOR'S CONTINUOUS TRAINING AND DEVELOPMENT

In compliance with the Listing Rules and the Code and to ensure that the Directors have comprehensive and necessary expertise and skills to make contribution to the Board, the Company has arranged suitable training for the continuous professional development of the Directors such as providing them with information materials and special reports.

The Company particularly prepares the reporting materials for Directors in relation to Market Analysis of the Cement Industry in the PRC in 2017 and Outlook for Trend in 2018, the contents of which cover information such as macro-economy, market analysis of the cement industry, relevant policies in the industry, and outlook for the industry development trend in 2018, detailed and purposeful, making Directors comprehensively update their information and expand their fields of knowledge. In addition, the Company regularly provided the Directors with Capital Market Research prepared by the Company, Biweekly Report on Issuance and Restructuring, Compilation on Laws and Regulations for the Capital Market as well as Biweekly Report on Administrative Regulation and Self-disciplinary Regulation Measures made by Shanghai Shalldo Financial Service Co., Ltd., a perennial compliance advisor of the Company, to provide them feedbacks on the latest macro-economy and capital markets, and ensure that they were informed of overall information about the operational environment of the Company. Based on the real-time understanding and grasping of the macro-economic and industry information, the Company sends Monthly Report on Directors' Information to the Directors each month, which covers the Company's production and results of operation for the prevailing month, macro-economy and industry situations, Board affairs, information disclosures, stock price performance of the Company and analysis on the Company's results conducted by analysts, etc.. In July 2018, the Company offered the second phase of trainings about the standardised operations of listed companies in collaboration with the Parent, which covered analysis on regulatory cases of listed companies, mid-to-long term outlook for the cement industry in the PRC, corporate value and securities investment, requirements for listing in Hong Kong, scientific innovation and technological transformation, as well as empowering traditional industries with cutting-edge technology. Incorporating both theories and practices, these trainings helped the Directors understand relevant provisions profoundly to guarantee that their decisions would be in line with laws and regulations, and enabled the Directors to have a better picture about future development of the construction material sector. From 24 July 2018 to 27 July 2018, the Company organized Directors to make field research on Yunnan Pu'er Tianheng and Yunnan Pu'er Southwest to allow the Directors to have more in-depth understanding of grassroots enterprises and give reasonable advice in relation to the development of the two companies after in-depth communication with employees of junior level. The continuous and effective trainings helped enhance the Directors' understanding of their duties so that they can make appropriate and informed decisions on the Company's management based on more accurate understanding of the relevant laws and regulations and the industry's development. All Directors (including the existing Directors, namely Mr. Cao Jianglin, Mr. Peng Jianxin, Mr. Peng Shou, Mr. Cui Xingtai, Ms. Xu Weibing, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, Mr. Shen Yungang, Ms. Fan Xiaoyan, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue, and the resigned Directors, namely Mr. Song Zhiping and Mr. Guo Chaomin) of the Company have attended relevant trainings during the Reporting Period, and have been provided with the above-mentioned training materials through which their knowledge and skills were further developed and refreshed leading to more constructive and professional opinions from the Directors and therefore ensuring that their contribution to the Board remains informed and relevant.

V. CHAIRMAN AND THE PRESIDENT

Mr. Cao Jianglin is the chairman, and Mr. Peng Shou is the president of the Company. Pursuant to the Company's Articles of Association, the primary duties and responsibilities of the chairman are chairing the general meetings, and convening presiding over Board meetings and organizing discussion on major business matters such as corporate development strategy and business philosophy, checking the implementation of Board resolutions, signing the securities issued by the Company, and other duties and powers authorized by the Company's Articles of Association and the Board. The major responsibilities of the president are taking charge of production, operation and management matters, organizing the implementation of Board resolutions, organizing the implementation of annual operating plans and investment proposals of the Company, formulating plans for the establishment of the Company's internal management structure, formulating plans for the establishment of the Company's branches, devising the basic management system of the Company, reviewing the basic rules and regulations of the Company, proposing the appointment or removal of the vice president and the Chief Financial Officer of the Company to the Board, appointing or removing management members apart from those that should be appointed or removed by the Board, and performing other duties and powers authorized by the Articles of Association of the Company and the Board.

VI. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Pursuant to the Company's Articles of Association, the Directors including the non-executive Directors shall be elected by the general meeting and serve a term of three years. Upon the expiry of their terms of office, the Directors may be re-elected and re-appointed.

VII. SPECIAL COMMITTEES UNDER THE BOARD

The Company has established 4 special committees under the Board, namely the Strategic Steering Committee, the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee, and has formulated respective terms of reference. The terms of reference for the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee were prepared with reference to the contents of the Code from time to time.

The Strategic Steering Committee

Members

The Strategic Steering Committee of the Company comprises three Directors, including two executive Directors and one independent non-executive Director. Given that Mr. Song Zhiping, a former executive Director, ceased to serve as a Director and chairman of the Strategic Steering Committee with effect from 13 June 2018, Mr. Peng Shou was elected as a member of the Strategic Steering Committee to fill the vacancy and Mr. Cao Jianglin was elected as the chairman of the Strategic Steering Committee at the seventh meeting of the fourth session of the Board held on 13 June 2018. Currently, Mr. Cao Jianglin is the chairman and both Mr. Peng Shou and Mr. Zhou Fangsheng are members of the Strategic Steering Committee. In particular, Mr. Cao Jianglin and Mr. Peng Shou are executive Directors and Mr. Zhou Fangsheng is an independent non-executive Director. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Strategic Steering Committee of the Company.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

The Strategic Steering Committee *(continued)*

Duties and Summary of the Work

The Strategic Steering Committee of the Company is mainly responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organization development proposals, major investment and financing plans and other material matters that may affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investment plans under the authorization of the Board; and making recommendations to the Board. As for details of meetings convened and attended by the Strategic Steering Committee in 2018, please refer to the table of attendance of the Directors at Board meetings during 2018 at page 61.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2018:

The second meeting of the fourth session of the Strategic Steering Committee of the Board considered and approved the proposals in relation to the operation of the Company for the year 2017 and work arrangements for the year 2018. The third meeting of the fourth session of the Strategic Steering Committee of the Board considered and approved the proposal in relation to the adjustment to establishment of the Company's organizational structure.

The Nomination Committee

Members

The Nomination Committee of the Company comprises three Directors, including one executive Director and two independent non-executive Directors. Given that Mr. Song Zhiping, a former executive Director, ceased to serve as a Director and member of the Nomination Committee with effect from 13 June 2018, Mr. Cao Jianglin was elected as a member of the Nomination Committee to fill the vacancy at the seventh meeting of the fourth session of the Board held on 13 June 2018. Currently, Mr. Sun Yanjun is the chairman and Mr. Liu Jianwen and Mr. Cao Jianglin are members of the Nomination Committee. In particular, Mr. Cao Jianglin is an executive Director and Mr. Sun Yanjun and Mr. Liu Jianwen are independent non-executive Directors. Such composition is in compliance with the requirements under the Code. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Nomination Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

The Nomination Committee *(continued)*

Duties and Summary of the Work

The Nomination Committee of the Company is mainly responsible for formulating procedures and standards for electing the Directors of the Company, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; formulating standards for the directors or supervisors designated to the wholly-owned subsidiaries of the Company; formulating standards for the directors or supervisors designated or recommended to the controlled subsidiaries of the Company and conducting preliminary review on the qualifications and conditions of the Directors, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; reviewing the qualifications and conditions of the directors or supervisors designated to the wholly-owned subsidiaries of the Company or the directors or supervisors designated or recommended to the controlled subsidiaries of the Company based on the nominations of the chairman of the Board and assisting the chairman of the Board on submitting relevant matters to the Board.

After the Code provision in relation to the board diversity policy became effective on 1 September 2013, the Company has formulated its board diversity policy after reviewing the new requirements, and the policy was duly adopted by the Nomination Committee on 29 November 2013. The Company is committed to improving its corporate governance. On 26 December 2018, the Company made further amendments to the board diversity policy. The Company insists on hiring employees based on their competence. In selecting appropriate members to the Board, the Company considers factors such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age based on objective standards. It also takes into account the Company's business model and specific needs from time to time. Pursuant to that policy, current members of the Board possess different professional background. Each of them has accumulated rich experience in areas such as building materials, business management, securities regulation, capital operation, accounting rules and corporate finance providing diversified perspectives for the strategic decisions of the Board and professional opinions for formulating operation policies of the Company. The Nomination Committee conducts the annual review of the structure, size and composition of the Board, and proposes any changes to the Board to be made in line with the Company's strategies. In reviewing and assessing the composition of the Board and nomination of Directors, the Nomination Committee is committed to diversity at all levels and considers factors of the diversity policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, as well as industry and regional experience. The Board will consider setting measurable objectives to implement the board diversity policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

The Nomination Committee *(continued)*

Duties and Summary of the Work *(continued)*

The policy for nomination of Directors has been adopted by the Company, together with the terms and regulations in relation to the procedure for nomination of Directors in the Terms of Reference of the Nomination Committee of the Company, to ensure the Board members have the necessary skills, experience and requirements for diversity catering for the Company's businesses. The selection and appointment procedures for nomination of Directors of the Nomination Committee include: the Nomination Committee studies the Company's requests for new Directors and senior management members and prepares written materials; the Committee may conduct extensive searches for qualified candidates for directorship and senior management members in the Company, companies controlled or invested by the Company, the human resources market and through other channels; the committee shall gather information of the preliminary candidates, including occupation, education, job title, detailed work experience and all part-time jobs, and prepare written materials; the Committee shall seek the consent of the nominees on the nomination or otherwise such persons shall not be considered as candidates for Directors and senior management members; the Committee shall convene a meeting of the Nomination Committee to conduct a qualification check of the preliminary candidates based upon the appointment criteria for Directors and senior management members; the Committee shall, prior to the election of new Directors, give its recommendations and relevant materials to the Board; and the committee shall undertake other follow-up work in accordance with the decisions and feedback of the Board. In selecting the candidates for directorship, the Nomination Committee takes the following factors into full consideration: character and honesty, qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, independence of independent non-executive Directors in accordance with the Listing Rules, any measurable objectives adopted for diversity, any potential contributions the candidate can bring to the Board in terms of his/her diversity, willingness and ability to devote adequate time and relevant interest for performance of duties by the candidate and various other factors applicable to the Company's businesses and succession plan. The Nomination Committee will review the director nomination policy, as appropriate, to ensure its effectiveness.

As for details of meetings convened and attended by the Nomination Committee in 2018, please refer to the table of attendance of the Directors at Board meetings during 2018 on page 61.

Set out below is a summary of work of the Nomination Committee of the Company during 2018:

The third meeting of the fourth session of the Nomination Committee of the Board considered and approved the proposal in relation to the Board structure and the independence of the independent non-executive Directors. The fourth meeting of the fourth session of the Nomination Committee of the Board considered and approved two proposals in relation to the adjustment to the directors of the fourth session of the Board and the appointment of senior management members of the Company.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

Remuneration and Performance Appraisal Committee

Members

The Remuneration and Performance Appraisal Committee of the Company comprises three Directors, including one executive Director and two independent non-executive Directors. Given that Mr. Song Zhiping, a former executive Director, ceased to serve as a Director and member of the Remuneration and Performance Appraisal Committee with effect from 13 June 2018, Mr. Cao Jianglin was elected as a member of the Remuneration and Performance Appraisal Committee to fill the vacancy at the seventh meeting of the fourth session of the Board held on 13 June 2018. Currently, Mr. Zhou Fangsheng is the chairman and Mr. Sun Yanjun and Mr. Cao Jianglin are members of the Remuneration and Performance Appraisal Committee. In particular, Mr. Cao Jianglin is an executive Director and Mr. Zhou Fangsheng and Mr. Sun Yanjun are independent non-executive Directors. Such composition is in compliance with the requirements under the Listing Rules. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Remuneration and Performance Appraisal Committee (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

Duties and Summary of the Work

The Remuneration and Performance Appraisal Committee of the Company is responsible for recommending and reviewing the specific remuneration and the performance of the Directors and the senior management based on the remuneration and performance management policies and framework pertaining to the Directors and the senior management which are formulated by the Board. The Remuneration and Performance Appraisal Committee makes recommendations to the Board in respect of the remuneration of the Directors and the senior management members. Remuneration of the Directors will be submitted for the consideration and approval of the Board. After the approval of the Board, the remuneration of the Directors will then be submitted for approval at the general meeting. The remuneration of the senior management members is considered and approved by the Board. The annual remuneration of the senior management members comprises four components including basic salary, performance-based salary, special rewards and share appreciation rights. The basic salary is determined by taking into consideration their positions, responsibility, competence and market rates. The performance-based salary is determined on the basis of assessment of economic responsibility. The special rewards are granted to those who have made prominent contributions to the Company's results or in certain material aspects. The share appreciation rights are granted under the Company's Share Appreciation Rights Proposal. As for details of meetings convened and attended by the Remuneration and Performance Appraisal Committee in 2018, please refer to the table of attendance of the Directors at Board meetings during 2018 on page 61.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

Remuneration and Performance Appraisal Committee *(continued)*

Duties and Summary of the Work *(continued)*

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2018:

The third meeting of the fourth session of the Remuneration and Performance Appraisal Committee of the Board considered and approved a proposal in relation to the total remuneration for senior management members of the Company for 2017. The fourth meeting of the fourth session of the Remuneration and Performance Appraisal Committee of the Board considered and approved a proposal in relation to the new Directors' emolument.

The fees for the Directors of the fourth session of the Board and the Supervisors of the fourth session of Supervisory Committee are subject to the standards as considered and approved at the 2015 annual general meeting of the Company convened on 27 May 2016.

The Audit Committee

Members

The Audit Committee of the Company comprises three Directors, of whom Mr. Qian Fengsheng is the chairman and both Mr. Liu Jianwen and Ms. Xia Xue are members. All the three members are independent non-executive Directors. Among them, Mr. Qian Fengsheng possesses professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements under the Listing Rules. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Audit Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

Duties and Summary of the Work

The specific duties of the Audit Committee include making recommendations in relation to the appointment of external auditors by the Board and supervising their work; supervising the Company's financial reporting procedures and reviewing the financial control system of the Company; supervising the Company's internal control matters and reviewing its results; reviewing the operating, financial and accounting policies and practice of the Company; formulating and reviewing the corporate governance policy and practice of the Company and reviewing the Company's compliance with the Code and its disclosures in the Corporate Governance Report; reviewing and supervising the Company and its Director's and senior management's compliance with the requirements of laws and regulations; reviewing and supervising the Directors' and senior management's professional ethics, trainings and continuous professional development. As for details of meetings convened and attended by the Audit Committee in 2018, please refer to the table of attendance of the Directors at Board meetings during 2018 on page 61. The recommendations of the Audit Committee have been presented to the Board for review and action.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

The Audit Committee *(continued)*

Duties and Summary of the Work *(continued)*

Set out below is a summary of work of the Audit Committee during 2018:

During the Reporting Period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, among others, the issuance of interim and annual results and the review of the financial control system, the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2017 and the interim financial report for 2018. The Committee further urged the Company to integrate and optimize its internal control systems in accordance with the key audit work of the Company to ensure that it is able to control the risk of operation management and business development. It performed the duties of corporate governance pursuant to the Terms of Reference of the Audit Committee. The Committee provided suggestions to the Board on the improvement of the Company's policies and practices as well as the continuous development of the senior management. As at the date of the report, the Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2018.

In addition, the Board is responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the financial position of the Group. The Board has urged the management to provide important information concerning the Company's operation. Taking into consideration the macroeconomic situation and the development of the industry, the Board has given an objective and balanced evaluation and made strategic decisions on the interim and annual financial performance, and significant investment and financing plans. It also supervised and directed the management to implement specific plans and broadened the channels for the Company's development, endeavoring to maximize the Shareholder's interests. The reporting responsibilities of external auditors are set out in the Auditor's Report of the annual report.

VIII. NOMINATION OF DIRECTORS

Pursuant to the Articles of Association and the Term of Reference of the Nomination Committee, the election and the change of Directors shall be considered by the shareholders at the general meetings. The Company's requests for new Directors shall first be studied by the Nomination Committee. The Committee may conduct extensive searches for qualified candidates for directorship in the Company, companies controlled or invested by the Company, the human resources market and through other channels. In such process, the Nomination Committee would take the diversity policy of the Company into consideration. It will then review the candidates' specific qualification after seeking consent from the candidates. The Committee makes recommendations and submits relevant materials to the Board after the review. The Board will then shortlist the candidates for submission to the general meeting for consideration. Shareholders holding in aggregate 5% or more of the Company's shares which carry voting rights may nominate directors to the Board directly and the Nomination Committee will then put forward the proposal to the general meeting for consideration. The election of the new Directors is subject to the approval of the shareholders holding more than half of the total voting shares or the independent representatives of the shareholders present at the general meeting.

VIII. NOMINATION OF DIRECTORS *(CONTINUED)*

After the completion of share transfer of Sinoma, shareholders of the Company have made adjustments to the Board and the Supervisory Committee of the Company. Mr. Song Zhiping and Mr. Guo Chaomin ceased to serve as an executive Director and a non-executive Director, respectively. Mr. Chang Zhangli was re-designated as a non-executive Director. Mr. Peng Jianxin and Ms. Xu Weibing were nominated by the Parent, Mr. Shen Yungang by Cinda, Ms. Fan Xiaoyan by Taishan Investment as candidates for directorship in the Company. In particular, Mr. Peng Jianxin is a candidate for executive Director, Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan are candidates for non-executive Directors. After approval by the Nomination Committee, it is considered that the above-mentioned personnel have reached the standard and requirements for directors of the Company. The relevant resolutions were considered and approved at the sixth meeting of the fourth session of the Board held on 3 May 2018 and the 2017 Annual General Meeting held on 13 June 2018, and the above personnel were elected as Directors.

IX. AUDITORS' REMUNERATION

At the fifth meeting of the fourth session of the Board of the Company convened on 23 March 2018, the Directors resolved to propose to the general meeting the appointment of Baker Tilly HK and Baker Tilly China as the overseas and domestic auditors of the Company for 2018 respectively. The Board was authorized by the annual general meeting convened on 13 June 2018 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB15.27 million was paid by the Company to the auditors for their professional audit services.

During the Reporting Period, save for the financial audit services, the aforesaid auditors did not provide to the Company other significant non-audit services.

X. COMPANY SECRETARY

Mr. Yu Kaijun is the internal joint company secretary of the Company.

Ms. Lo Yee Har Susan of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. The primary contact person of the Company with Ms. Lo Yee Har Susan is Mr. Yu Kaijun, the joint company secretary of the Company.

XI. SHAREHOLDERS' MEETINGS

The Shareholders, as the owners of the Company, are entitled to the rights prescribed in laws, regulations and the Articles of Association. The Shareholders exercise their rights through general meetings. The general meetings include annual general meeting and extraordinary general meetings. The annual general meeting shall be held once every year and within 6 months of the end of the preceding financial year. The Board will convene the extraordinary general meetings if the shareholder(s) holding in aggregate 10% or more of the Company's issued voting shares request(s) in writing. In the case of an annual general meeting, shareholders holding in aggregate 5% or more of the total number of shares carrying voting rights are entitled to put forward any new proposal in writing to the Company, and the Company will include such proposal in the agenda of such meeting to the extent that it falls within the powers of the general meeting. The Board is accountable to the general meeting which is the highest authority of the Company.

In the notice of the general meetings, the Board of the Company will provide the Shareholders with information and explanation required for them to make informed decisions on the matters to be considered as well as the contact information of the person(s) in charge for shareholders' enquiry of relevant issues. During the general meetings, the Shareholders can raise questions or suggestions for the proposals in doubt and the Directors attending the meeting are responsible for explaining, recording and, if necessary, providing relevant information in details. The Shareholders may inspect copies of the minutes of the general meetings free of charge during the business hours of the Company. In the event that any Shareholder requests for copies of such minutes, the Company will deliver the copies within 7 days upon receiving payment of reasonable charges.

At the Annual General Meeting of 2017 held on 13 June 2018, nine ordinary resolutions and a total of four special resolutions in relation to, among other things, the granting of a mandate to the Board to issue shares to the Company, the issue of debt financing instruments, amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting were considered and approved.

According to the Articles of Association, the Directors may attend the general meetings of the Company and are entitled to sign on the minutes containing the resolution(s) relating to the issue(s) discussed in the meeting(s) they attended. In 2018, the Company held one Shareholders' general meetings and please refer to the table of attendance of the Directors at Board meetings during 2018 at page 61 for details of attendance of the Directors.

XII. SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company reports to the general meeting. Its members comprise three shareholders' representative supervisors and three staff representative supervisors democratically elected at the staff general meeting and two independent supervisors. The supervisors have discharged their duties conscientiously in accordance with the provisions of the Company's Articles of Association, attended all the Board meetings, constantly reported to the general meeting via submitting Supervisory Committee Reports and relevant proposals. In line with the spirit of accountability to all Shareholders, the Supervisory Committee has monitored the financial affairs and information disclosures of the Company and the performance of duties and responsibilities by the Directors, the president and other senior, management personnel of the Company to ensure that they have performed their duties. The Supervisory Committee has participated actively in major matters of the Company such as production, operation and investment projects and has made constructive recommendations.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

In order to comply with relevant domestic laws and regulations as well as the requirements under the Listing Rules, strengthen the Company's risk management and internal control management and monitor and safeguard the achievement of operating management target, the Company has formulated a series of internal management systems in line with the actual conditions of the Company covering finance regulation, operation regulation, compliance regulation and risk management, and has conveyed to the staff.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

Construction of risk management and internal control systems mainly depended on, firstly, daily risk management, including business and strategic risk management. Each of the departments consists of management and internal control functions to develop procedures at the forefront, and is responsible for risk identification, confirmation, management and reporting. The Company has established a business process-oriented management system covering the management personnel and each of the departments. In addition, the Company has further improved the efficiency and performance of various operations as a result of its efforts on standardizing relevant procedures and key control areas. During the Reporting Period, leveraging on the opportunities arising from the absorption of and Merger with Sinoma, the Company optimized and adjusted its organizational structure, diversified functions of each department, further improved and revised corporate systems, and explicitly defined the accountability and responsibility of subsidiaries and departments, thus launching stricter control on risks relating to decision-making from the perspective of instructional settings of the Company and mechanism construction. Secondly, the Company continued to perform risk monitoring and control. Specialist department (including legal affairs department) provided support to various department in organizational governance structure to ensure that the management of existing risk was carried out based on cost-effectiveness, which would then be controlled within the acceptable standard. Information disclosure requirement needed to be encountered by the Company was comprehensively arranged. In addition, the Company integrated different information disclosure targets and important level of information to develop respective disclosure procedures, constantly introspected and made improvement, reported to the management about the Board's direction and functions of reporting, regularly carried out benchmark management practice and gap analysis to further optimize reporting functions and organizational structures. In addition to the preparation of the comprehensive risk management report, the Company has established a risk management mechanism which involves the identification and assessment of risks, prevention and rectification as well as post evaluation. The third was independent internal review. Audit Committee would regularly listen to the comments from professional auditors and internal auditors, independently carried out assessment on the operating management, business development and financial positions of monitoring and control company, and reviewed the effective introduction and implementation of the strategies from high standard companies to further enhance the standard of the internal control, financial control and risk management.

The Board (through the Audit Committee of the Board of the Company) is responsible for continuous review of the effectiveness of the Company's risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the provisions C.2.1 of the Code, the Directors have reviewed annually the effectiveness of risk management and internal control systems (including internal audit function) of the Company and its subsidiaries during the Reporting Period, covering matters such as financial control, operational control, compliance control and risk management. The Board is not aware of any material matters that might affect the Shareholders' interests. The Board is of the opinion that the Company had fully complied with the Code provisions regarding risk management and internal control in the Code. The internal monitoring system of the Company has been adequate and operating effectively.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

The Board has implemented procedures and internal controls for the handling and dissemination of inside information. During the Reporting Period, material transactions of the Company were reviewed by various internal departments of the Company including the legal affairs department and the Secretariat of the Board. After reviewing, if the legal affairs department and the Secretariat of the Board were of the view that the proposed transactions may involve inside information, they would consult with the legal adviser of the Company. Thereafter, the proposed transaction concerned would be reported to Secretary of the Board. If the relevant information constituted inside information, the legal adviser, with the assistance of the legal affairs department of the Company, would draft an announcement which would be reviewed by members of the Board. After that, dissemination of such inside information would be conducted by publishing the relevant information on the Company's website and the website of the Stock Exchange in accordance with the Listing Rules.

XIV. INVESTOR RELATIONS

The Company gives high regard to the investors' rights and interests. Therefore, the Company has established the Secretariat of the Board to be responsible for the management of investor relations in order to improve the management system of investor relations, to clarify the duties of investor relations management, and to establish the multi-channel communication mechanism at multiple levels and in multiple forms. During the Reporting Period, the Company communicated with investors by convening general meetings, arranging non-deal roadshows, participating in investor conferences, receiving investors' visits, arranging telephone conferences and conducting on-site surveys etc. Information disclosures were made as appropriate and a fair and transparent investment platform for the general investors was provided to improve the transparency of the Company. The Company has strived for management enhancement. Through strengthening the management of investor relations, the standard of standardized management and corporate governance has been further enhanced.

Details of amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting (appendix to the Articles of Association) in 2018 are set out below:

On 8 September 2017, the fifth extraordinary meeting of the fourth session of the Board considered and approved the resolution in relation to the Merger with Sinoma, due to which, the meeting considered and approved the resolution in relation to amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting (appendix to the Articles of Association). Such resolution would come into effect upon the closing of the Merger. On 6 December 2017, the Company held the first Extraordinary General Meeting of 2017, the first H Shareholders' Class Meeting of 2017 and the first Domestic Shareholders' Class Meeting of 2017, which considered and approved the resolutions above, and explicitly stated that the resolutions in relation to amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting would become effective upon the closing date of the Merger. Details of amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting are set out in the joint announcement dated 8 September 2017, the circular dated 20 October 2017, and the announcement of voting results dated 6 December 2017. On 2 May 2018, the exchange of H Shares and Unlisted Shares in the Merger project has been completed, and the resolutions in relation to amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting have become effective.

XIV. INVESTOR RELATIONS *(CONTINUED)*

On 23 March 2018, the resolution in relation to amendments to the Articles of Association was considered and approved at the fifth meeting of the fourth session of the Board of the Company; on 3 May 2018, resolutions in relation to further amendments to the Articles of Association and in relation to the Rules of Procedure for the Shareholders' General Meeting of the Company were considered and approved at the sixth meeting of the fourth session of the Board of the Company, and it is specified that the above amendments shall come into effect from the later date of (1) the Closing Date of the Merger, and (2) the date of considering and approving the proposed resolutions at the Shareholders' General Meeting. On 13 June 2018, the Company held the 2017 Annual General Meeting for consideration and approval of the proposed resolutions in relation to amendments to the Articles of Association and in relation to the Rules of Procedure for the Shareholders' General Meeting, and the relevant resolutions have already taken effect. Details of the amendments to the Articles of Association and amendments to the Rules of Procedure for the Shareholders' General Meeting are set out in the circular of the Company dated 25 April 2018, the circular dated 3 May 2018, and the announcement of voting results dated 13 June 2018.

Shareholder(s) may put forward any enquiries in writing to the Board of the Company. Shareholder(s) should send the duly signed written requisition, notice, statement or enquiry letter (as the case may be) to the registered address of the Company or the representative office in Hong Kong, and provide their full name, contact details and identification. Shareholders' information may be disclosed as required by laws and regulations. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send the documents as mentioned above to the following addresses:

Address:	**Principal Place of Business:** 21st Floor, Tower 2, Guohai Plaza, No.17 Fuxing Road, Haidian District, Beijing, the PRC **Representative Office in Hong Kong:** Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax:	010-6813 8388
Email:	cnbmltd@cnbm.com.cn

THE PREFACE

This Chapter is a summary of the Group's Environmental, Social and Governance Report (ESG Report). It outlines the Group's key strategies and achievements of sustainable development in 2018. For the full version of the ESG Report, please refer to the *China National Building Material Company Limited 2018 Environmental, Social and Governance Report* which will be published separately in June 2019.

In 2018, upholding the core values of "Green development and to realize green transformation", the Group focused its efforts via 3 major environmental aspects, including energy saving, pollution reduction and protection of the ecological environment, and continually contributes to China's domestic green development. Through continuously upgrading the production techniques and technological innovation, the Group continually aligned its efforts with the various environmental protection policies in the PRC, including the *Water Pollution Prevention and Control Law of the PRC*, the *Environmental Protection Tax Law of the PRC*, the *13th Five-Year Plan for the Protection of Ecological Environment*, the *13th Five-Year Plan for Renewable Energy*, the *Reform Program of the Ecological Environmental Damage Compensation System*, the *Opinions on Further Strengthening the Treatment of MSW Incineration*, the *Notice of the State Council on Further Strengthening the Clean Production of Key Enterprises*, the *Plan for Cutting Overcapacity in Cement Industry (2018 – 2020)*, the *Standard Condition of Cement Industry (2015)*, among others. The Group adheres to the latest development trend of the PRC's policies and seized opportunities for development.

Taking the road of sustainable development is the development direction that the Group always adheres to. In 2018, the Group has further enhanced its established Environmental, Safety and Health Management System; for instance, the *Guidelines for the Co-disposal of Solid Waste in Cement Kilns* and the *Management Approach for Occupational Health Supervision in the Workplace*. With improving information disclosure as the starting point, the Group further optimizes the management system in pre-event identification and evaluation, in-process inspection and review, post-event evaluation and other work processes. The Group, through this measure, enhances its daily management efficiency and controls risks from the source which ensure the Group's sustainable development. The Group was awarded several honorary titles including "First Prize at the National Science and Technology Progress Awards of the 2018 National Science and Technology Award Conference" and "Shanghai Stock Exchange's 2018 Outstanding Issuer of Corporate Bonds", etc. With the establishment of the joint venture with Conch Venture in 2019, it is expected to further optimise the construction, management and operation of the co-disposal of solid waste in cement kilns among China United Cement, South Cement, Southwest Cement and Sinoma Cement. In the future, the Group will continue to make progress in the journey of becoming a world-class comprehensive construction materials company.

ENERGY CONSERVATION AND ENVIRONMENT PROTECTION

The Group adheres to the core concept of "Making the Best of Resources to Serve Construction" and strives to put green and sustainable development in practice. Through the implementation of "Responsibility for Blue Sky" program, the Group takes initiative to deal with climate change, excess capacity and other issues, and to facilitate a green, low-carbon and circular-economy oriented development of the industry. In 2018, the Group continued to vigorously promote energy conservation, emission reduction, as well as transformation and upgrading issues in the areas of lowering energy consumption, pollution reduction, ecological conservation, circular economy, and other key areas. The Group advocates the concept of circular economy and actively uses industrial waste and urban construction waste as raw materials in the production process. In 2018, the Group utilized more than 79.25 million tonnes of industrial waste. The Group actively responds to the calls of the national and local governments and develops the co-disposal project of the cement kiln, which helps to achieve the harmless disposal of waste and the green development of building materials. In addition, the Group is committed to reducing the discharge of wastewater and exhaust gases. By conducting peer benchmarking and comprehensive benchmarking among the subsidiaries within the Group, the Group optimizes the performance of key indicators of each stage of production, and actively leads the industry to save energy, limit production, and self-disciplined emission reductions. In terms of products, the Group always pays attention to the whole life cycle of products and is committed to providing high-quality, safe and healthy, green and environment-friendly building materials.

EMPLOYEE CARE

The Group regards human resources as the most valuable asset. As of 31 December 2018, the Group had a total of 158,500 regular employees. The Group attaches great importance to employee diversity and strives to create a safe, healthy and harmonious working environment for each employee. Moreover, through improving human resources policy, employee welfare, vocational training, and leisure activities, the Group strengthens its employees' cohesion and sense of belonging, which lays a solid foundation in human resource for the sustainable development of the Group. The Group also respects and upholds the international covenants on human rights, the *Labor Law of the PRC* and other laws and regulations, resolutely bans the employment of child and forced labor, and opposes any forms of discrimination in recruitment and employment.

Ensuring the safety and health of employees is the primary task in the development of the Group. Through in-depth studying and analyzing the features of building materials production, the Group continually improves the *Management Approach for Occupational Health Supervision in the Workplace* and strengthens the protection and management of employees' occupational health to effectively prevent, control and eliminate occupational hazards. In addition, the Group also attaches great importance to the safety and occupational health management of its suppliers and business partners, includes putting the terms of occupational health and safety in service contracts, and cooperates with the suppliers and business partners in carrying out routine safety inspections, safety training, emergency drills and so on.

ALL-WIN HARMONY

Providing high-quality products and services to customers is the cornerstone of the Group's sustainable development. The Group is committed to growing together with its suppliers and business partners and hopes to create better value through a win-win cooperation model. Besides, the Group adheres to the concept that the industry interest overweights corporate interest, strives to promote the structural optimization, transformation and upgrading of the industry, in order to achieve mutual development and a win-win situation with the industry and peers in the same industrial chain. In terms of supply chain management, the Group regularly communicates with suppliers and business partners on major safety and environmental issues. Regarding new suppliers and business partners selection, the Group gives priority to partners with reliable quality, well operation and reputation, environmental friendliness and scientific management.

PUBLIC WELFARE

The Group adheres to good neighborliness and promotes mutual assistance in the operation process, and actively participates in the public welfare activities of the communities around its operation locations. In accordance with the unified public welfare policy of the Parent, the Group has established a sound emergency response mechanism to provide immediate support for disaster relief, civil defense and safety, and other public matters. The Group attaches importance to supporting various poverty alleviation work. In 2018, the Group's total donations amounted more than RMB37.15 million, in which the poverty alleviation funds were mainly used for infrastructure construction, geological disaster control, industrial development, medical and health care, education sponsorship, e-commerce training, and other aspects. In terms of targeted poverty alleviation, through positively changing mindset for poverty alleviation, in line with the proverb "to teach someone how to fish is better than to just give him a fish", the Group launched the "Internet+" new patterns for poverty alleviation. The Group facilitates poverty alleviation in the PRC from different targeted angles including assigning talents, selecting objects for poverty alleviation, arranging projects, and using funds. The Group provides practical support to those in needs so that they could be truly benefited from the poverty alleviation initiative.

In addition, the Group encourages its employees to participate in different voluntary activities. The Group provides guarantees and supports for voluntary activities in various aspects such as people's organizational structure, working mechanism, time management, financial support, and communication and liaison, etc. Under the voluntary service system with the Communist Youth League at its core, the Group and its subsidiaries have established several voluntary groups which organized a variety of voluntary activities. Through participating in the activities, not only the employees have demonstrated their enthusiasm but also spread their happiness.

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2018 to its shareholders.

PRINCIPAL BUSINESS

The Group is a holding company and its subsidiaries and associates are mainly engaged in the cement, new materials and engineering services businesses. Particulars of the principal businesses of the Company's subsidiaries are set out in Note 7, Note 20 and Note 21 to the Group's consolidated financial statements respectively.

RESULTS

The results of the Group during the year are set out in the Consolidated Income Statements in this annual report.

DIVIDENDS

The Board hereby recommends the distribution of a final dividend of RMB1,518,258,719.16 in total (tax inclusive) for the period from 1 January 2018 to 31 December 2018 (2017: RMB843,477,066.20 in total (tax inclusive)) for Shareholders whose names appear on the Company's register of members on Tuesday, 4 June 2019, representing RMB0.180 per share (tax inclusive) (2017: RMB0.100 per share (tax inclusive)) based on the issued shares of the Company of 8,434,770,662 shares as at 22 March 2019. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 4 June 2019.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on Domestic Shares will be paid in Renminbi whereas dividends on Unlisted Foreign Shares and H Shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends by the annual general meeting.

The proposed final dividend is subject to approval at the annual general meeting to be held on Friday, 24 May 2019.

Directors' Report *(Continued)*

DIVIDENDS *(CONTINUED)*

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the period from 1 January 2018 to 31 December 2018 (the "2018 Final Dividend") to holders of Unlisted Foreign Shares and all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on Tuesday, 4 June 2019.

Pursuant to the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong stock exchanges connectivity mechanism" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Sui [2014] No. 81) (the "Shanghai-Hong Kong Stock Connect Tax Policy") and the "Notice on the Relevant Tax Policies for the Pilot Program of the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets" (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2016] No. 127) (the "Shenzhen-Hong Kong Stock Connect Tax Policy") jointly issued by the Ministry of Finance of the PRC, the State Administration of Taxation and China Securities Regulatory Commission, the dividends derived from the investment by a domestic corporate investor in stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will be included in its total income and subject to enterprise income tax according to the law. In particular, dividends received by resident enterprises in the Mainland which hold H share for at least 12 consecutive months shall be exempted from enterprise income tax according to the law. In respect of the dividends received by domestic corporate investors, H share companies listed on the Stock Exchange will not withhold relevant tax for such corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

As such, when distributing the 2018 Final Dividend to the domestic corporate investors as the holders of H Shares of the Company whose names appear on the register of shareholders of the Company on Tuesday, 4 June 2019 provided by China Securities Depository and Clearing Corporation Limited ("China Clearing"), the Company shall not withhold tax on dividend for the domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》), the Shanghai-Hong Kong Stock Connect Tax Policy, the Shenzhen-Hong Kong Stock Connect Tax Policy and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for the Company's individual H shareholders whose names appear on the register of members of H Shares of the Company (the "Individual H Shareholders").

DIVIDENDS *(CONTINUED)*

Pursuant to the Shanghai-Hong Kong Stock Connect Tax Policy and the Shenzhen-Hong Kong Stock Connect Tax Policy, for dividends received by domestic individual investors from the investment in H Shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the H share companies listed on the Stock Exchange shall withhold and pay individual income tax at a rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from the investment in shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the income tax payable shall follow the same requirements in respect of domestic individual investors.

As such, when distributing the 2018 Final Dividend to the non-listing foreign shareholders of the Company and domestic individual investors (including domestic securities investment funds) as the holders of H Shares of the Company whose names appear on the register of shareholders of the Company on Tuesday, 4 June 2019 provided by China Clearing, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H share register of members of the Company on Tuesday, 4 June 2019 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

- for Individual H Shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Administrative Measures on Preferential Treatment Entitled by Non-residents Taxpayers under Tax Treaties" (Guo Shui Fa [2015] No. 60) (《非居民納税人享受税收協定待遇管理辦法》國税發[2015]60號) (the "Measures on Tax Treaties") on or before Wednesday, 5 June 2019. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

DIVIDENDS *(CONTINUED)*

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders.

If the domicile of an Individual H Shareholder is not the same as the registered address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 5 June 2019. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Measures on Tax Treaties if they do not provide the relevant supporting documents to the Company within the time period stated above.

Shareholders are recommended to consult their tax advisers regarding PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 24 April 2019 to Friday, 24 May 2019 (both days inclusive), during such period no transfer of shares in the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, holders of H Shares of the Company whose transfers have not been registered shall lodge all the share transfer documents and relevant share certificates with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 23 April 2019 for share registration.

Shareholders whose names appear on the register of members on Tuesday, 4 June 2019 will be eligible for the final dividend. The register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 29 May 2019 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Friday, 28 June 2019 to the shareholders whose names appear on the register of members of the Company on Tuesday, 4 June 2019.

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the directors' report. According to the Schedule 5 to the Hong Kong Companies Ordinance, a business review shall cover certain aspects, the details of which are as follows and where any cross-reference is made to another section of this annual report, all such relevant cross-referenced parts form part of this directors' report:

1. A fair review of the group's business

   Pages 33 to 59 of this report.

2. A description of the principal risks and uncertainties facing the group

   Pages 35 to 39 and pages 43 to 57 of this report.

3. Particulars of important events affecting the group that have occurred since the end of the reporting date

   Pages 118 to 119 of this report.

4. An indication of likely development in the group's business

   Pages 58 to 59 of this report.

5. An analysis using financial key performance indicators

   Pages 43 to 57 of this report.

6. The company's environmental policies and performance

   Sticking to the national policy of "pollution prevention and environmental protection", the Company put effort into environmental protection while promoting the development of construction material industry. In accordance with the Environmental Protection Law of the People's Republic of China and with reference to conditions of the construction material industry, the Company developed management rules on environmental protection, energy conservation & emission reduction, and clean production, all of which were applicable to the Group. In the course of material acquisition and construction of production facilities, the Group aligned planning, execution and development with environmental protection objectives, therefore improving the production and living environment. With regard to production and operation process, the Group explored synergies between energy conservation & emission reduction and cost reduction & efficiency improvement to build a resource-effective and environment-friendly enterprise. Strictly implementing regulations related to environmental protection and adhering to the path of sustainable development, the Group committed itself to the realization of economic returns, social benefits and environmental benefits.

BUSINESS REVIEW *(CONTINUED)*

7. Compliance with relevant laws and regulations with a significant impact on the Company

   In 2018, the Company has been in compliance with the Company Law of the People's Republic of China, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), thereby assuring the protection of the rights and interests of all parties, such that the steady development of the Company can be achieved by operating in compliance with laws and regulations.

   The Company has actively promoted legal education at the Group, issued documents in respect of the latest laws and regulations to its subsidiaries on a regular basis, and made arrangement for the staff to attend legal trainings organized by the State-owned Assets Supervision and Administration Commission of the State of Council, thereby raising the legal awareness of all the employees in a holistic manner and in turn ensuring the strict compliance of the Group with regulations on fields such as corporate governance and environmental protection.

8. Key relationships with employees, customers, suppliers and others

   The Company is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB175,475.86 million. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2018, net carrying amount of fixed assets amounting to RMB8,435.78 million, monetary capital amounting to RMB6,846.41 million and net carrying amount of available-for-sale financial assets, accounts receivable and other assets amounting to RMB2,699.11 million have been pledged, being the condition as the grant of financing by banks. As at 31 December 2018, the pledged assets of the Company amount to RMB17,981.30 million in total.

SUBSIDIARIES AND ASSOCIATES

Details of each of the principal subsidiaries and associates of the Company are set out in Notes 20 and 21 to the consolidated financial statements.

CAPITALIZED INTERESTS

Details of capitalized interests of the Company during the year are set out in Note 9 to the consolidated financial statements.

Share Capital Structure (as at 31 December 2018)

During the Reporting Period, a total of 3,035,744,400 shares of the Company (comprising 989,525,898 H Shares of the Company, 1,935,044,267 Domestic Shares of the Company and 111,174,235 Unlisted Foreign Shares of the Company) were issued for the purpose of the Company's merger by absorption of Sinoma by way of share exchange pursuant to the Merger Agreement.

	Number of Shares	**Percentage of issued share capital** *(%)*
Unlisted Shares		
Domestic Shares	4,454,898,633	52.81
Unlisted Foreign Shares	111,174,235	1.32
H Shares	3,868,697,794	45.87
Total share capital	8,434,770,662	100

Substantial Shareholders (as at 31 December 2018)

Name	**Class of Shares**	**Number of Shares held**	**Percentage of total share capital** *(%)*
Parent	Domestic Shares	504,991,734	5.99
	H Shares	8,536,000	0.10
BNBMG	Domestic Shares	1,485,566,956	17.61
Sinoma Parent	Domestic Shares	1,270,254,437	15.06
CNBM Trading	Domestic Shares	227,719,530	2.70
Building Materials Academy	Domestic Shares	1,173,050	0.02
Cinda	Domestic Shares	410,252,200	4.86
Taishan Investment	Domestic Shares	263,318,181	3.12
Chengtong Financial	Domestic Shares	80,985,394	0.96
Guoxin Investment	Domestic Shares	80,985,394	0.96
Tianshan Building Materials	Domestic Shares	54,680,483	0.65
BBMG	Domestic Shares	53,073,213	0.63
Zibo High-Tech	Domestic Shares	21,898,061	0.26
Sinoma Investment	H Shares	6,800,000	0.08
Forchn International	Unlisted Foreign Shares	111,174,235	1.32
Public Investors	H Shares	3,853,361,794	45.68
Total share capital		8,434,770,662	100

Note: Any discrepancies in the table between totals and sums of shareholding percentages are due to rounding.

DISCLOSURE OF INTEREST

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of SFO

So far as was known to Directors or Supervisors of the Company, as at 31 December 2018, the Shareholders (other than the Directors or Supervisors of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of Share capital *(%)*[1]	Percentage of total Share capital *(%)*[1]
Parent	Domestic Shares	Long	Beneficial owner	504,991,734			
	Domestic Shares	Long	Interest of controlled corporations	2,984,713,973			
				3,489,705,707	2, 3	78.33	41.37
	H Shares	Long	Beneficial owner	8,536,000			
	H Shares	Long	Interest of controlled corporations	6,800,000			
				15,336,000		0.40	0.18
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	33.35	17.61
Sinoma Parent	Domestic Shares	Long	Beneficial owner	1,270,254,437	2	28.51	15.06
	H Shares	Long	Interest of controlled corporations	6,800,000		0.18	0.08
Cinda	Domestic Shares	Long	Beneficial owner	410,252,200	3	9.21	4.86
Taishan Finance	Domestic Shares	Long	Interest of controlled corporations	263,318,181	4	5.91	3.12
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	4	5.91	3.12
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	5.11	2.70
BlackRock, Inc.	H Shares	Long	Interest of controlled corporations	270,500,247	5	6.99	3.20
		Short	Interest of controlled corporations	28,912,000	5	0.74	0.34
Citigroup Inc.	H Shares	Long	Interest of controlled corporations	9,580,183			
	H Shares	Long	Approved lending agent	222,027,950			
				231,608,133	6	5.98	2.74
	H Shares	Short	Interest of controlled corporations	6,125,619	6	0.15	0.07
	H Shares	Lending Pool	–	222,027,950	6	5.73	2.63
Forchn International	Unlisted Foreign Shares	Long	Beneficial owner	111,174,235		100	1.32

DISCLOSURE OF INTEREST *(CONTINUED)*

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the SFO *(continued)*

Notes:

1. As at 31 December 2018, the Company's total issued share capital comprises 8,434,770,662 shares, including 4,454,898,633 Domestic Shares, 3,868,697,794 H Shares and 111,174,235 Unlisted Foreign Shares.

2. Of these 3,489,705,707 shares, 504,991,734 shares are directly held by the Parent, the remaining 2,984,713,973 shares are deemed corporate interest indirectly held through BNBMG, Sinoma Parent, CNBM Trading and Building Materials Academy. Sinoma Parent, CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), Sinoma Parent (1,270,254,437 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

3. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreements on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 3,613,305,981 Domestic Shares (representing 81.11% in the domestic share capital and 42.84% in the total share capital) and Cinda was deemed to own 286,651,926 Domestic Shares (representing 6.43% in the domestic share capital and 3.40% in the total share capital). As at the date of this report, the formalities in respect of the share transfer registration of the aforementioned transactions of shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

4. Taishan Investment is a wholly-owned subsidiary of Taishan Finance. Under the SFO, Taishan Finance is deemed to own 263,318,181 shares directly held by Taishan Investment.

5. BlackRock, Inc. was deemed to hold interests in a total of 270,500,247 H Shares (long position) and 28,912,000 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

   5.1 BlackRock Investment Management, LLC held 2,144,536 H Shares (long position) in the Company. BlackRock Investment Management, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..

   5.2 BlackRock Financial Management, Inc. held 9,730,000 H Shares (long position) in the Company. BlackRock Financial Management, Inc. was an indirect wholly-owned subsidiary of BlackRock, Inc..

   5.3 BlackRock Institutional Trust Company, National Association held 58,646,479 H Shares (long position) and 17,712,000 H Shares (short position) in the Company. BlackRock Institutional Trust Company, National Association was an indirect wholly-owned subsidiary of BlackRock Holdco 6, LLC, which in turn was indirectly held as to 90% by BlackRock, Inc..

   5.4 BlackRock Fund Advisors held 77,550,850 H Shares (long position) in the Company. BlackRock Fund Advisors was an indirect wholly-owned subsidiary of BlackRock Holdco 6, LLC, which in turn was indirectly held as to 90% by BlackRock, Inc..

DISCLOSURE OF INTEREST *(CONTINUED)*

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(continued)*

Notes: (Continued)

5.5 BlackRock Advisors, LLC held 1,004,000 H Shares (long position) in the Company. BlackRock Advisors, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..

5.6 BlackRock Japan Co., Ltd. held 17,862,837 H Shares (long position) in the Company. BlackRock Japan Co., Ltd. was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.7 BlackRock Asset Management Canada Limited held 1,230,000 H Shares (long position) in the Company. BlackRock Asset Management Canada Limited was an indirect wholly-owned subsidiary of BlackRock Canada Holdings LP, which in turn was indirectly owned as to 99.9% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.8 BlackRock Investment Management (Australia) Limited held 1,473,750 H Shares (long position) in the Company. BlackRock Investment Management (Australia) Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.9 BlackRock Asset Management North Asia Limited held 2,756,263 H Shares (long position) in the Company. BlackRock Asset Management North Asia Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.10 BlackRock (Netherlands) B.V. held 586,000 H Shares (long position) in the Company. BlackRock (Netherlands) B.V. was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.11 BlackRock Advisors (UK) Limited held 216,000 H Shares (long position) in the Company. BlackRock Advisors (UK) Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.12 BlackRock International Limited held 862,000 H Shares (long position) in the Company. BlackRock International Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.13 BlackRock Asset Management Ireland Limited held 27,031,727 H Shares (long position) and 326,000 H Shares (short position) in the Company. BlackRock Asset Management Ireland Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

DISCLOSURE OF INTEREST *(CONTINUED)*

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(continued)*

Notes: (Continued)

5.14 BLACKROCK (Luxembourg) S.A. held 19,794,350 H Shares (long position) and 10,874,000 H Shares (short position) in the Company. BLACKROCK (Luxembourg) S.A. was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.15 BlackRock Investment Management (UK) Limited held 19,434,745 H Shares (long position) in the Company. BlackRock Investment Management (UK) Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.16 BlackRock Fund Managers Limited held 17,504,586 H Shares (long position) in the Company. BlackRock Fund Managers Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.17 BlackRock Life Limited held 12,602,124 H Shares (long position) in the Company. BlackRock Life Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

5.18 BlackRock (Singapore) Limited held 30,000 H Shares (long position) in the Company. BlackRock (Singapore) Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P, which in turn was indirectly held as to 86% by BlackRock, Inc..

5.19 BlackRock Asset Management (Schweiz) AG held 40,000 H Shares (long position) in the Company. BlackRock Asset Management (Schweiz) AG was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

The 12,570,000 H Shares (short position) of BlackRock, Inc. in the Company were held through derivatives as follows:

12,570,000 H Shares (short position)	– through cash settled unlisted derivatives

DISCLOSURE OF INTEREST *(CONTINUED)*

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(continued)*

Notes: (Continued)

6. Citigroup Inc. was deemed to hold interests in a total of 231,608,133 H Shares (long position) and 6,125,619 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

   6.1 Citibank, N.A. held 222,455,950 H Shares (long position) and 428,000 H Shares (short position) in the Company. Citibank, N.A. was an indirect wholly-owned subsidiary of Citigroup Inc..

   6.2 Citigroup Global Markets Hong Kong Limited held 750,588 H Shares (long position) and 825,998 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup Inc..

   6.3 Citigroup Global Markets Inc. held 3,660,000 H Shares (long position) in the Company. Citigroup Global Markets Inc. was an indirect wholly-owned subsidiary of Citigroup Inc..

   6.4 Citigroup Global Markets Limited held 4,741,595 H Shares (long position) and 4,871,621 H Shares (short position) in the Company. Citigroup Global Markets Limited was a direct wholly-owned subsidiary of Citigroup Global Markets Holdings Bahamas Limited, which in turn was directly held as to 90% by Citigroup Financial Products Inc., which in turn was indirectly wholly-owned by Citigroup Inc..

   The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 222,027,950 H Shares. Besides, 2,974,000 H Shares (long position) and 1,971,198 H Shares (short position) of Citigroup Inc. in the Company were held through derivatives as follows:

428,000 H Shares (long position) and 1,253,998 H Shares (short position)	– through physically settled unlisted derivatives
2,546,000 H Shares (long position) and 717,200 H Shares (short position)	– through cash settled unlisted derivatives

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any persons who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTEREST *(CONTINUED)*

2. Interests and Short Positions of Directors and Supervisors

As at 31 December 2018, as far as the Company is aware, none of the Directors nor Supervisors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in Shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the Group's total sales amount.

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchase amount; and purchases from the Group's single largest supplier amounted to 2.07% of the Group's total purchases for the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2018 ("securities" shall have the meaning as defined in the Listing Rules). Sinoma International (whose shares are traded on the Shanghai Stock Exchange) purchased, pursuant to a compensation agreement in favor of Sinoma International, 14,684,075 shares of Sinoma International for an aggregate consideration of RMB0.88 and such 14,684,075 shares of Sinoma International were cancelled on 27 September 2018.

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2018, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and so far as the Directors are aware, as at the latest practicable date prior to the issue of this annual report, more than 25% of the Company's total number of issued shares were held by the public, which satisfied the requirement of the Listing Rules.

RESERVES

Movements in the reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" of this annual report.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company on 31 December 2018 were RMB4,133.8 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 158,500 employees.

The remuneration package of the Company's employees includes salary, bonuses and allowances. In accordance with relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of employees, a monthly social insurance premium covering pension insurance, injury insurance, medical insurance, unemployment insurance and housing reserve fund. The Company's remuneration policy for its staff is performance based, taking into account duties and responsibilities while bonus is linked to the overall economic efficiency of the Company.

When determining or recommending to the Board the emoluments payable to the independent non-executive Directors of the Company, the Remuneration and Performance Appraisal Committee will consider factors such as remuneration paid by comparable companies, the time and duties required from the Directors and senior management, employment conditions elsewhere within the Group and the desirability of performance-based remuneration in accordance with its terms of reference.

The Company endeavours to provide training to its employees. On-job training and continuous training plans include management skills and technical training, overseas exchange schemes and other courses. The Company also encourages employees to improve themselves.

SHARE EQUITY INCENTIVE PLAN

Sinoma International (whose shares are traded on the Shanghai Stock Exchange (stock code: 600970)) convened the 2017 fourth extraordinary general meeting on 6 December 2017 and reviewed and approved a share option incentive plan (the "Equity Incentive Plan"). On 6 December 2017, Sinoma reviewed and approved the Equity Incentive Plan at its extraordinary general meeting.

The purpose of the Equity Incentive Plan is to, among other things, further optimize the corporate governance structure of Sinoma International and promote the establishment and improvement of its incentive and disciplinary mechanism. The total number of participants under the Equity Incentive Plan shall be no more than 498 (and the number of grantees was subsequently adjusted to 489), including Sinoma International and its subsidiaries' directors, senior management, key technical and managerial personnel and etc. (excluding the independent directors and supervisors of Sinoma International). The maximum entitlement of each participant under the Equity Incentive Plan shall not exceed 1% of the total share capital of Sinoma International.

SHARE EQUITY INCENTIVE PLAN *(CONTINUED)*

On 7 December 2017, the share options (each a "Sinoma International Share Option") for a total of 17,424,500 ordinary A-shares of Sinoma International (each a "Sinoma International Share"), representing approximately 1% of the total issued share capital of Sinoma International as at the date hereof, were granted by Sinoma International to certain grantees under the Equity Incentive Plan. On 26 January 2018, the Sinoma International Share Options granted have completed the relevant registration procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited. The exercise price of the Sinoma International Share Options is RMB9.27, which is the highest of the following: 1. the average trading price of Sinoma International Shares on the last trading day before the pricing benchmark date (i.e. the date of announcement of the Equity Incentive Plan); 2. the closing price of Sinoma International Shares on the last trading day before the pricing benchmark date; 3. the average trading price of Sinoma International Shares for the last 20 trading days before the pricing benchmark date; 4. the average closing price of Sinoma International Shares for the last 30 trading days before the pricing benchmark date; 5. the nominal value of RMB1.00 of the Sinoma International Share. The vesting period under the Equity Incentive Plan is 24 months.

No Sinoma International Share Option was granted during the Reporting Period. As the validity period of the Equity Incentive Plan is no more than 60 months, commencing from the date of grant of the Sinoma International Share Options, the Equity Incentive Plan will remain valid until 6 December 2022.

As at 31 December 2018, details of the outstanding Sinoma International Share Options, which were all granted on 7 December 2017, were as follows:

Number of Sinoma International Share Options (10,000 Sinoma International Shares)

Category of participants	**Exercise period**	**Exercise price per Sinoma International Share** *(RMB)*	**Outstanding as at 1 January 2018**	**Cancelled during the Reporting Period**	**Lapsed during the Reporting Period**	**Outstanding as at 31 December 2018**
Directors and employees (489 in total) of Sinoma International and its subsidiaries	From 7 December 2019 to 6 December 2020	9.27	580.82[1]	–	–	580.82[1]
	From 7 December 2020 to 6 December 2021	9.27	580.82[1]	–	–	580.82[1]
	From 7 December 2021 to 6 December 2022	9.27	580.82[1]	–	–	580.82[1]
Total			1,742.45			1,742.45

Note: Out of the 17,424,500 Sinoma International Share Options granted, 1/3 of the total Sinoma International Share Options granted is exercisable in each exercise period. The number (in 10,000 Sinoma International Shares) of the Sinoma International Share Options not exercised is rounded to two decimal places.

DIRECTORS AND SUPERVISORS (AS AT THE DATE OF THIS REPORT)

Executive Directors

Cao Jianglin	(appointed on 10 March 2005)
Peng Jianxin	(appointed on 13 June 2018)
Peng Shou	(appointed on 20 June 2006)
Cui Xingtai	(appointed on 24 August 2009)

Non-executive Directors

Xu Weibing	(appointed on 13 June 2018)
Chang Zhangli	(appointed as executive Director on 15 November 2011 and re-designated to non-executive Director on 13 June 2018)
Tao Zheng	(appointed on 17 October 2014)
Chen Yongxin	(appointed on 27 May 2016)
Shen Yungang	(appointed on 13 June 2018)
Fan Xiaoyan	(appointed on 13 June 2018)

Independent Non-executive Directors

Sun Yanjun	(appointed on 17 October 2014)
Liu Jianwen	(appointed on 27 May 2016)
Zhou Fangsheng	(appointed on 27 May 2016)
Qian Fengsheng	(appointed on 27 May 2016)
Xia Xue	(appointed on 27 May 2016)

Supervisors

Li Xinhua	(appointed on 13 June 2018)
Zhou Guoping	(appointed on 10 March 2005)
Guo Yanming	(appointed on 13 June 2018)
Wu Weiku	(appointed on 17 October 2014)
Li Xuan	(appointed on 27 May 2016)
Cui Shuhong	(appointed on 10 May 2005)
Wang Yingcai	(appointed on 13 June 2018)
Zeng Xuan	(appointed on 25 March 2016)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the date of this report, each of the Directors and Supervisors has entered into a service contract with the Company for a term of a maximum of three years. There is no unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) in respect of any Director or Supervisor proposed to be re-elected at the forthcoming annual general meeting.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at the date of this report, during the year and at any time during the period from the end of the year to the date of the report, except for the relevant service contracts, there were no transactions, arrangements or contracts of significance to which the Company or its holding company or the Company's subsidiaries or fellow subsidiaries was a party and which remained valid at year-end and was/were entered into at any time during the year, and in which any of Directors or Supervisors had a material interest, whether directly or indirectly.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' remuneration and the individuals who are the five highest paid individuals of the Company during the year are set out in Note 10 to the consolidated financial statements. The remuneration paid to senior management (not including the two executive Directors) of the Company during the year is disclosed by band as follows:

Remuneration Band	No. of individuals
RMB1,000,000 – RMB1,500,000	4
RMB1,500,000 – RMB2,000,000	9
RMB2,000,000 – RMB2,500,000	1

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

As at the date of this report, the Board of the Company comprised 15 Directors, whose biographies are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

The Board of the Company established four special committees, namely, the Strategic Steering Committee, the Nomination Committee, the Audit Committee and the Remuneration and Performance Appraisal Committee, details of which are set out in the section headed "Corporate Governance Report" herein.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Since 13 June 2018, Mr. Song Zhiping and Mr. Guo Chaomin no longer served as Directors, and Mr. Chang Zhangli has been re-designated from an executive Director to a non-executive Director. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Peng Jianxin was elected as an executive Director, and Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan were elected as non-executive Directors. The term of office of the aforementioned new Directors is from 13 June 2018 to 26 May 2019.

Since 13 June 2018, Ms. Xu Weibing no longer served as a Supervisor of the Company. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Li Xinhua and Mr. Guo Yanming were elected as Supervisors, with the terms of office from 13 June 2018 to 26 May 2019. At the general staff meeting of the Company held on 30 May 2018, Mr. Wang Yingcai was elected as the staff representative Supervisor of the Company, with the term of office from 13 June 2018 to 26 May 2019.

Since 13 June 2018, Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Chang Zhangli and Mr Zhang Dingjin no longer served as the Chairman of the Board, the President, the Vice President, the Vice President and the Secretary of the Board and a joint Company Secretary, and Vice President of the Company, respectively. At the seventh meeting of the fourth session of the Board held on 13 June 2018, Mr. Cao Jianglin and Mr. Peng Jianxin were elected as the Chairman and the Vice Chairman of the Company respectively, and Mr. Peng Shou and Mr. Yu Kaijun were appointed as the President, and the Secretary of the Board and a joint Company Secretary of the Company (Mr. Yu Kaijun obtained the relevant waiver from the Stock Exchange on 29 June 2018, and was appointed as a joint Company Secretary of the Company on 2 July 2018) respectively.

On 3 May 2018, the Company convened the sixth meeting of the fourth session of the Board, and appointed Mr. Song Shoushun, Mr. Yu Mingqing, Mr. Sui Yumin, Mr. Su Kui, Mr. Yu Kaijun, Mr. Xue Zhongmin, Mr. Liu Yan and Mr. Liu Biao as Vice Presidents of the Company.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

Changes in information of the Directors, Supervisors and chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Chang Zhangli, a non-executive Director, ceased to be a director of China United Cement, South Cement, China Triumph and CNBM Investment since 12 December 2018, and ceased to be the chairman and a director of China Building Material Holdings Company Limited since 22 March 2019.

MANAGEMENT CONTRACTS

Except for the service contracts with the Directors or persons engaged in full-time employment of the Company and/or the Group, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management or administration of all or any substantial part of the Company's business.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance in respect of liabilities associated with potential legal proceedings which may be brought against the Directors, Supervisors and the senior management arising from their positions.

CONNECTED TRANSACTIONS

The connected transactions and continuing connected transactions of the Company, which are also related party transactions as set out in Note 52 to the consolidated financial statements, are summarised in this section below. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company.

Continuing Connected Transactions

The connected transactions conducted by the Group with, respectively, the Parent Group *(excluding the Group)* and Jingang Group, as set out in this section below constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules for the year ended 31 December 2018.

The connected transactions conducted by the Group with the Sinoma Parent Group as set out in this section below constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules for the period from 1 January 2018 to 2 May 2018.

The continuing connected transactions set out in this section below are subject to announcement, annual reporting and annual review requirements under chapter 14A of the Listing Rules.

Transactions with the Parent Group

As at the date of this report, the Parent has a direct equity interest of 6.09% and total direct and indirect equity interest of 41.55% in the Company. It is a substantial shareholder of the Company and therefore each of the Parent and its subsidiaries (excluding the Group) (the "Parent Group") constitutes a connected person of the Company under the Listing Rules.

The transactions contemplated under each of (1) the Master Mutual Provision of Products and Services Agreement, (2) Master Mutual Provision of Products and Services Agreement, (3) Master Purchase of Equipment Agreement and (4) Master Provision of Engineering Services Agreement, a summary of each of which are set out below, were exempt from the independent shareholders' approval requirements and were only subject to the reporting and announcement requirements under the Listing Rules.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

1. Master Purchase of Mineral Agreement

   On 18 January 2017, the Company entered into a Master Purchase of Mineral Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement, the Parent agreed to supply, or procure its subsidiaries to supply limestone and clay for the Company and its subsidiaries, to ensure supply of mineral ore for the Company's production for clinker and other cement products. The Parent and its subsidiaries shall supply to the Company and its subsidiaries limestone and clay from its quarries at the following priorities of basis of pricing:

   (a) the market price available from or to Independent Third Parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

   (b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not less favorable than those sold by Independent Third Parties to the Group or sold by the Parent to Independent Third Parties.

   For the year ended 31 December 2018, the Group's expenditure for ore supplied by the Parent Group was RMB407 million.

2. Master Mutual Provision of Products and Services Agreement

   On 18 January 2017, the Company entered into a Master Mutual Provision of Products and Services Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement:

   (a) the Parent agreed to provide, or procure its subsidiaries to provide, the following products or services to the Company and its subsidiaries:

   - Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials); and

   - Services: equipment repair, design and installation, property management services; technical services and other services;

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

2. Master Mutual Provision of Products and Services Agreement *(continued)*

(b) the Company agreed to provide, or procure its subsidiaries to provide the following production supplies and support services to the Parent Group and its subsidiaries:

- Product supplies: raw materials and commodities (including clinker, cement, lightweight building materials); and
- Services: supply of water, electricity and steam.

The pricing for the provision of production supplies and support services pursuant to the Master Mutual Provision of Products and Services Agreement shall be based on the following priorities:

(a) the prices prescribed by the price control authorities of the PRC;

(b) if no prices are prescribed by the price control authorities, the guided prices issued by the relevant PRC authorities;

(c) if no prices are prescribed by the price control authorities and no guided prices are issued by the relevant PRC authorities, the market price available from or to Independent Third Parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

(d) if none of the prices mentioned above is applicable, the prices will be deemed to be the reasonable costs incurred in providing the same products and services plus a profit margin with reference to the general range of profit in the industry.

For the year ended 31 December 2018, the Group's expenditure for the products and services provided by the Parent Group was RMB480 million. For the year ended 31 December 2018, the Group's revenue from the product supplies and services provided to the Parent Group was RMB921 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

3. Master Purchase of Equipment Agreement

   On 18 January 2017, the Company entered into a Master Purchase of Equipment Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement, the Parent agreed to supply, or procure its subsidiaries to supply, roller press machine, waste heat power generators and other auxiliary facilities to the Company and its subsidiaries in order to satisfy the operational needs of the Company and its subsidiaries. The Parent Group shall supply to the Company and its subsidiaries equipment at the following priorities of basis of pricing:

   (a) the market price available from or to Independent Third Parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

   (b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not less favourable than those sold by Independent Third Parties to the Company or sold by the Parent to Independent Third Parties.

   For the year ended 31 December 2018, the Group's expenditure for equipment supplied by the Parent Group was RMB86 million.

4. Master Provision of Engineering Services Agreement

   On 18 January 2017, the Company entered into a Master Provision of Engineering Services Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement, the Company agreed to supply, or procure its subsidiaries to supply engineering design, construction and supervisory and other services to the Parent Group in order to satisfy the operational needs of the Parent and its subsidiaries.

   The Company and its subsidiaries shall supply to the Parent Group engineering services at the following basis of pricing:

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

4. Master Provision of Engineering Services Agreement *(continued)*

   (a) the relevant guided prices issued by the PRC government (i.e. the price falling within the range as permitted by applicable laws and regulations of the PRC and agreed by both parties);

   (b) if no guided prices are issued by the PRC government, the market price available from or to Independent Third Parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets;

   (c) if no guided prices are issued by the PRC government and there is no market price, the price for equivalent project services based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not more favourable to the Parent Group than those offered by Independent Third Parties to the Parent Group or offered by Group to Independent Third Parties;

   (d) if the contract is granted by way of tender, the price should be determined in accordance with the procedures of the regulatory authority for the tender in the place of the construction project.

   For the year ended 31 December 2018, the Group's revenue for engineering services provided to the Parent Group was RMB924 million.

5. Financial Services Framework Agreement

   On 23 March 2018, the Company and Sinoma Group Finance Co., Ltd. (中材集團財務有限公司) ("Sinoma Finance"), a subsidiary of the Parent, entered into the Financial Services Framework Agreement ("Framework Agreement") with a term of two years from 1 January 2018 to 31 December 2019, pursuant to which, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

According to the Framework Agreement, when determining the price for any financial services to be provided thereunder, the Group will obtain quotes of interest rate, fees and terms from at least two general commercial banks in the PRC located in the same or adjacent regions during the same period. The Group will compare the quotes so obtained with the corresponding terms proposed by Sinoma Finance and:

(i) if the interest rate, fees and terms proposed by Sinoma Finance are more favourable than those proposed by such PRC general commercial banks, the Group will engage Sinoma Finance; and

(ii) as a matter of principle, the Group will give priority to using the services of Sinoma Finance if Sinoma Finance and such PRC general commercial banks offer equivalent terms and conditions. The Group has discretion to engage one of more of such PRC general commercial banks as its financial service providers as it thinks fit and beneficial to the Group.

Pursuant to the Framework Agreement, Sinoma Finance has agreed to provide the financial services to the Group in accordance with the following principles:

a) Deposit services: The interest rate for the Group for its deposits with Sinoma Finance will comply with the PBOC's regulations on interest rates for deposits of the same type from time to time, and will not be lower than: (i) the interest rate specified by the PBOC for deposits of the same category during the same period; (ii) the interest rate paid by Sinoma Finance for deposits of the same type placed by members of the Parent Group with Sinoma Finance during the same period under the same conditions; and (iii) the interest rate for deposits of the same type offered by PRC general commercial banks to the Group during the same period under the same conditions.

b) Loan services: The interest rate for loans granted to the Group by Sinoma Finance will comply with the PBOC's regulations on interest rates for loans of the same type from time to time, and will not be higher than: (i) the benchmark interest rate specified by the PBOC for loans of the same category during the same period; (ii) the interest rate for similar loans charged by Sinoma Finance to members of the Parent Group during the same period under the same conditions; and (iii) the interest rate charged by PRC general commercial banks to the Group for similar loans during the same period under the same conditions.

   Sinoma Finance will provide the loan services on normal commercial terms or better, and such loans will not be secured by the assets of the Group.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

c) Other financial services: The services fees charged by Sinoma Finance for provision of other financial services to the Group will be in accordance with the standard of fees set by the PBOC or the CBRC (if applicable) and, will not be higher than: (i) the fees charged by Sinoma Finance to other members of the Parent Group excluding the Group for providing services of the same type during the same period under the same conditions; and (ii) the fees charged to the Group by PRC general commercial banks for financial services of the same type during the same period under the same conditions. The settlement services provided by Sinoma Finance to the Group will be free of charge.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of deposit services under the Framework Agreement exceeded 25%, the deposit services constituted a major transaction and a non-exempt continuing connected transaction, which is subject to the reporting, announcement and Shareholders' approval requirements of Chapter 14 and Chapter 14A of the Listing Rules. The Framework Agreement and the provision of deposit services and the cap of the deposit services contemplated thereunder were approved by independent Shareholders at the annual general meeting of the Company held on 13 June 2018. The loan services under the Framework Agreement is fully exempt pursuant to Rule 14A.90 of the Listing Rules and the other financial services (except the deposit services) under the Framework Agreement are only subject to the reporting and announcement requirements but are exempted from independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. The details of the Financial Services Framework Agreement have been disclosed in the announcement and circular of the Company dated 23 March 2018 and 25 April 2018, respectively.

For the year ended 31 December 2018, the Group's expenses in respect of the financial services provided by Sinoma Finance was RMB92 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with Jingang Group

As Jingang Group holds a 21.4% (21.25% when signing the agreement) equity interest in North Cement, a subsidiary of the Company, and therefore Jingang Group and its subsidiaries are connected persons of the Company pursuant to the Listing Rules.

Master Agreement on Sale of Products

On 18 January 2017, North Cement, a 70% held subsidiary of the Company, entered into the Master Agreement on Sale of Products ("Jingang Master Agreement") with Jingang Group, for a term of three years commencing from 1 January 2017, following the expiry of the previous master agreement on sale of products on 31 December 2016. Pursuant to the Jingang Master Agreement, North Cement and its subsidiaries agreed to sell certain products to Jingang Group and its subsidiaries. The products included ultra-fine powder/slag, clinker and cement. The prices of the products under the agreement would be determined based on the following priorities:

(a) the market price available from or to Independent Third Parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not more favourable to Jingang Group than those offered by Independent Third Parties to Jingang Group or offered by the Group to Independent Third Parties.

In August 2017, North Cement entered into certain equity transfer agreements to acquire 51% of equity interests in MNC, a 51% owned subsidiary of Jingang Group as at the date of the relevant equity transfer agreement, and the equity interests in 19 subsidiaries of by MNC ("Targets"). Details of the acquisition are set out in the announcement of the Company dated 18 August 2017.

Upon completion of these acquisitions in 2017, the Targets and MNC have become direct subsidiaries of North Cement and have ceased to be connected persons of the Company. Accordingly, the continuing transactions between the Group and any of the Targets and MNC are no longer governed by the Jingang Master Agreement, and also no longer constitute continuing connected transactions of the Company. As of 31 December 2018, the Group did not conduct any continuing connected transactions under the Jingang Master Agreement.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Sinoma Parent Group

In March 2017, upon completion of certain reorganisation involving the Parent and Sinoma Parent, Sinoma Parent became a wholly-owned subsidiary of the Parent and therefore became a connected person of the Company. Before Sinoma Parent became a connected person of the Company, members of the Group had entered into agreements ("Subsequent CCT Agreements", a summary of each of them is set out in this section below) with subsidiaries of the Sinoma Parent, and the Subsequent CCT Agreements and the transactions contemplated thereunder constituted continuing transactions of the Company upon completion of the said reorganisation in March 2017. For details of the Subsequent CCT Agreements and the transactions thereunder, please refer to the announcement of the Company dated 18 January 2017 and 22 February 2017.

Upon completion of the Merger on 2 May 2018, the former subsidiaries of Sinoma have become subsidiaries of the Company, and therefore such subsidiaries have ceased to be connected persons of the Company. The continuing transactions between the Group and the said non-connected subsidiaries of the Company also ceased to constitute continuing connected transactions of the Group, but will continue to be conducted in accordance with the Subsequent CCT Agreements.

1. China United Cement Jining Co., Ltd.* – Contracting contract on production and exploitation of limestone mine

   On 25 June 2014, China United Cement Jining Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Mining (as the contractor, a subsidiary of Sinoma Parent), for a term of 8 years (from 1 July 2014 to 30 June 2022 tentatively), the actual contracting period shall commence upon the placement of the agreed liability risk performance deposit. The location of the project is at Julongshan limestone mine in Sishui County, Shandong Province, the PRC. Pursuant to the agreement, within the mining rights of the limestone mine in respect of the 7,200t/d clinker new dry process cement production line of the contract-letting party, the contractor shall be responsible for: (1) contracting of the exploitation and transportation of limestone required for production; (2) delivery of ores exploited to designated locations; and (3) removal of spoil and waste rock and delivery to the designated dump, and about 5 million tons of limestone is exploited per year. The pricing and payment terms are as follows:

   (a) Fixed consolidated unit price of RMB8.05 per ton is adopted for the contracting, subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism.

   (b) The contract-letting party shall be responsible for the mining royalties and resource compensation fees whereas the contractor shall be responsible for other taxes and fees.

   (c) Contracting fees shall be settled every month.

   During the period from 1 January 2018 to 2 May 2018, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB8 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Sinoma Parent Group *(continued)*

2. Guangxi Jinli Cement Company Limited* – Contracting contract on production and exploitation of limestone mine

   On 29 September 2010, Guangxi Jinli Cement Company Limited* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Nanjing Mining* (as the contractor, a subsidiary of Sinoma Parent), for a term of 8 years (from 1 July 2011 to 30 June 2019 tentatively), the actual commencement date of the contracting period shall be the date on which the limestone ores are supplied. The location of the project is at Limestone mine in Xiexu mining area, Hengzhou Town, Heng County, Nanning City, Guangxi Province, the PRC. Pursuant to the agreement, the contractor shall be responsible for the following in relation to the 2 x 4,500t/d new dry process cement production lines of the contract-letting party: (1) exploitation of limestone and delivery to the designated locations; (2) removal of spoil and waste rock and delivery to the designated dump; and (3) construction of industrial facilities for the mine, and about 5 million tons of limestone is exploited per year. The pricing is as follows:

   (a) Fixed consolidated unit price of RMB13.29 per ton is adopted for the contracting (inclusive of RMB2.00 per ton as infrastructure advance and RMB0.34 per ton as added-value tax of infrastructure advance) before the infrastructure advances were fully repaid. After the full repayment of the aforesaid infrastructure advances, the fixed consolidated unit price shall be RMB10.95 per ton.

   (b) Unit price of limestone delivered beyond the designated area shall be negotiated separately.

   (c) Contracting fees of limestone shall be settled every month but not for the removal of spoil and waste rock.

   (d) The abovementioned unit prices are subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism.

   During the period from 1 January 2018 to 2 May 2018, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB15 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Sinoma Parent Group *(continued)*

3. South Cement Chongzuo Co., Ltd.* – Contracting contract on production and exploitation of limestone mine

   On 1 February 2015, South Cement Chongzuo Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Chongzuo branch of Nanjing Mining* (as the contractor, a subsidiary of Sinoma Parent), for a term of 10 years (from 1 February 2015 to 30 January 2025 tentatively), the actual commencement date of the contracting period shall be the date on which the limestone ores are supplied. Pursuant to the agreement, the contractor shall be responsible for the following in relation to the 4,500t/d new dry process cement production line of the contract-letting party: (1) exploitation of limestone and delivery to the designated locations; and (2) daily maintenance, repair and management as agreed by both parties, and about 2.5 million tons of limestone is exploited per year. The pricing and payment terms are as follows:

   (a) Fixed consolidated unit price of RMB13.29 per ton is adopted for the contracting, subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism. The exploitation price of limestone can be lowered by both parties two years after the limestone supply date based on the actual circumstances.

   (b) Unit price of limestone delivered beyond the designated area shall be negotiated separately.

   (c) Exploitation fees of limestone shall be settled every month.

   During the period from 1 January 2018 to 2 May 2018, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB10 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Sinoma Parent Group *(continued)*

4. China United Cement Huaihai Co., Ltd.* – contracting contract on production and labour service of limestone

   On 10 December 2014, China United Cement Huaihai Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Construction Yanzhou Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term from 1 January 2015 to 31 December 2019. Pursuant to the agreement, the contractor is responsible for exploiting and loading ores from the mining area of limestone mines in Qinlongshan and Jiaoshan and delivering to the designated locations, and about 5 million tons of ores are produced per year. The annual production volume has satisfied the production needs of the contract-letting party and will be subject to possible adjustments according to the operating situations of the contract-letting party. The pricing and payment terms are as follows:

   (a) Fixed unit price of RMB7.9 per ton is adopted for the contracting, which is tax exclusive and subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism. The contract-letting party is responsible for payment of taxes.

   (b) Payment shall be made every month.

   During the period from 1 January 2018 to 2 May 2018, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB14 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Sinoma Parent Group *(continued)*

5. China United Cement Tai'an Co., Ltd.* – general contracting contract on limestone exploitation and transportation

   On 6 January 2014, China United Cement Tai'an Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Construction Yanzhou Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term of 10 years (commencing from the effective date of the general contracting contract). The location of the project is at Luohushan cement-used limestone mine in Yudong Village, Daiyue District, Tai'an City, Shandong Province, the PRC. Pursuant to the agreement, the contractor shall carry out general contracting for the entire process from exploitation to the safe transportation to designated locations in respect of the 5,000t/d clinker new dry process cement production line of the contract-letting party, and about 2.2 million tons of limestone is exploited for processing and transported per year. The pricing and payment terms are as follows:

   (a) Fixed consolidated unit price of RMB8.77 per ton is adopted for the contracting, subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism.

   (b) Payment shall be made every month.

   During the period from 1 January 2018 to 2 May 2018, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB4 million.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

The auditors of the Company have reviewed the continuing connected transactions of the Group conducted in the Reporting Period, and reported to the Board that:

(1) nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board;

(2) nothing has come to their attention that causes them to believe that the transactions involving provision of goods or services were not conducted, in all material respects, in accordance with the pricing policy of the Group;

(3) nothing has come to their attention that causes them to believe that the transactions were not conducted, in all material respects, in accordance with the terms of the agreement governing it; and

(4) nothing has come to their attention that causes them to believe that the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have exceeded their respective annual caps.

The independent non-executive Directors of the Company have reviewed these continuing connected transactions conducted in the Reporting Period and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that the connected transactions have been conducted:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or better, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions

The following transactions, constitute connected transactions, which were exempt from independent Shareholders' approval requirements and were only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Capital Contribution to Sanshi South

On 11 April 2018, Zhejiang South Cement (an indirect subsidiary of the Company) and Zhejiang Sanshi Group Limited Company (浙江三獅集團有限公司) ("Sanshi Group", a 100% indirectly-held subsidiary of the Parent), being shareholders of Sanshi South, entered into a capital contribution agreement, pursuant to which Zhejiang South Cement has agreed to make a capital contribution to Sanshi South in cash. Upon completion of the capital contribution, Sanshi South was held as to 90% by the Company through Zhejiang South Cement and 10% by the Parent through Sanshi Group and has become a subsidiary of the Company.

Details of the capital contribution to Sanshi South have been disclosed in the announcement of the Company dated 11 April 2018. As at the date of this report, the transaction has been completed.

Disposal of Equity Interests in Subsidiaries to a Connected Subsidiary

On 12 June 2018, Zhejiang South Cement and Jinhua South Cement Company Limited (金華南方水泥有限公司) (both indirect subsidiaries of the Company, the "Sellers") and Sanshi South (a 90% indirectly held subsidiary of the Company, the Parent indirectly held 10% of its equity interest) entered into an equity transfer agreement, pursuant to which the Sellers have agreed to transfer their respective equity interests in 25 indirect subsidiaries of the Company in the Zhejiang Province (comprising 24 companies engaging in commercial concrete businesses and one mineral company) to Sanshi South at a consideration of RMB1,316,005,900.

Details of the disposal of equity interests in subsidiaries to a connected subsidiary have been disclosed in the announcement of the Company dated 12 June 2018. As at the date of this report, the transaction has been completed.

Acquisition of Equity Interest in Southwest Cement

On 20 June 2018, the Company, Zhonghai Trust and Southwest Cement (a subsidiary of the Company), entered into an equity transfer agreement, pursuant to which the Company has agreed to purchase, and Zhonghai Trust has agreed to sell, the 18.70% equity interest in Southwest Cement. Upon completion of the acquisition, the Company's equity interest in Southwest Cement has increased from 70% to 88.70%.

Details of the acquisition of equity interest in Southwest Cement have been disclosed in the announcement of the Company dated 20 June 2018. As at the date of this report, the transaction has been completed.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(continued)*

Supplemental Agreement to the Relocation Compensation Agreement

On 4 April 2014, Tianshan Cement and Tianshan Real Estate entered into the relocation compensation agreement ("Relocation Compensation Agreement"), pursuant to which Tianshan Real Estate agreed to pay a certain amount through six annual instalments from 2014 to 2019, in return of which Tianshan Cement agreed to deliver corresponding assets on the Cangfanggou Plant (being the plant located in Urumqi in the PRC which used to be operated by Tianshan Cement) in batches.

On 27 July 2018, Tianshan Cement (a subsidiary of the Company), Tianshan Real Estate (a subsidiary of the Parent) and Tianshan Building Materials (a subsidiary of the Parent and the 100% holding company of Tianshan Real Estate) entered into the Supplemental Agreement to the Relocation Compensation Agreement to, among other things, adjust the payment schedule for the outstanding amount of RMB578,233,672.90 under the Relocation Compensation Agreement.

Details of the Supplemental Agreement to the Relocation Compensation Agreement are disclosed in the announcement of the Company issued on 27 July 2018.

Acquisition of Bengbu Chemical Machinery

On 28 December 2018, Bengbu Triumph (an indirect subsidiary of the Company) and (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd. ("Bengbu Institute", an indirect wholly-owned subsidiary of the Parent) entered into the Agreement, pursuant to which Bengbu Triumph has agreed to purchase, and Bengbu Institute has agreed to sell, the 100% equity interest in Bengbu Chemical Machinery.

Details of acquisition of Bengbu Chemical Machinery are disclosed in the announcement of the Company issued on 28 December 2018. As at the date of this report, the transaction has not been completed.

CONNECTED TRANSACTIONS *(CONTINUED)*

Completion of a Non-exempt Connected Transaction

Merger Agreement with Sinoma

On 8 September 2017, the Company and Sinoma entered into a merger agreement (the "Merger Agreement"), pursuant to which, the Company and Sinoma have implemented the Merger subject to the terms and conditions of the Merger Agreement. As the Parent then controlled more than 30% of the equity interest in Sinoma through its wholly-owned subsidiary, Sinoma Parent, Sinoma was an associate of the Parent and hence a connected person of the Company. The Merger therefore constituted a connected transaction of the Company.

On 2 May 2018, the H Share Exchange (i.e. the issuance and dispatch of H Share certificates of the Company to Sinoma Share-Exchange Shareholders) and the Unlisted Share Exchange (i.e. share registration of the Unlisted Shares of the Company issued to Sinoma Share-Exchange Shareholders) have been completed. On 31 July 2018, the Company received a new business certificate dated 30 July 2018 issued by the Beijing Municipal Administration of Industry and Commerce (the "BAIC") reflecting the completion of the business registration update in connection with the Merger at the BAIC. After completion of the Merger, Sinoma was merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws.

Please refer to further disclosure relating to completion of the Merger Agreement as set out in the section headed "Material Transactions" in this annual report.

Details of the Merger are disclosed in the joint announcement dated 8 September 2017, the announcement dated 29 September 2017, the circular and the joint announcement dated 20 October 2017, the overseas regulatory announcement dated 31 October 2017, the joint announcement dated 6 November 2017, the supplemental circular and the joint announcement dated 17 November 2017, the joint announcement dated 23 November 2017, the announcement dated 6 December 2017, the overseas regulatory announcement dated 7 December 2017, the joint announcement dated 18 December 2017, the joint announcement dated 21 December 2017, the overseas regulatory announcement dated 22 December 2017, the announcement dated 29 December 2017, the overseas regulatory announcement dated 22 January 2018, the announcement dated 25 January 2018, the joint announcement dated 16 March 2018, the joint announcement dated 29 March 2018, the announcement dated 29 March 2018, the announcement dated 6 April 2018, the announcement dated 12 April 2018, the overseas regulatory announcement dated 13 April 2018, the announcement dated 2 May 2018 and the announcement dated 31 July 2018. As of the date of this report, this transaction and the Company's registration procedures for the Merger with the industrial and commercial administration have been completed, and the industrial and commercial de-registration of Sinoma is yet to be completed.

NON-COMPETITION AGREEMENT

As at the date of this report, the Parent confirmed that it has complied and will comply with the Non-Competition Agreement dated 28 February 2006 entered into with the Company. Pursuant to this agreement, the Parent has agreed not to, and to procure its subsidiaries (excluding the Group) not to compete with the Group in its core businesses.

None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2018, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

Under the Articles of Association of the Company and the laws of the PRC, there are no provisions about pre-emptive rights that require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

AUDITORS

At the Board meeting held on 23 March 2018, pursuant to the authorisation granted at the 2017 annual general meeting held on 13 June 2018, the Board determined to re-appoint Baker Tilly HK and Baker Tilly China as international and domestic auditors of the Company respectively, to hold office until the date of convening the 2018 annual general meeting. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

DONATIONS

Donations for charitable or other purposes made by the Group during the Reporting Period amounted to RMB37,146,053.18.

ISSUE OF DEBENTURES

During the Reporting Period, the Company issued the following debentures in an aggregate principal amount of RMB48.7 billion to expand its financing channels, meet capital requirements, optimise its debt structure, utilize the financing function of the debt market fully and reduce its financing cost.

During the Reporting Period, the Company completed issuance of three tranches of renewable corporate bonds for cash in an aggregate principal amount of RMB4.3 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of seven tranches of corporate bonds for cash in an aggregate principal amount of RMB12 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of nineteen tranches of the super short-term commercial paper for cash in an aggregate principal amount of RMB28.1 billion, par value of RMB100.

By order of the Board
Cao Jianglin
Chairman of the Board

Beijing, the PRC
22 March 2019

Other Significant Matters

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, save as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor was any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement dated 30 May 2010 by the Company reproducing the announcement of BNBM in respect of the gypsum board in the United States and the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third quarterly report, the 2015 annual report, the 2016 interim report, the 2016 annual report, the announcement dated 22 June 2017, the 2017 interim report, the announcement dated 22 March 2018, the 2017 annual report, the announcement dated 22 August 2018, the 2018 interim report and the announcement dated 19 March 2019 setting out information on the subsequent development of the gypsum board litigation in the United States.

In March 2018, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum and/or Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan") are parties, BNBM and Taishan have jointly reached settlement with the plaintiff of one of the gypsum board cases, Meritage Homes of Floria, Inc. ("Meritage"). According to the terms of BNBM and Taishan's joint settlement with Meritage, Taishan agreed to pay Meritage US$1,380,000, in full and final settlement of Meritage's respective claims against BNBM and Taishan. According to the settlement agreement, Taishan has pay the settlement to Meritage. The case filed by Meritage against BNBM and Taishan has been fully settled.

Having fully considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM and Taishan Gypsum Company Limited* are parties, Taishan has reached settlement with the Plaintiffs (including Allen) ("Plaintiffs") of one of the gypsum board cases. This gypsum board case is a third-party claim which has been initiated by the original claimants, Venture Supply, Inc. and Porter-Blaine Corp. (collectively, "Venture"), against Taishan, and has subsequently been transferred to the Plaintiffs (the "Transferred Third-party Claim") as a part of the settlement arrangement for a lawsuit brought by the Plaintiffs against Venture in Virginia in the US. According to the terms of settlements reached between Taishan and the Plaintiffs, Taishan agreed to pay a settlement sum of US$1,978,528.40 into a custodian account within 60 days from the effective date (i.e. 21 August 2018) of the settlement agreement. After the payment is made, the Plaintiffs will waive all liabilities with respect to Taishan the Transferred Third-party Claim involves, and will not make any further claims or allegations with respect thereto. In September 2018, Taishan has paid the settlement sum in full into the custodian account. With respect to Taishan, the Allen case had been concluded.

Having considered integrated factors including costs of litigation and potential impact on other gypsum board litigation by BNBM and Taishan Gypsum, in March 2019, Taishan reached settlement with not more than 498 plaintiffs (the "Plaintiffs") from the cases remanded to the Southern District Court of Florida for trial in the Amorin Case (as defined in the announcement of the Company dated 13 February 2015) and has entered into a settlement and waiver of liability agreement (the "Settlement Agreement") with the Plaintiffs. The maximum aggregate settlement amount payable by Taishan under the Settlement Agreement is US$27,713,848.47 (subject to upward adjustment in the event of, in summary, Taishan

I. MATERIAL LITIGATION AND ARBITRATION *(Continued)*

entering into any further settlement agreement "on or before 11:59 pm EDT on 31 March 2021 with any other plaintiffs in the Amorin Case within the State of Florida who are not party or subject to the Settlement Agreement in respect of cases bearing similar characteristics (in relation to product markings) as the cases relating to the Plaintiffs" on terms significantly more favourable to the plaintiffs than the Settlement Agreement (the "Possible Adjustment")). According to the terms of the Settlement Agreement, each Plaintiff shall irrevocably and unconditionally discharge and release any and all claims against Taishan and certain of its related parties upon receiving the settlement amount in full.

The Company, BNBM and Taishan Gypsum have respectively engaged domestic and overseas lawyers to consider and assess the litigation strategies and defenses, as well as its impact on each of the parties above. At present, the economic loss of the Company and the impact on its profit for the current period (if any) that may result from the case cannot be accurately estimated. The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

II. MATERIAL TRANSACTIONS

Completion of the Merger Agreement with Sinoma

On 8 September 2017, the Company and Sinoma entered into a merger agreement (the "Merger Agreement"), pursuant to which, the Company and Sinoma have implemented the Merger subject to the terms and conditions of the Merger Agreement. The highest relevant percentage ratio for transaction classification under the Listing Rules in respect of the relevant acquisition and the issue and exchange of H Shares and Unlisted Shares of the Company pursuant to the Merger exceeded 25% and was lower than 100%. The Merger therefore constituted a major acquisition for the Company. On 2 May 2018, the H Share Exchange (i.e. the issuance and dispatch of H Share certificates of the Company to Sinoma Share-Exchange Shareholders) and the Unlisted Share Exchange (i.e. share registration of the Unlisted Shares of the Company issued to Sinoma Share-Exchange Shareholders) have been completed. Please refer to further disclosure relating to completion of the Merger Agreement as set out in the section headed "*Connected Transactions – Completion of a Non-exempt Connected Transaction*" in this annual report.

Financial Services Framework Agreement

On 23 March 2018, the Company and Sinoma Finance entered into the Financial Services Framework Agreement with a term of two years from 1 January 2018 to 31 December 2019, pursuant to which, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of deposit services under the Framework Agreement exceeds 25%, the deposit services under the Financial Services Framework Agreement constitute a major and connected transaction for the Company.

For details of the Financial Services Framework Agreement, please refer to the statement in the section headed "*Continuing Connected Transactions – 5. Financial Services Framework Agreement*" in this annual report.

Report of the Supervisory Committee

Dear shareholders,

During the Reporting Period, the fourth session of the Supervisory Committee of the Company (the "Supervisory Committee") has proactively performed its duties in accordance with the relevant requirements under the Company Law and the Articles of Association of the Company, solely exercised its functions and powers according to law, conducted supervision and inspection on the lawful operations, corporate finance, execution of resolutions passed at shareholders' meetings, major decision-making procedure of the Board and legal compliance of the Company's operating and managerial activities, performance of duties by Directors and management as well as other matters. With dedication and sense of responsibility, adhered to the principle of truthfulness and honesty, members of the Supervisory Committee have made great contribution to improvement of corporate governance, progress of reorganization and consolidation, further optimization and upgrading and realization of stable and sustained development with high quality so as to pragmatically protect the interests of the Company and its shareholders.

During the Reporting Period, the Supervisory Committee held a total of four meetings; all Supervisors attended all of the Board meetings. The Supervisory Committee has reviewed eight resolutions including the Supervisory Committee Working Report of the Company for 2017, the auditor's report and audited financial statements of the Group for 2017, the profit distribution plan and the final dividend distribution plan for 2017, adjustment to the emoluments of non-staff representative supervisors of the fourth session of the Supervisory Committee of the Company and decision on the emoluments of newly appointed supervisors, election of the chairman of the fourth session of the Supervisory Committee, the 2018 interim report and interim results announcement, the 2018 review report for interim financial information and the 2018 half-yearly report, the distribution of interim dividends for 2018 and other related matters. The committee carried effective supervision over the performance of duties of Directors and the senior management of the Company, operational management, financial position and information disclosure for the year.

Supervision over the performance of duties. During the Reporting Period, the Supervisory Committee developed more channels for communication with the Board and the senior management through various means such as convening meetings of the Supervisor Committee, attending shareholders' meetings and Board meetings, and carried out supervision over standardised operation, legal compliance in operation, major decision-making and performance of duties by the Board members and the senior management as well as other matters. The Supervisory Committee is of the opinion that, the Board of the Company had complied with the requirements of the Company Law, the Articles of Association of the Company and other relevant rules, regulations and systems, reviewed the operation of the Company in an objective and reliable manner in order to make legitimate and sensible decisions. Directors and the senior management of the Company had conscientiously implemented the laws and regulations of the State, the Articles of Association, resolutions passed at shareholders' meetings and Board meetings. They have also been dedicated to their duties with honesty, committed to diligence and solid work ethics, adhered to lawful operations and prudent decision-making, and have made unremitting efforts in the production and operation of the Company.

Supervision over financial matters. During the Reporting Period, the Supervisory Committee carefully reviewed regular reports and strengthened supervision over the financial compliance and truthfulness. It reviewed relevant financial information of the Company and audit reports issued by the auditors on a regular basis. The Supervisory Committee is of the view that the accounts and the accounting treatment of the Company has complied with the Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the People's Republic of China and requirements set out in the Hong Kong Financial Reporting Standards. The committee also confirmed that the Company carried out standard financial audits, operated proper financial strategies and put in place a sound internal control system, which was in line with the development status and expectations of the Company. Having reviewed relevant information including the 2018 financial report with the unqualified opinion issued by the independent auditors as of the date of the report, the Supervisor Committee is in the position that the report follows the principle of consistency and gives an accurate, true, fair and complete view of the financial position and operating results of the Company.

Information disclosure. During the Reporting Period, the Supervisory Committee reviewed the information disclosure position of the Company regularly or from time to time. The Supervisory Committee is of the view that the Company has complied with relevant requirements of the Listing Rules and other regulations; it has performed well in information disclosures by disclosing appropriate information in a timely manner and the disclosed contents are truthful, accurate, complete, and effective, without false statements, misleading representations or material omission. During the Reporting Period, the Company fulfilled the information disclosure responsibility in accordance with regulatory policies, and duly executed the management over all information disclosure matters. Relevant information has been disclosed in a timely and fair manner, and all the information disclosed during the Reporting Period is true, accurate and complete.

The Supervisory Committee is satisfied with the Company's positive reaction to complicated and changing economic conditions and achievements in deepening consolidation and reorganization, maintaining stable growth, accelerating innovation-driven reform and recording satisfactory performance in all business segments in 2018. It hopes that in 2019, the Directors and the senior management will keep deepening internal business consolidation, further promote restructuring and technology innovation and lead the Company to the path of high-quality development.

In the new year, the Supervisory Committee will stay vigilant to the development of the Company, perform its supervisory duties by adhering to the principle of honesty and diligence, closely monitor the development of the Company and fully develop the advantages of supervision to continuously improve the management of the Company, as well as concretely safeguard and guarantee the legitimate interests of the Company and its shareholders, in compliance with relevant laws, regulations and the Articles of Association of the Company.

Li Xinhua
Chairman of the Supervisory Committee

Beijing, the PRC
22 March 2019

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Cao Jianglin, born in September 1966, is the chairman and an executive director of the Company. Mr. Cao has nearly 30 years of experience in business and management in the building material industry. Mr. Cao has been the chairman of the Company since June 2018 and a general manager of the Parent since April 2014. He served as a director of China United Cement and the chairman of the board of Southwest Cement from January 2012 to March 2016. He has been the chairman of the supervisory committee of BNBM since September 2009. He was the chairman of North Cement from March 2009 to June 2017, and has been the chairman of South Cement since September 2007, a director of Parent since October 2005, the chairman of the supervisory committee of BNBMG since August 2005, an executive director of the Company since March 2005 and the president of the Company from March 2005 to June 2018. Mr. Cao was the chairman of BNBM from October 2004 to August 2009, a director of China Triumph from September 2004 to April 2016, a director of China CCGC from September 2004 to March 2016, the chairman of China Jushi since June 2002 and the chairman of CNBM Investment from March 2002 to August 2014. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao's professional and technical position was a researcher and was awarded a special grant of the government approved by the State Council. Mr. Cao was granted Model Worker of China Central Government Enterprises, Excellent Entrepreneur of the State and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果). He has been awarded the title of "The Best CEO" by Institutional Investor for seven consecutive years.

Mr. Peng Jianxin, born in June 1959, was the vice chairman and executive director of the Company. Mr. Peng has over 35 years of operation and management experience in the non-metal materials industry. He has served as the executive director and vice chairman of the Company since June 2018, as a director of Sinoma since November 2017, as a director of Tianshan Cement since April 2015, as an executive director and president of CNMC (China National Materials Company Limited) from October 2014 to May 2018, as a director of Sinoma International Engineering Co., Ltd. since September 2014. He served as the chairman of Tianjin Cement Industry Design & Research Institute Co., Ltd. from September 2012 to September 2014, as the general manager of Tianjin Cement Industry Design & Research Institute Co., Ltd. from September 2010 to September 2012, as the chairman of CBMI Construction Co., Ltd. from December 2008 to September 2014, as the vice-president of Sinoma International Engineering Co., Ltd. from March 2006 to September 2014, as the chairman and general manager of CBMI Construction Co., Ltd. from March 2006 to December 2008. From October 2002 to March 2006, Mr. Peng served successively as deputy general manager and general manager of CBMI Construction Co., Ltd.. From October 1984 to October 2002, he served successively as section chief, team head, manager assistant, project manager, deputy general manager of Tangshan Installation Engineering Company (唐山安裝工程公司), and served as a technician in fourth installation division of the Construction Company of the State Bureau of Building Materials Industry (國家建材局建設公司) from September 1983 to October 1984. Mr. Peng obtained a doctoral degree in management science and engineering from Wuhan University of Technology (武漢理工大學) in December 2006. He is a professorate senior engineer. Mr. Peng was awarded as a National Outstanding Science and Technological Personnel (優秀青年科技工作者), the Luban Prize for Construction Project (建築工程魯班獎) and as an Outstanding Party Affairs Worker (優秀黨務工作者).

DIRECTORS *(CONTINUED)*

Executive Directors *(continued)*

Mr. Peng Shou, born in August 1960, is the president and an executive director of the Company. Mr. Peng has over 35 years of experience in business and management in the building material industry. Mr. Peng has served as the president of the Company since June 2018, an executive director of the Company since June 2006, a vice president of the Company from March 2005 to June 2018, the chairman of China Triumph since September 2004, the president of China Triumph from May 2002 to December 2018 and the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng has held various positions in the subsidiaries under CNBMG. Mr. Peng received a bachelor's degree in engineering from Wuhan Institute of Building material industry (now Wuhan University of Technology) in December 1982 and a master's degree in management from Wuhan Polytechnic University in June 2002. Mr. Peng is qualified as a professor level senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Peng concurrently acts as the director of State Key Laboratory of Float Glass New Technology (浮法玻璃新技術國家重點實驗室), the vice chairman of China Silicate Association (中國硅酸鹽學會) and the vice president of China Building Material Federation. Mr. Peng was a representative of the 12th and 13th National People's Congress, and was awarded National Model Worker (全國勞動模範), State Technology Advancement (國家級科技進步獎), Guanghua Engineering Science and Technology Award of Ho Leung Ho Lee Foundation. He is a National Engineering Survey and Design Master (國家級工程勘察設計大師), and is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程) and State Outstanding Technical Officer (全國優秀科技工作者).

Mr. Cui Xingtai, born in November 1961, is the vice president and an executive director of the Company. Mr. Cui has over 35 years of business and management experience in building material industry. He has served as a director of Southwest Cement since December 2011, an executive director of the Company since August 2009, a director of South Cement since September 2007, the chairman of China United Cement since April 2005, a vice president of the Company since March 2005 and the vice chairman of China United from August 2004 to April 2005, the deputy chief engineer of the Parent from November 2003 to March 2005, and the deputy general manager of China United from April 2002 to August 2004, the chief engineer of China United from July 1999 to August 2004. From June 1997 to January 1999, Mr. Cui served as the head of Lunan Cement Factory. Mr. Cui graduated from Wuhan Institute of Building Material Industry (now Wuhan University of Technology) in July 1984 and obtained post graduate education in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he received an EMBA degree from Tsinghua University in January 2008. Mr. Cui is qualified as a professor-level senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Cui concurrently acts as the vice president and secretary general of China Cement Association. Mr. Cui was awarded the National Outstanding Entrepreneur (全國優秀企業家), and the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Non-executive Directors *(continued)*

Ms. Xu Weibing, born in March 1959, is a non-executive Director of the Company. Ms. Xu has more than 35 years of experience in financial accounting and capital operations. Ms. Xu has been a non-executive Director of the Company since June 2018, the chairman of the Supervisory Committee of the company from December 2017 to June 2018, and has been the chief accountant of the Parent since May 2017. She served as the deputy general manager of the Parent from August 2016 to May 2017, as a director of Sinoma Energy Conservation Ltd. (中材節能股份有限公司) since December 2013, as the chairperson of Sinoma Group Finance Co., Ltd. since April 2013, as the chairman of the Supervisory Committee of the Company from July 2007 to May 2018, as deputy general manager of China National Non-Metallic Materials Corporation (中國非金屬材料總公司) from March 2005 to July 2007, as the chairman of supervisory committee of Sinoma Science & Technology from December 2001 to September 2014, and as the chief accountant of China National Materials Group Corporation Ltd. (中國中材集團有限公司) from October 2000 to August 2016. From February 1989 to October 2000, Ms. Xu worked for China National Non-Metallic Minerals Corporation (中國非金屬礦工業總公司) and held a number of positions, including deputy controller and head of corporate finance department, the head of corporate finance department, manager of economics and finance department, deputy section officer and assistant manager of the finance department. She was a deputy section officer in the economic and financial division of National Building Materials Bureau (國家建材局) from June 1985 to February 1989. Ms. Xu obtained a bachelor's degree from Liaoning Finance and Economics Institute (遼寧財經學院) in July 1983, majoring in finance, and is a senior account. Ms. Xu is entitled to a special government allowance provided by the State Council.

DIRECTORS *(CONTINUED)*

Non-executive Directors *(continued)*

Mr. Chang Zhangli, born in December 1970, is an executive director of the Company. Mr. Chang has nearly 30 years of experience in handling listing-related matters for listed companies, has participated in all major matters relating to the global offering of the shares of the Company and listing, additional issuance, merger by absorption of shares of the Company on the Stock Exchange. Mr. Chang has served as the deputy general manager of the Parent since July 2018, as a non-executive director of the Company from June 2018, as a director of China Jushi since May 2016, and as the chairman of Southwest Cement since April 2016. He served as a director of Southwest Cement since December 2011. He acted as the vice chairman of the board of Southwest Cement from December 2011 to March 2016. He has been an executive Director of the Company from November 2011 to June 2018. Mr. Chang has been serving as a director of BNBM since July 2008, the vice president of the Company from August 2006 to June 2018, a director of China Jushi since July 2005 and the secretary to the Board of the Company from March 2005 to June 2018. From June 2000 to March 2005, Mr. Chang successively served as the secretary to the board and the deputy general manager. Mr. Chang is an engineer who received a bachelor's degree in engineering from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in July 2005. Currently, Mr. Chang concurrently serves as the chairman and executive director of China Shanshui Cement Group Limited, the vice president of China Association for Public Companies. Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

Mr. Tao Zheng, born in February 1975, is a non-executive Director of the Company. Mr. Tao has over 20 years of experience in corporate operation and management as well as handling matters of listed companies, with participation in various major matters relating to capital operation, merger and acquisition as well as reorganisation. Mr. Tao has been serving as a non-executive Director of the Company since October 2014, a director and the general manager of BNBMG since July 2014. From August 2009 to July 2014, Mr. Tao acted as deputy general manager and secretary to the board of directors of China Jushi. From February 2005 to August 2009, Mr. Tao assumed a few important posts in BNBM including assistant general manager, general manager of the procurement department, secretary to the board of directors and so forth. From February 2001 to February 2005, Mr. Tao held several positions such as assistant to president, general manager of the hardware business department and general manager of the general management department of CNBM Investment (formerly known as BND Co., Limited). Mr. Tao obtained a bachelor's degree of international trade from Nankai University in June 1997 and an MBA degree from Peking University in July 2009. Mr. Tao concurrently serves as standing director of China Enterprise Reform and Development Society (中國企業改革與發展研究會), deputy director of the China Capital Entrepreneurs' Club (首都企業家俱樂部), the deputy chief secretary of the Listed Companies Association of Beijing, a director of China Youth Entrepreneurs Association and, the vice chairman of China Construction and Decoration Material Association (中國建築裝飾裝修材料協會) and a member of the fourth Standing Committee of Central Enterprises Youth Union.

DIRECTORS *(CONTINUED)*

Non-executive Directors *(continued)*

Mr. Chen Yongxin, born in February 1971, is a non-executive Director of the Company. Mr. Chen has nearly 30 years of experience in corporate management. Mr. Chen has been a non-executive Director of the Company since May 2016, a director and general manager of CNBM Trading since January 2015, and the vice chairman of CNBM Investment since August 2014. He served as the president of CNBM Investment from August 2014 to April 2016 and has been the chairman of CNBMIT Co., Ltd. since July 2009. He acted as the general manager of CNBMIT Co., Ltd. from July 2009 to April 2015, vice president of CNBM Investment Company Limited from April 2003 to August 2014, assistant to president of BND Co., Limited from February 2002 to April 2003, general manager of Integrated Product Department of BND from January 2001 to February 2002, manager of China National Building Material & Equipment Import and Export Zhujiang Corporation (中國建築材料及設備進出口珠江公司) from June 1997 to January 2001, business head of CATIC Shenzhen Company (中國航空技術進出口深圳公司) from December 1993 to June 1997. Mr. Chen received a bachelor's degree in Technology and Information Management from Beihang University in July 1992 and an MBA degree from Tongji University in December 1999. Mr. Chen is concurrently the vice chairman of China Building Materials Market Association, and executive director of China Enterprise Reform and Development Society and China Building Materials Federation. Mr. Chen was honored as the National Outstanding Entrepreneur of Building Materials Industry (全國建築材料行業優秀企業家).

Mr. Shen Yungang, born in September 1966, is a non-executive Director of the Company. Mr. Chen has rich experience in investment management. Mr. Shen has been serving as a non-executive Director of the Company since June 2018, as the deputy general manager of equity management department of China Cinda Asset Management Co., Ltd. since October 2016, as a non-executive director of China National Materials Company Limited from July 2016 to May 2018, as a director of Wengfu (Group) Co., Ltd (甕福(集團)有限責任公司) since December 2013, and as a supervisor of China Nuclear Engineering Corporation Limited (中國核工業建設股份有限公司) since November 2013. He served as the assistant to the general manager of equity business department of China Cinda Asset Management Co., Ltd from September 2013 to October 2016, served successively as the deputy manager of investment banking as well as the deputy manager, manager, senior deputy manager and senior manager of equity management department of China Cinda Asset Management Co., Ltd. from May 1999 to September 2013, as the project manager of investment banking department in China Cinda Trust Investment Company (中國信達信託投資公司) from May 1998 to April 1999, as the manager of business department of Hyde International Investment LTD (海德國際投資有限公司) from May 1994 to May 1998, and worked in Capital Steel Beijing Lingyun Building Materials & Chemical Co., Ltd. (首鋼北京凌雲建材化工有限公司) from July 1990 to April 1994. Mr. Shen obtained a bachelor degree in English from Wuhan University of Technology (武漢理工大學) in June 1990. He is an economist.

DIRECTORS *(CONTINUED)*

Non-executive Directors *(continued)*

Ms. Fan Xiaoyan, born in October 1965, is a non-executive Director of the Company. Ms. Fan has extensive experience in accounting. She has been serving as a non-executive Director of the Company since June 2018, as a director and general manager of Tai'an Taishan Caijin Investment Co., Ltd (泰安市泰山財金投資有限公司) since July 2017. She served as deputy director of the investment and finance management office of Tai'an Municipal Government of Tai'an Bureau of Finance from March 2006 to July 2017, as deputy head and head of Tai'an Bureau of Finance from October 1994 to March 2006, and as a staff member of Tai'an Bureau of Finance from July 1984 to October 1994. Ms. Fan obtained a bachelor's degree from international economics from the Party School of the Central Committee of CPC (中央黨校) in December 1998, and a master's degree in economic management from Shandong Provincial Committee of the Party School (山東省委黨校) in June 2008. She is a senior accountant.

Independent non-executive Directors

Mr. Sun Yanjun, born in March 1970, is an independent non-executive Director of the Company. Mr. Sun has accumulated rich experience in private equity investment as well as mergers and acquisitions of overseas listing of Chinese companies. Mr. Sun has been serving as an independent non-executive Director of the Company since October 2014, as a non-executive director of Phoenix Media Investment (Holdings) Limited since November 2013, as a non-executive director of Xin Yuan (China) Properties Co., Ltd from September 2013 to May 2018. He has served as a partner and managing director of TPG Capital since August 2011. From November 2007 to January 2010, he served as a non-executive director of China Yurun Food Group Limited. From June 2006 to May 2011, he served as managing director of direct investment of Goldman Sachs. From July 2004 to May 2006, he served as the vice president of Morgan Stanley's Hong Kong Investment Banking Department. From September 2002 to May 2004, he served as the manager of General Electric Company. From September 1997 to February 2000, he served as the manager of Citigroup Inc.. Mr. Sun received a bachelor's degree in International Finance from Renmin University of China in July 1992 and an MBA degree from the University of Michigan in May 1997.

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(continued)*

Mr. Liu Jianwen, born in May 1959, is an independent non-executive Director of the Company. Mr. Liu has rich research experience in the fields of fiscal and tax law, economic law and intellectual property law. Mr. Liu has been serving as an independent non-executive Director of the Company since May 2016. He served as an independent Supervisor of the Company from October 2014 to May 2016. He has been serving a professor and doctoral tutor of the Law School of Peking University since July 1999. From January 1997 to October 1997, Mr. Liu used to hold the position of deputy dean in the Law School of Wuhan University. Mr. Liu used to be a professor and doctoral tutor of the Law School of Wuhan University from May 1995 to December 1999 and a lecturer and deputy professor of the Law School of Wuhan University from July 1986 to April 1995. Mr. Liu obtained a bachelor's degree in Economics in Anhui University of Finance in June 1983, a master's degree in law in China University of Political Science and Law in June 1986 and a doctorate degree in law in Wuhan University in June 1997 and completed his postdoctoral program in law from Peking University in June 1999. Mr. Liu is currently an independent director of Shandong Hi-Speed Group Co., Ltd. and Jiangsu Qiangli New Materials Corporation (江蘇強力新材股份有限公司). Mr. Liu concurrently holds the position of chairman of China Association for Fiscal and Tax Law, a legislative expert advisor of the NPC Standing Committee, a legislative expert advisor of the NPC Standing Committee, a law advisor of the Ministry of Finance. Mr. Liu received various awards, including the third prize of An-zijie International Trade Outstanding Works, the first prize of Outstanding Research on Philosophy and Social Science in Beijing and the second prize of the National Outstanding High School of Research on Philosophy and Social Science.

Mr. Zhou Fangsheng, born in December 1949, is an independent non-executive Director of the Company. Mr. Zhou has rich experience in corporate management. He has served as an independent non-executive Director of the Company since May 2016. He served as Vice Counsel of the Enterprise Reform Bureau of the State owned Assets Supervision and Administration Commission of the State Council from July 2003 to December 2009, director of State-owned Assets Administration Research Section of Research Institute for Fiscal Science of Ministry of Finance from September 2001 to July 2003, deputy director of Difficulty Relief Working Office for Stated-owned Enterprises of the State Economic and Trade Commission from December 1997 to September 2001, deputy director of the Stated-owned Assets Administration Research Institute from July 1995 to December 1997, deputy division director and division director in the State-owned Assets Administration Bureau from December 1991 to July 1995 and deputy division director of China National Heavy Duty Truck Group Co., Ltd. from August 1986 to December 1991. Mr. Zhou graduated from Specialised Cadre Development Department of Hunan University majoring in engineering management in July 1985 and completed post graduate course from the Renmin University of China in Enterprise Management in July 1995. Currently, Mr. Zhou serves as independent supervisor of Sinotrans Limited, and an independent non-executive director of Hengan International Group Company Limited.

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(continued)*

Mr. Qian Fengsheng, born in October 1964, is an independent non-executive Director of the Company. Mr. Qian has extensive research experience in accounting and economics. He has been an independent non-executive Director of the Company since May 2016, and was the head of the accounting department of Zhejiang College of Shanghai University of Finance and Economics from May 2011 to March 2016. He was the head of the MPAcc Center of Shanghai University of Finance and Economics from May 2004 to May 2012, and has been serving as an associate professor of the School of Accountancy of Shanghai University of Finance and Economics since June 1996, and a tutor of the School of Accountancy of Shanghai University of Finance and Economics since July 1986. In July 1986, Mr. Qian obtained a bachelor's degree in accounting and economics from Shanghai University of Finance and Economics and in June 1992, he obtained a master's degree in accounting and economics therefrom. In July 1999, he obtained a doctoral degree in accounting from Shanghai University of Finance and Economics. Currently, Mr. Qian concurrently serves as an independent director of Shanghai Hanbell Precise Machinery Co., Ltd., Shanghai Tofflon Science, Technology Co., Ltd., and Shenwu Energy Saving Co., Ltd., an independent non-executive director of Northeast Electric Development Company Limited, and a member of the basic accounting theory committee of the Ministry of Finance (會計基礎理論專門委員會). Mr. Qian was honored the second prize of National Teaching Achievement Award (國家級教學成果二等獎).

Ms. Xia Xue, born in January 1968, is an independent non-executive Director of the Company. Ms. Xia possesses extensive research experience in the regulation of securities market, governance of listed companies, legal system for securities and other fields. She has been serving as an independent non-executive Director of the Company since May 2016 and the vice president of Shanghai Shipping Freight Exchange Co., Ltd. since January 2012. From June 1997 to December 2011, she was the executive manager of Shanghai Stock Exchange. Between August 1996 and March 1997, she was the human resources manager of China Europe International Business School and was a lawyer and a partner of Shanghai Second Legal Firm (上海市第二律師事務所) from September 1990 to July 1996. Ms. Xia obtained the bachelor's degree in economic law from East China University of Political Science and Law in July 1990, a master's degree in Business Administration from Tongji University in July 1998 and a doctoral degree in law from East China University of Political Science and Law in July 2010. She is a lawyer. At present, Ms. Xia concurrently serves as an independent director of Shanghai Jin Jiang International Industrial Investment Company Limited, a special member of the Hongkou CPPCC of Shanghai, an arbitrator of the Shanghai Arbitration Commission, and an external director of Hongkou Commercial Group (虹口商業集團).

SUPERVISORS

Mr. Li Xinhua, born in July 1964, is the chairman of supervisory committee of the Company. Mr. Li has over 30 years of experience in the non-metal materials industry. Mr. Li has been serving as the chairman of supervisory committee since June 2018, as the vice chairman and a director of the Parent since August 2016, as a director of Sinoma Group Finance Co., Ltd. since April 2013 and as the vice chairman of the board of directors of China National Materials Company Limited from February 2013 to May 2018. He served as the general manager of the Parent of China National Materials Group Corporation Ltd. from February 2013 to July 2016, as a director of Sinoma International Engineering Co., Ltd. from July 2011 to September 2014, as a director of BBMG Corporation from May 2011 to October 2012, as the president of China National Materials Company Limited from January 2011 to October 2014, as the president of Sinoma Science & Technology Co., Ltd. from October 2009 to August 2010, as a director of Sinoma Science & Technology since May 2003, as the chairman of Qilianshan Cement since June 2011 and as the chairman of Sinoma Science & Technology from May 2003 to May 2013. Mr. Li obtained his bachelor degree in analytical chemistry from Shandong Institute of Building Materials (山東建材學院) in July 1985. He is a professorate senior engineer, and is entitled to a special government allowance approved by the State Council. Mr. Li currently serves as the vice president of China Building Materials Federation (中國建築材料聯合會), and the vice chairman of Chinese Silicate Society (中國矽酸鹽學會), etc. Mr. Li was awarded as a National Young and Middle-Aged Expert with Important Contribution (國家有突出貢獻的中青年專家).

Ms. Zhou Guoping, born in February 1960, is a Supervisor of the Company. Ms. Zhou has over 35 years of experience in financial management. Ms. Zhou served as the general counsel of the Parent from January 2015 to September 2016 and has been the chief economist of the Parent since December 2009. Ms. Zhou served as a supervisor of South Cement from September 2007 to June 2016, and has been a Supervisor of the Company since March 2005, assistant to the general manager of the Parent from October 2003 to December 2009 and the general manager of the finance department of the Parent from October 2003 to December 2006 and the chief financial officer of Zhongxin Group Financial Company from July 2000 to April 2003. From March 1992 to October 2003, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1982 and an EMBA degree from Xiamen University in December 2006. Ms. Zhou is qualified as a professor-grade senior engineer.

SUPERVISORS *(CONTINUED)*

Mr. Guo Yanming, born in January 1962, is an independent Supervisor of the Company. Mr. Guo has extensive experience in corporate management. Mr. Guo has served as an independent Supervisor of the Company since June 2018, as an employee representative supervisor of BBMG Corporation since June 2017, and as the chairman of BBMG Corporation Association since February 2017. He was a supervisor of Sinoma from July 2016 to May 2018, the deputy general manager of BBMG Corporation from July 2012 to April 2017. He served as an associate to the deputy general manager, manager of the department of production and operation, and chief accountant and the vice president of BBMG Corporation successively from June 2003 to July 2012, as the deputy secretary and secretary to the Party Committee in Beijing Ceramic Factory (北京市陶瓷廠) successively from November 2001 to June 2003, as a Chinese side management staff, the assistant to the general manager and the deputy general manager of Toto Machinery (Beijing) Company Limited (東陶機器(北京)有限公司) successively from December 1997 to June 2003, as an officer, deputy general manager of the personnel department successively from July 1989 to March 1999 as an officer and deputy director of enterprise management division Beijing Building of Material Products Central Factory (北京市建材製品總廠)successively from August 1985 to July 1989. Mr. Guo graduated with a bachelor degree in business administration from Beijing Institute of Economics (北京經濟學院) in August 1985. Mr. Guo is a senior economist.

Mr. Wu Weiku, born in March 1961, is an independent supervisor of the Company. Mr. Wu has extensive research experience in strategic management, corporation's leadership. Since October 2014, Mr. Wu has been serving as an independent supervisor of the Company, and a professor and doctoral supervisor in the Leadership and Organizational Management Department of the School of Economics and Management of Tsinghua University since December 2008. He used to be a visiting professor of The Hong Kong University of Science and Technology, Harvard Business School and The Wharton School of the University of Pennsylvania in September 2001, July 2011, and from September 1998 to February 1999 respectively. From April 1994 to November 2008, he successively served as a lecturer and deputy professor of Tsinghua University School of Economics and Management. Mr. Wu received a bachelor's degree in machinery manufacturing from Northeastern University in 1983, and a master's degree in mechanical engineering from Harbin Institute of Technology in 1987. He then received a Doctorate degree in mechanics from Tsinghua University in 1994. Mr. Wu did research in Harvard Business School and Hang Lung Management Research Center of Hong Kong University of Science and Technology in July 2001, and he is the author of five monographs including "Happy Attitude" "Emotional Intelligence and Influence", "Followership", "Regarding Value as the Base", "Competition and Game", and "Leadership". Mr. Wu has been awarded the Excellent Tutor and Outstanding Contributor of Executive Education Center by Tsinghua University School of Economics and Management for consecutive years. His work "Happy Attitude" was awarded "The Best Selling Books" by The Society of Publishers in Asia and he was honored as "The Most Influential Authors" by the China Machine Press for its 60th anniversary.

SUPERVISORS *(CONTINUED)*

Mr. Li Xuan, born in March 1968, is an independent Supervisor of the Company. Mr. Li possesses extensive theoretical experience in the field of law. Mr. Li has been an independent Supervisor of the Company since May 2016, and the head and associate professor of the Juris Master Education Center of Central University of Finance and Economics since November 2015. From June 2010 to November 2015, he served as the head of the Office of Legal Affairs and an associate professor of Central University of Finance and Economics. Between November 2003 and May 2010, he served as the associate professor and deputy dean of the School of Law of Central University of Finance and Economics. He obtained the doctoral degree in procedure law from the School of Civil, Commercial and Economic Law of China University of Political Science and Law in July 2011. Mr. Li possesses strengths in Company Law, Procedure Law, Arbitration Law and other laws as well as in handling cases of enormous difficulties. Mr. Li is an incumbent independent Director of BOE Technology Group Co., Ltd., an incumbent independent Director of China Shengmu Organic Milk Limited, and concurrently serves as the deputy head of the Public Policy Research Center of China University of Political Science and Law, he is a chief secretary to the Case Law Research Committee of China Law Society, an acting director of the Lawyers Law Research Committee of China Law Society (中國法學會律師法學研究會), a member and the vice chairman of the legislative committee of Beijing Committee of The China Democratic League (民盟北京市委法制委員會委員副主任). He is also an arbitrator and a lawyer.

Ms. Cui Shuhong, born in March 1968, is currently a staff representative Supervisor and the Secretary of Commission for Discipline Inspection. Ms. Cui has nearly 30 years of experience in corporate governance. She has been the secretary to the Discipline Inspection Commission of the Company since June 2018, the chairperson of the Supervisory Committee of China United since May 2017, the head of the Party-Masses Relationship Department of the Company from April 2016 to June July 2018, the temporary Secretary of Commission for Discipline Inspection of the Company from December 2015 to June 2018, the chairman of the supervisory committee of China Triumph since October 2012, a staff supervisor since May 2005 and the general manager of the Administration and Human Resources Department of the Company from April 2005 to July 2018. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990 and a degree in EMBA from Tsinghua University in January 2014. She is a researcher.

SUPERVISORS *(CONTINUED)*

Mr. Wang Yingcai, born in February 1971, is an employee representative Supervisor and deputy secretary to the Discipline Inspection Committee of the Company. Mr. Wang has over 25 years of experience in financial management. Mr. Wang has been serving as an employee representative Supervisor and deputy secretary to the Discipline Inspection Committee of the Company since June 2018. Mr. Wang served as secretary to the Discipline Inspection Committee of Sinoma from August 2016 to May 2018, and as an employee representative supervisor of Sinoma from July 2013 to May 2018. He has served as the chairman of the board of supervisors of Sinoma Group Finance Co., Ltd. since April 2013. He was a supervisor of Ningxia Building Materials Group Co., Limited from December 2011 to April 2015, as a supervisor of Qilianshan from October 2011 to November 2014, as the head of the audit department of the Sinoma Parent rom May 2011 to September 2016, as the chief auditor of the Sinoma Parent from December 2010 to August 2016, as a supervisor of Tianshan Cement from September 2009 to December 2011, and as the head of the audit department of Sinoma from August 2007 to September 2016. Mr. Wang obtained a master's degree in accounting from the Academy of Fiscal Science of the Ministry of Finance (財政部科研所) in July 2007, and he is a senior accountant and a registered tax agent.

Ms. Zeng Xuan, born in June 1982, is currently a staff representative Supervisor. Ms. Zong has nearly 15 years of experience in corporate governance. Ms. Zeng has been serving as the general manager of the Board secretariat of the Company since September 2018, as a staff representative Supervisor of the Company since March 2016, and a deputy general manager of the Board secretariat of the Company from March 2013 to September 2018. From September 2009 to March 2013, she served as a deputy general manager, an acting general manager and a general manager of BNBM PNG LIMITED. From May 2005 to August 2009, she served as an employee of administration and human resources department of the Company. From September 2004 to May 2005, she worked as an employee of the general manager's office of Beijing New Building Material (Group) Co., Ltd. From July 2004 to September 2004, she worked as a clerk of the import and export department of Beijing New Building Material (Group) Co., Ltd. Ms. Zeng received her bachelor's degree in Business English from the University of Hunan in June 2004. She is an assistant economist.

SENIOR MANAGEMENT

Mr. Peng Shou is a president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Mr. Cui Xingtai is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Mr. Chen Xue'an, born in April 1964, is a vice president and chief financial officer of the Company. Mr. Chen has over 30 years' experience in financial management. Mr. Chen has been the chairman of the supervisory committee of South Cement since June 2016, the chairman of the supervisory committee of Southwest Cement since April 2016, the chairman of supervisory committee of China Jushi since October 2014, a director of BNBM since September 2012, the vice president of the Company since November 2011, the chairman of the supervisory committee of North Cement since March 2009, a director of CNBM Investment since August 2008, and the chief financial officer of the Company since March 2005. He served as a director of China Composites, South Cement and China United. From April 1995 to March 2005, Mr. Chen served as the deputy head of finance department of general office of SASAC, the deputy head of Assets Inspection and Verification Department, the head of the Monitoring Department and the head of the Central Department of State-owned Assets Statistics and Evaluation Division of the Ministry of Finance. Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1986 and a master's degree in management from Beijing Institute of Technology in November 1999. He is a senior accountant and researcher, and also a special grant of the government approved by the State Council. Mr. Chen was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Xiao Jiaxiang, born in September 1963, is a vice president of the Company. Mr. Xiao has rich experience in business management, regional economic, especially in group strategic management in financing in international capital market. He has served as a director of North Cement since June 2017, and the president of South Cement since June 2009, a vice president of the Company and a director of South Cement since February 2009. From February 2006 to December 2008, he served as the president of Tianrui Corporation, and concurrent chairman and general manager of Tianrui Cement. From November 2001 to December 2005, he served as deputy party secretary, mayor, secretary of Party Committee and director of the Standing Committee in Daye City. From July 1991 to November 2001, he successively held various positions in Huaxin Group, including a director and the vice general manager. He successively served as an engineer and the head of the workshop of Shuicheng Cement Plant from July 1982 to July 1991. Mr. Xiao received a bachelor's degree from Wuhan Institute of Building Materials Industry in August 1982, a master's degree from Wuhan Polytechnic University in July 1997 and a doctor's degree from Huazhong University of Science and Technology in June 2011. He is granted as a professor-grade senior engineer and is entitled to a special government allowance provided by the State Council. At present Mr. Xiao consecutively acts as the executive vice chairman of China Cement Association. He was granted many awards, including a National Outstanding Entrepreneur, a National Outstanding Scientific Worker, and the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

Mr. Song Shoushun, born in March 1963, is the vice president of the Company. Mr. Song possesses over 35 years of experience in building material industry. Mr. Song has been serving as the vice president of the Company since May 2018. He served as the vice president of Sinoma from July 2016 to May 2018. He has been the chairman of Sinoma International since September 2014. He served as the chairman of Sinoma Technology & Equipment Group Co., Ltd. from January 2011 to October 2015, the chairman of Tianjin Cement Industry Design & Research Institute Co., Ltd. from January 2010 to June 2011, the vice president of Sinoma International from August 2009 to September 2014, and the deputy general manager of China Building-Materials Industrial Corporation for Foreign Econo – Technical Cooperation from September 2005 to August 2009. He successively served as an assistant engineer of the craftsmen workshop, the chief designer and deputy manager of the planning and operations department, the deputy chief engineer, associate to the dean, and deputy dean of Tianjin Cement Industry Design & Research Institute Co., Ltd. from August 1982 to September 2005. Mr. Song is entitled to a special government allowance provided by the State Council. He graduated from Tongji University (同濟大學) and obtained a bachelor degree in construction materials engineering in July 1982. Mr. Song is a professorate senior engineer.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated nearly 25 years of experience in business and management in building materials industry. He has been a vice president of the Company and the chairman of BNBM since August 2009. From February 2004 to August 2009, he served as the general manager of BNBM. Mr. Wang served as a general manager assistant and the deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司, currently known as China Jushi) from October 2002 to February 2004, the general manager of Chengdu Southwest Beijing New Building Material Company Limited (成都西南北新建材有限公司) from July 1998 to October 2002, and the regional manager of marketing department of Beijing New Building Material (Group) Co., Ltd. from July 1994 to July 1998. Mr. Wang received a bachelor's degree in industry and electricity automation from the Automation Department of Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from China Europe International Business School in September 2005. Mr. Wang obtained a doctor's degree in management science and engineering from Wuhan University of Technology in June 2012. Mr. Wang is a professor-grade senior engineer. At present Mr. Wang consecutively acts as the vice chairman of China Real Estate Association (中國房地產業協會), the secretary of economic sector of China Youth Federation, and the director of the China Capital Entrepreneurs' Club (企業家俱樂部)). Mr. Wang was granted the first prize of National Corporate Management Modernization and Innovation achievement (國家級企業管理現代化創新成果), the first prize of State-Owned Enterprise Management and Innovation Achievement Award (全國國企管理創新成果一等獎), National Building Materials Industry Outstanding Entrepreneur (全國建材行業優秀企業家), and China Outstanding Quality Model, and Beijing Model Worker (北京市勞動模範).

Mr. Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has nearly 30 years of experience in building material industry. Mr. Cai has been a director of North Cement Company Limited since April 2016, and was a director of China Composites from March 2016 to June 2017, the chairman of the supervisory committee of China United from July 2015 to June 2017, the chairman of CNBM Investment since August 2014, the vice chairman of China Jushi since October 2009, a vice president of the Company since August 2009. From July 2005 to October 2009, he served as the director, vice general manager, and the supervisor of China Jushi. He has been the president of CNBM Investment from April 2004 to August 2014 and a director of CNBM Investment since March 2003. From December 2000 to April 2004, he served as vice president of CNBM Investment. Mr. Cai is an accountant who received a bachelor's degree in economics (normal major) from Shanghai University of Finance and Economics in July 1990 and an EMBA degree from Tsinghua University in January 2012. He was honoured as Outstanding Scientific Decampment Leader (優秀科學發展帶頭人), Outstanding Entrepreneur of National Building Materials Industry (全國建材行業優秀企業家), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果). Outstanding Figure with Contributions in Management and Innovation National Building Materials Enterprises (全國建材企業管理創新突出貢獻人物稱號) and listed in Elites' Register of Building Materials Industry in 2008 (建材行業精英錄).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Yu Mingqing, born in November 1963, is the vice president of the Company. Mr. Yu possesses over 30 years of operating and management experience in non-metal materials. Mr. Yu has been the vice president of the Company since May 2018. He was the vice president of Sinoma from July 2007 to May 2018, the deputy general manager of China National Non-Metallic Materials Corporation from October 2004 to July 2007, the chairman of Sinoma Advanced Materials Co., Ltd. from June 2004 to February 2009, and the dean of Beijing Sinoma Synthetic Crystals Co., Ltd. from April 2001 to November 2005. From July 1989 to April 2001, he held various position in State Building Material Bureau Shandong Research & Design of Ceramics, including the deputy dean and the dean. Mr. Yu received a bachelor's degree in building materials and mechanical engineering from Wuhan Institute of Building Material Industry in July 1985, a master's degree in mechanical engineering from Wuhan Polytechnic University in July 1988, and a doctor's degree in material engineering from Wuhan Polytechnic University in January 2003. He is qualified as a professor level senior engineer and was awarded a special grant of the government approved by the State Council and a young and middle-aged expert with important contribution to National Building Material Industry. Mr. Yu concurrently acts as a member of China Building Materials Federation (中國建築材料聯合會). Mr. Yu was awarded the Third China Outstanding Youth Entrepreneurship Award, the National Outstanding Entrepreneur of Building Materials Industry (全國建築材料行業優秀企業家), and Celebrity of 40th Anniversary of Reform and Opening Up in China Building Material Industry.

Mr. Zhang Jindong, born in January 1964, is the vice president of the Company. Mr. Zhang has nearly 35 years of experience in business and management experience in the construction material industry. Mr. Zhang has been a director of North Cement, Southwest Cement and China Composites since June 2017, a director of South Cement since June 2016, a director of China Triumph since April 2016, the general manager of technology department of the Company from November 2015 to July 2018, the vice president of the Company since August 2014, a director of China United from April 2005 to July 2014, a deputy general manager and general manager of Shangdong Lunan Cement Co., Ltd. from February 1999 to July 2014 and a director and deputy chief senior engineer of Lunan Cement Factory from July 1985 to January 1999. Mr. Zhang obtained the Bachelor's degree in Automotives from Shandong Institute of Building Materials in June 1985 and a Master's degree in Business Administration from Xiamen University in June 2005. He is a senior engineer.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Sui Yumin, born in December 1964, is the vice president of the Company. Mr. Sui has over 30 years of operating and management experience in the cement industry. Mr. Sui has been the vice president of the Company since May 2018 and the chairman of Sinoma Cement since April 2010. He was a director of Ningxia Building Materials from December 2008 to April 2015, the vice president of Sinoma from July 2007 to May 2018, the deputy general manager, deputy managing director, and a director of Tianshan Cement from August 2004 to December 2013, the chairman and general manager of Sinoma Hanjiang from February 2004 to August 2004, the deputy general manager of Sinoma from August 2003 to September 2004, and the deputy chief engineer and deputy managing director of Lunan Cement Factory from August 1986 to August 2003. Mr. Sui obtained a bachelor's degree in silicate (cement) engineering of inorganic materials science and silicate engineering department from Shandong College of Building Materials Industry (山東建材工業學院) in July 1986 and a master degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2010. He is a professorate senior engineer and was entitled to a special government allowance approved by the State Council. Mr. Sui concurrently acts as the vice President of China Cement Association and a council member of World Cement Association. Mr. Sui was an Outstanding Worker of National Material Quality Control and an Outstanding Leader of National Building Material Industry Quality Control Group Activity.

Ms. Pei Hongyan, born in December 1973, is the chief accountant and certified public accountant of the Company. She has over 20 years of experience in accounting. Ms. Pei has been a supervisor of Daye Jianfeng Cement Company Limited since June 2017, a supervisor of South Cement since June 2016, the chief accountant of the Company, chairman of the supervisory committee of China Composites and a director China United since March 2016, a director of BNBM since November 2014, a director of China Jushi since April 2011, a supervisor of North Cement since August 2010, a certified public accountant of the Company since June 2005 and the general manager of the finance department of the Company since April 2005. She served as a senior accountant in the finance division of Parent from November 2003 to April 2005 and a general manager assistant of the finance division of Parent from November 2002 to April 2005. She also served as the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1996 and a master's degree in management from Dongbei University of Finance and Economics in March 1999. She is a fellow member of the Association of Chartered Certified Accountants and also a non-practising member of the Chinese Institute of Certified Public Accountants. She was awarded the first prize of National Corporate Management Modernization and Innovation Achievements in National Building Materials Industry (國家級建材行業企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Su Kui, born in October 1962, is the vice president of the Company. Mr. Su has nearly 35 years of operating and management experience in the non-metallic materials industry. Mr. Su has been serving the vice president of the Company since May 2018. He served as the vice president of Sinoma from July 2007 to May 2018, as secretory to the Board of Sinoma from July 2007 to July 2010, and as the deputy general manager of China National Non-Metallic Materials Corporation. He successively acted as deputy division director of investment department, deputy general manager of comprehensive planning department, deputy manager of the investment department, manager of comprehensive planning department, manager of economic and finance department, associate to the general manager, manager of planning development department, manager of planning and technology department from December 1986 to March 2002. He was an office of Planning Section of National Building Material Bureau from May 1985 to December 1986. Mr. Su obtained a bachelor's degree in non-metallic mining from Wuhan University of Technology in 1984. He is professor-level senior engineer. He was a council member of Non-metallic Mining Division of China Silicate Association. He concurrently serves as a council member of Non-metallic Mining Division of China Silicate Association, a member of the State Construction Material Industry Technology Education Committee (國家建築材料工業科技教育委員會), and a deputy director of China Silicate Association. Mr. Su was awarded as an Outstanding Party Affairs Worker of Central Enterprises by State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Mr. Yu Kaijun, born in April 1963, is the vice president of the Company and the secretary of the Board. Mr. Yu possesses over 35 years of experience in financial management. Mr. Yu has been the chairman of China Building Material Holdings Company Limited since March 2019 and the secretary of the Board since June 2018, has been a Vice President of the Company since May 2018, was a vice president of Sinoma from July 2016 to May 2018, has been a supervisor of BBMG Corporation since November 2015, was a director of BBMG Corporation from August 2014 to November 2015, was a supervisor of Xinjiang Tianshan Cement Co., Ltd. and Ningxia Building Materials Group Co., Limited from December 2011 to April 2015, was the chief financial officer of Sinoma from July 2010 to May 2018, and was the chief financial officer of Sinoma International Engineering Co., Ltd. from December 2001 to January 2011. He served in various positions including the chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (深圳蘭光科技股份有限公司) from November 1990 to October 2001. He worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu obtained a master degree in accounting from the Hong Kong Polytechnic University in December 2006. He is currently a senior accountant.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Xue Zhongmin, born in January 1966, is the vice president of the Company. Mr. Xue possesses over 30 years of experience in corporate governance. Mr. Xue has been serving as the vice president of the Company since May 2018, as the vice president of Sinoma from July 2016 to May 2018, and as the chairman of Sinoma Science & Technology Co., Ltd. since May 2013. He served as the chairman of the board of directors of Sinoma Blade from May 2007 to July 2011, as the vice president and vice chairman of sinoma Science $ Technology from December 2004 to May 2013, as the deputy general manager, general manager and chairman of the board of directors of Beijing Composite Material Co., Ltd (北京玻鋼院複合材料有限公司) from December 2002 to July 2011, and as the deputy head, head of Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院) from June 1999 to July 2011. Mr. Xue obtained a bachelor degree in composite material of science and applied chemistry department from National University of Defense Technology in July 1988 and a master degree in composite material from Beijing University of Aeronautics & Astronautics in March 1995, and a doctor degree in materials processing engineering from Beijing University of Aeronautics & Astronautics in March 2006. Mr. Xue is a professorate senior engineer and was entitled to a special government allowance provided by the State Council. Mr. Xue concurrently serves as the vice chairman of China Building Materials Federation (中國建築材料聯合會). He was awarded a National Outstanding Scientific Worker and a Science and Technology Innovation Leader of Building Material Industry of the Nation.

Mr. Liu Yan, born in November 1965, is the vice president of the Company. Mr. Liu possesses nearly 35 years of experience in corporate governance. Mr. Liu has been serving as the vice president of the Company since May 2018. Mr. Liu was the vice president of China National Materials Company Limited from March 2010 to May 2018 and has been the chairman of Sinoma Advanced Materials Co., Ltd. since January 2010. He was the president of Sinoma Science & Technology Co., Ltd. from May 2003 to October 2009, the vice president of Sinoma Science & Technology Co., Ltd. from December 2001 to May 2003, the deputy dean of Nanjing Fiberglass R&D Institute Co., Ltd. from November 1999 to December 2001, an assistant to the general manager, vice general manager and general manager of the Second Engineering Institute of Nanjing Fiberglass R&D Institute Co., Ltd. from August 1985 to June 1999. Mr. Liu received a bachelor's degree in silicate engineering from Nanjing University of Technology (南京工業大學) in July 1985 and a master degree in inorganic non-metallic materials engineering from Nanjing University of Technology (南京工業大學) in December 2016. He was a senior engineer and was entitled to a special government allowance provided by the State Council. Mr. Liu was conferred various honors including the Outstanding Entrepreneur of the Building Materials Industry of the Nation.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. LIU Biao, born in April 1966, is the vice president of the Company. Mr. Liu has over 30 years' experience in finance management and corporate governance. Mr. Liu has been serving as the chairman and general manager China Composites since June 2018 and as the deputy general manager of the Company since May 2018. He served as the deputy general manager of China National Materials Company Limited from July 2016 to May 2018, as a member of the standing committee of municipal party committee and vice mayor of Xuancheng of Anhui Province from December 2013 to May 2016, as the chief accountant of the Parent of China National Materials Company Limited from July 2010 to July 2016, as the deputy general manager of Sinoma Cement, and as the financial director of China National Materials Company Limited from July 2007 to July 2010. He served as the department head of the audit department and the deputy general director of the supervisory bureau of China Southern Air Holding Company (中國南方航空集團有限公司). He served as the deputy general manager of Shantou Airlines Company Limited of CSAHC (南航集團汕頭航空有限公司) from July 2003 to November 2005, the deputy head, the head of the operation appraisal office and the deputy general manager of financial department of China Southern Airlines Company Limited (中國南方航空股份有限公司) from August 2001 to March 2007, Mr. Liu was awarded a master's degree in business administration by Wuhan University (武漢大學) in June 2007. Mr. Liu is a senior economist and accountant with the qualification of the Chinese Institute of Certified Public Accountants, and He is also a non-practising member of the Chinese Institute of Certified Public Accountants. Mr. Liu was awarded the ninth National Secondary Enterprises Management Modernization Innovation Achievement.

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天職國際

To the shareholders of China National Building Material Company Limited
(a joint stock company incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China National Building Material Company Limited and its subsidiaries (together the "Group") set out on pages 148 to 338, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of property, plant and equipment

Refer to Note 15 to the consolidated financial statements

Key audit matter

We identified the valuation and impairment of property, plant and equipment as a key audit matter due to the significance of the property, plant and equipment balances to the consolidated statement of financial position and the involvement of significant management judgements in the impairment assessment, including assessments of estimated utilisation of the assets, disposal values and discount rates applied to future cash flows.

As at 31 December 2018, the Group has property, plant and equipment with aggregate carrying values of approximately RMB175,475.86 million, accounting for approximately 40.19% of the Group's total assets.

Management has performed an impairment review on the property, plant and equipment with reference to a review of the business, the outlook for the industry and the Group's operating plans. An impairment provision of approximately RMB3,243.86 million has been recorded to reduce the carrying values of certain property, plant and equipment to their estimated recoverable values, which is the higher of fair value less costs of disposal and value in use. For the remaining property, plant and equipment which management concluded that the recoverable amount was higher than their carrying values, no impairment provision was required.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's impairment assessment of property, plant and equipment included:

– assessing the methodologies used by the management to estimate value in use;

– checking on a sample basis the accuracy and relevance of the data used by management to estimate values in use;

– assessing management's key assumptions used to estimate values in use based on our understanding of the industry of the cement and concrete manufacturing;

– considering the potential impact of reasonably possible downside-changes in these key assumptions; and

– assessing the fair value less costs of disposal.

We found management's assumptions in relation to the fair value less costs of disposal and value in use calculations to be reasonable. We found the disclosures in Note 15 to be appropriate.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of goodwill

Refer to Note 18 to the consolidated financial statements

Key audit matter

We identified the valuation and impairment of goodwill as a key audit matter due to the significance of the goodwill balance to the consolidated financial statements, combined with the significant degree of judgement by the management associated with the determination of the recoverable amount of goodwill in the annual impairment test.

As at 31 December 2018, the Group has goodwill of approximately RMB43,657.58 million, accounting for approximately 10.00% of the Group's total assets.

The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated, which is the higher of the value in use or fair value less costs of disposal.

Impairment loss of approximately RMB2,199.78 million, RMB3.61 million and RMB51.18 million have been recorded in respect of the goodwill allocated to the cement segment, new materials segment and other segments respectively during the year.

Management's conclusion was based on a value in use model that required significant management judgements including those relating to:

- estimated values used in the model for a valuation, provided by an independent external valuer; and
- the discount rate used and the underlying cash flows arising estimate of future revenue growth applied to the estimated future cash flows.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's impairment assessment of goodwill of the cement and concrete segments included:

- evaluating the independent external valuers' competence, and capabilities and the objectives of their exercise;
- assessing the valuation methodology;
- considering the historical financial performance and growth rates of the relevant cash-generating units;
- challenging the reasonableness of both management's and valuer's key assumptions based on our understanding of the business and industry; and
- reconciling input data and relevant factors to supporting evidences.

We found the assumptions made by the external valuers and management in relation to the value in use calculations to be reasonable based on evidence available to us. The significant inputs involved have been appropriately disclosed in Note 18.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 22 March 2019

Gao Yajun
Practising certificate number P06391

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 *RMB'000*	2017 *RMB'000* (restated)
Revenue	6	**218,955,189**	184,120,712
Cost of sales		**(153,867,565)**	(135,562,713)
Gross profit		**65,087,624**	48,557,999
Investment and other income, net	8	**2,083,374**	4,457,745
Selling and distribution costs		**(11,534,806)**	(10,441,440)
Administrative expenses		**(26,538,125)**	(18,667,908)
Finance costs, net	9	**(10,739,691)**	(10,892,419)
Share of profits of associates	21	**2,006,451**	1,032,763
Share of (losses)/profits of joint ventures	22	**(4,881)**	1,289
Profit before income tax	11	**20,359,946**	14,048,029
Income tax expense	12	**(6,299,497)**	(4,254,818)
Profit for the year		**14,060,449**	9,793,211
Profit for the year attributable to:			
Owners of the Company		**8,066,995**	4,939,380
Holders of perpetual capital instruments		**980,882**	652,530
Non-controlling interests		**5,012,572**	4,201,301
		14,060,449	9,793,211
		RMB	*RMB*
Earnings per share – basic and diluted	14	**0.956**	0.586

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018 (continued)

	Note	**2018** ***RMB'000***	2017 *RMB'000* (restated)
Profit for the year		**14,060,449**	9,793,211
Other comprehensive (expense)/income, net of tax: (Note 12(b))			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit obligations		**(20,417)**	(6,644)
Change in the fair value of equity instruments at fair value through other comprehensive income, net		**(7,426)**	–
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**(95,408)**	28,127
Change in the fair value of available-for-sale financial assets, net		**–**	761,430
Share of associates' other comprehensive expense		**(29,584)**	(19,514)
Share of joint ventures' other comprehensive income		**2**	213
Change in the fair value on hedging instruments designated as cash flow hedges		**(9,380)**	–
Other comprehensive (expense)/income for the year, net of tax		**(162,213)**	763,612
Total comprehensive income for the year		**13,898,236**	10,556,823
Total comprehensive income attributable to:			
Owners of the Company		**7,919,530**	5,700,732
Holders of perpetual capital instruments		**980,882**	652,530
Non-controlling interests		**4,997,824**	4,203,561
Total comprehensive income for the year		**13,898,236**	10,556,823

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000 (restated)	2016 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	15	**175,475,864**	176,473,530	174,315,212
Prepaid lease payments	16	**19,272,500**	19,344,681	18,721,306
Investment properties	17	**900,283**	831,580	647,188
Goodwill	18	**43,657,580**	46,068,583	44,139,304
Intangible assets	19	**9,439,504**	8,960,508	8,369,927
Interests in associates	21	**13,527,327**	10,502,218	10,872,185
Interests in joint ventures	22	**80,206**	4,850	3,348
Financial assets at fair value through profit or loss	24	**1,987,450**	–	–
Financial assets at fair value through other comprehensive income	25	**7,880**	–	–
Available-for-sale financial assets	23	**–**	6,681,151	5,813,794
Deposits	26	**3,356,749**	3,227,948	3,895,855
Trade and other receivables	28	**5,920,820**	2,599,083	1,169,821
Deferred income tax assets	36	**6,223,157**	5,880,882	5,871,416
		279,849,320	280,575,014	273,819,356
Current assets				
Inventories	27	**19,676,213**	22,206,672	21,357,980
Trade and other receivables	28	**97,482,054**	107,599,304	97,691,400
Available-for-sale financial assets	23	**–**	54,500	43,998
Financial assets at fair value through profit or loss	24	**7,194,035**	2,887,550	2,698,244
Derivative financial instruments	40	**225**	–	–
Amounts due from related parties	29	**4,690,667**	5,970,401	12,019,465
Pledged bank deposits	32	**6,846,409**	11,403,070	10,463,108
Cash and cash equivalents	32	**20,898,058**	23,374,310	25,910,909
		156,787,661	173,495,807	170,185,104
Assets classified as held-for-sale	33	**11,188**	86,830	41,907
		156,798,849	173,582,637	170,227,011

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2018

	Note	**2018**	2017	2016
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
Current liabilities				
Trade and other payables	34	**78,989,884**	84,280,343	80,928,880
Amounts due to related parties	29	**3,642,652**	9,173,035	6,124,798
Borrowings – amount due within one year	35	**121,509,807**	148,139,723	162,056,156
Obligations under finance leases	37	**4,964,618**	9,147,828	5,094,797
Derivative financial instruments	40	**11,088**	477	2,563
Employee benefits payable	39	**4,713**	36,737	27,748
Current income tax liabilities		**4,315,509**	3,025,012	2,162,649
Financial guarantee contracts	38	**64,000**	56,838	56,981
Dividend payable to non-controlling interests		**214,779**	310,476	407,242
		213,717,050	254,170,469	256,861,814
Net current liabilities		**(56,918,201)**	(80,587,832)	(86,634,803)
Total assets less current liabilities		**222,931,119**	199,987,182	187,184,553
Non-current liabilities				
Borrowings – amount due after one year	35	**77,529,956**	61,112,697	56,199,718
Deferred income		**1,912,139**	1,695,616	1,888,772
Obligations under finance leases	37	**4,357,146**	9,016,706	14,275,749
Employee benefits payable	39	**267,442**	215,619	219,675
Deferred income tax liabilities	36	**2,439,407**	3,181,213	2,989,308
		86,506,090	75,221,851	75,573,222
Net assets		**136,425,029**	124,765,331	111,611,331

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000 (restated)	2016 RMB'000 (restated)
Capital and reserves				
Share capital	42	**8,434,771**	5,399,026	5,399,026
Reserves		**63,776,167**	58,874,579	53,380,376
Equity attributable to:				
Owners of the Company		**72,210,938**	64,273,605	58,779,402
Holders of perpetual capital instruments	44	**22,219,087**	16,716,270	12,003,686
Non-controlling interests		**41,995,004**	43,775,456	40,828,243
Total equity		**136,425,029**	124,765,331	111,611,331

The consolidated financial statements on pages 148 to 338 were approved and authorised for issue by the Board of Directors on 22 March 2019 and were signed on its behalf by:

Cao Jianglin
Director

Peng shou
Director

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve (Note 43(a)) *RMB'000*	Statutory surplus reserve fund (Note 43(b)) *RMB'000*	Fair value reserve (Note 43(c)) *RMB'000*	Share option reserve (Note 43(d)) *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments (Note 44) *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017												
As previous reported	5,399,026	4,824,481	1,211,629	2,912,209	(447,161)	–	(160,192)	28,093,069	41,833,061	12,003,686	21,706,928	75,543,675
– Adjustment for business combination under common control (Note 47)	–	–	9,562,086	220,994	1,503,287	–	22,183	5,637,791	16,946,341	–	19,121,315	36,067,656
Balance at 1 January 2017, (restated)	5,399,026	4,824,481	10,773,715	3,133,203	1,056,126	–	(138,009)	33,730,860	58,779,402	12,003,686	40,828,243	111,611,331
Profit for the year	–	–	–	–	–	–	–	4,939,380	4,939,380	652,530	4,201,301	9,793,211
Other comprehensive (expense)/income, net of tax (Note 12(b))												
Actuarial loss on defined benefit obligations	–	–	(3,448)	–	–	–	–	–	(3,448)	–	(3,196)	(6,644)
Currency translation differences	–	–	–	–	–	–	19,512	–	19,512	–	8,615	28,127
Change in the fair value of available-for-sale financial assets, net	–	–	–	–	764,674	–	–	–	764,674	–	(3,244)	761,430
Share of associates' other comprehensive expense	–	–	(29,168)	–	–	–	9,654	–	(19,514)	–	–	(19,514)
Share of joint ventures' other comprehensive income	–	–	–	–	128	–	–	–	128	–	85	213
Total comprehensive income/(expense) for the year (restated)	–	–	(32,616)	–	764,802	–	29,166	4,939,380	5,700,732	652,530	4,203,561	10,556,823
Dividends paid (Note 13)	–	–	–	–	–	–	–	(339,302)	(339,302)	–	–	(339,302)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,462,399)	(1,462,399)
Disposal of subsidiaries (Note 45(b))	–	–	–	–	–	–	(2,108)	–	(2,108)	–	(44,769)	(46,877)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 45(a))	–	–	–	–	–	–	–	–	–	–	125,514	125,514
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	128,062	128,062
Appropriation to statutory reserve	–	–	–	243,726	–	–	–	(243,726)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost	–	–	–	–	–	–	–	–	–	4,662,750	–	4,662,750
Share of reserves in associates	–	–	12,685	–	–	–	–	–	12,685	–	–	12,685
Interest paid on perpetual capital instruments	–	–	–	–	–	–	–	–	–	(602,696)	–	(602,696)
Deemed partial disposal of interest in subsidiaries without losing control (Note 46(b))	–	–	(8,349)	–	–	–	–	–	(8,349)	–	8,349	–
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 46(a))	–	–	(553)	–	–	–	–	–	(553)	–	(22,920)	(23,473)
Business combination under common control	–	–	(7,189)	–	–	–	–	–	(7,189)	–	7,071	(118)
Contribution from former shareholders of a subsidiary related to business combination under common control	–	–	23,300	–	–	–	–	–	23,300	–	–	23,300
De-registration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(9,748)	(9,748)
Recognition of equity-settled share-based payments	–	–	–	–	–	410	–	–	410	–	–	410
Others	–	–	114,677	–	–	–	–	(100)	114,577	–	14,492	129,069
Balance at 31 December 2017 (restated)	5,399,026	4,824,481	10,875,670	3,376,929	1,820,928	410	(110,951)	38,087,112	64,273,605	16,716,270	43,775,456	124,765,331

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2018

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve (Note 43(a))	Statutory surplus reserve fund (Note 43(b))	Fair value reserve (Note 43(c))	Share option reserve (Note 43(d))	Hedging reserve (Note 43(e))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 44)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2017 As previous reported	5,399,026	4,824,481	1,218,462	3,152,532	(54,293)	-	-	(144,509)	30,845,390	45,241,089	16,716,270	23,422,015	85,379,374
– Adjustment for business combination under common control (Note 47)	-	-	9,657,208	224,397	1,875,221	410	-	33,558	7,241,722	19,032,516	-	20,353,441	39,385,957
Balance at 31 December 2017, (restated)	5,399,026	4,824,481	10,875,670	3,376,929	1,820,928	410	-	(110,951)	38,087,112	64,273,605	16,716,270	43,775,456	124,765,331
– Adjustment on initial application of IFRS 9 (Note 2.1(ii))	-	-	-	159,078	(1,820,928)	-	-	-	1,110,900	(550,950)	-	81,742	(469,208)
Balance at 1 January 2018, (restated)	5,399,026	4,824,481	10,875,670	3,536,007	-	410	-	(110,951)	39,198,012	63,722,655	16,716,270	43,857,198	124,296,123
Profit for the year	-	-	-	-	-	-	-	-	8,066,995	8,066,995	980,882	5,012,572	14,060,449
Other comprehensive (expense)/income, net of tax (Note 12(b))													
Actuarial loss on defined benefit obligations	-	-	(9,694)	-	-	-	-	-	-	(9,694)	-	(10,723)	(20,417)
Change in the fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(6,758)	-	-	-	-	(6,758)	-	(668)	(7,426)
Currency translation differences	-	-	-	-	-	-	-	(97,675)	-	(97,675)	-	2,267	(95,408)
Share of associates' other comprehensive expense	-	-	11,820	-	-	-		(41,405)	-	(29,585)	-	1	(29,584)
Share of joint ventures' other comprehensive income	-	-	2	-	-	-	-	-	-	2	-	-	2
Change in the fair value on hedging instruments designated as cash flow hedges	-	-	-	-	-	-	(3,755)	-	-	(3,755)	-	(5,625)	(9,380)
Total comprehensive (expense)/income for the year	-	-	2,128	-	(6,758)	-	(3,755)	(139,080)	8,066,995	7,919,530	980,882	4,997,824	13,898,236
Issue of shares (Note 42)	3,035,745	(3,035,745)	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	(843,477)	(843,477)	-	-	(843,477)
Dividends paid to the non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-		-	-	(2,023,653)	(2,023,653)
Disposal of subsidiaries (Note 45(b))	-	-	(54)	-	-	-	-	-	-	(54)	-	(164,434)	(164,488)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 45(a))	-	-	-	-	-	-	-	-	-	-	-	26,473	26,473
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	227,487	227,487
Appropriation to statutory reserve	-	-	-	1,433,992	-	-	-	-	(1,433,992)	-	-	-	-
Issue of perpetual capital instruments, net of issuance cost (Note 44)	-	-	-	-	-	-	-	-	-	-	5,369,567	-	5,369,567
Share of reserve in associates	-	-	303,456	-	-	-	-	-	-	303,456	-	10,028	313,484
Interest paid on perpetual capital instruments (Note 44)	-	-	-	-	-	-	-	-	-	-	(847,632)	-	(847,632)
Deemed partial disposal of interest in subsidiaries without losing control (Note 46(b))	-	-	(158,405)	-	-	-	-	-	-	(158,405)	-	660,287	501,882
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 46(a))	-	-	1,006,870	-	-	-	-	-	-	1,006,870	-	(5,640,813)	(4,633,943)
Recognition of equity-settled share-based payments	-	-	-	-	-	4,921	-	-	-	4,921	-	7,478	12,399
De-registration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,317	3,317
Others	-	-	260,405	-	-	-	-	-	(4,963)	255,442	-	33,812	289,254
Balance at 31 December 2018	8,434,771	1,788,736	12,290,070	4,969,999	(6,758)	5,331	(3,755)	(250,031)	44,982,575	72,210,938	22,219,087	41,995,004	136,425,029

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (restated)
Operating activities		
Profit before income tax	**20,359,946**	14,048,029
Adjustments for:		
Dividends from available-for-sale financial asset	**–**	(66,384)
Dividends from financial assets at fair value through profit or loss	**(116,910)**	–
Discount on acquisition of interests in subsidiaries	**(12,011)**	(216,132)
Gain on disposal of subsidiaries, net	**(231,786)**	(211,435)
Decrease in fair value of financial assets at fair value through profit or loss, net	**1,523,687**	14,140
Gain on disposal of interests in associates, net	**–**	(78,972)
Loss/(gain) on disposal of other investments	**115,737**	(50,487)
Waiver of payables	**110,741**	202,465
Finance costs	**11,464,855**	11,591,870
Interest income	**(725,164)**	(699,451)
Depreciation of property, plant and equipment and investment properties	**11,957,018**	10,746,869
Amortisation of intangible assets	**1,036,065**	604,067
Impairment loss on available-for-sale financial assets	**–**	21,092
Impairment loss on goodwill	**2,254,568**	438,471
Impairment loss on property, plant and equipment	**3,243,864**	821,707
Impairment loss on prepaid lease payment	**62,788**	–
Impairment loss on intangible assets	**225,712**	883
Prepaid lease payments released to the consolidated statement of profit or loss	**554,022**	561,882
Loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**31,286**	433,501
Allowance for bad and doubtful debts	**3,792,545**	1,044,322
Write down of inventories	**338,009**	87,786
Net of foreign exchange (gain)/losses	**(307,746)**	549,458
Share of profits of associates	**(2,006,451)**	(1,032,763)
Share of losses/(profits) of joint ventures	**4,881**	(1,289)
Deferred income released to the consolidated statement of profit or loss	**(280,687)**	(314,211)
Fair value change of derivative financial instruments	**(425)**	(2,218)
Defined benefit cost included in current profits and losses	**12,909**	42,575
Share-based payment expense	**12,399**	410
Financial guarantee recognised	**7,162**	–

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (restated)
Operating cash flows before working capital changes	**53,427,014**	38,536,185
Decrease/(increase) in inventories	**1,902,048**	(711,255)
Decrease/(increase) in trade and other receivables	**4,745,012**	(10,694,445)
Decrease in amounts due from related parties	**1,391,880**	1,249,258
(Decrease)/increase in trade and other payables	**(6,816,889)**	83,789
Decrease in amounts due to related parties	**(1,377,691)**	(630,966)
Decrease in deferred income	**488,886**	121,055
Cash generated from operations	**53,760,260**	27,953,621
Income tax paid	**(5,954,642)**	(3,354,027)
Interest received	**725,163**	699,451
Net cash generated from operating activities	**48,530,781**	25,299,045
Investing activities		
Purchase of available-for-sale financial assets	**–**	(289,933)
Purchase of financial assets at fair value through profit or loss	**(1,997,186)**	(216,088)
Purchase of financial assets at fair value through other comprehensive income	**(16,617)**	–
Purchase of property, plant and equipment	**(15,621,780)**	(13,593,639)
Purchase of intangible assets	**(1,770,224)**	(1,114,175)
Purchase of investment properties	**(79,946)**	(167,070)
Payment for prepaid lease payments	**(700,006)**	(734,156)
Proceed on disposal of property, plant and equipment and investment properties	**1,410,718**	1,006,540
Acquisition of interests in associates	**(351,920)**	(154,444)
Acquisition of interests in joint ventures	**(80,235)**	–
Dividend received from associates	**460,682**	768,294
Proceed from disposal of associates	**31,178**	270,186
Proceed from disposal of subsidiaries, net of cash and cash equivalents	**183,316**	352,695
Proceed on disposal of available-for-sale financial assets	**–**	95,524
Proceed on disposal of financial assets at fair value through profit or loss	**176,200**	12,642
Proceed from disposal of assets held for sale	**75,642**	(44,923)
Proceed from disposal of prepaid lease payments	**67,566**	–
Proceed from disposal of intangible assets	**40,228**	–
Dividend received from equity investments	**116,910**	66,384
Deposits paid	**(3,356,749)**	(3,227,948)
Deposits refunded	**3,227,948**	3,895,855

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2018

	2018 **RMB'000**	2017 RMB'000 (restated)
Investing activities (continued)		
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(406,278)**	(527,713)
Advance (to)/from related parties	**(145,530)**	6,027,254
Other payments for investing activities	**(2,110,915)**	(903,063)
Decrease/(increase) in pledged bank deposits	**4,556,661**	(934,223)
Net cash used in investing activities	**(16,290,337)**	(9,412,001)
Financing activities		
Proceed from issue of perpetual capital instruments, net of issuance cost	**5,369,567**	4,662,750
Interest paid	**(11,464,854)**	(11,591,870)
Interest paid on perpetual capital instruments paid	**(847,632)**	(602,696)
Dividend paid to shareholders	**(843,477)**	(339,302)
Dividend paid to non-controlling interests of subsidiaries	**(2,119,350)**	(2,481,970)
Payment for acquisition of additional interests in subsidiaries	**(3,036,990)**	(23,473)
Contributions from non-controlling interests	**217,266**	128,062
Net borrowings raised	**198,186,665**	214,514,740
Repayment of borrowings	**(208,212,845)**	(223,332,926)
Repayment of finance lease obligations	**(8,842,770)**	(1,206,012)
(Decrease)/increase in amounts due to related parties	**(3,836,503)**	2,144,507
Government contributions	**100,000**	–
Deemed partial disposal of interest in subsidiaries without losing control	**501,882**	–
Contribution from former shareholders of a subsidiary related to business combination under common control	**–**	23,300
Net cash used in financing activities	**(34,829,041)**	(18,104,890)
Net decrease in cash and cash equivalents	**(2,588,597)**	(2,217,846)
Exchange gain/(losses) on cash and cash equivalents	**112,345**	(318,753)
Cash and cash equivalents at beginning of the year	**23,374,310**	25,910,909
Cash and cash equivalents at end of the year	**20,898,058**	23,374,310

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 GENERAL INFORMATION

China National Building Material Company Limited (the "Company" or "CNBM") was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 28 March 2005. On 23 March 2006, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of registered office and principal place of business of the Company is located at Tower 2 (Building B), Guohai Plaza, 17 Fuxing Road, Haidian District, Beijing, the PRC.

The Company's immediate and ultimate holding company is China National Building Material Group Co., Ltd ("Parent"), a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

The Company is an investment holding company. Particulars of the Company's principal subsidiaries are set out in Note 20. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements is presented in Renminbi ("RMB") which is the functional currency of the Company, unless otherwise stated.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Application of new and amendments to IFRSs

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 28	As part of the Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(i) IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings/accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- sales of goods
- provision of engineering services
- rendering of other services

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 7 and 3 respectively.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(i) IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15

The application on IFRS 15 has no material impact on the Group's retained earnings at 1 January 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts at 31 December 2017 *RMB'000* (restated)	Reclassification *RMB'000*	**Carrying amounts under IFRS 15 at 1 January 2018** ***RMB'000*** **(restated)**
Current assets				
Trade and other receivables				
– Contract assets	(a),(b)	–	6,444,655	**6,444,655**
– Amounts due from customers for contract work	(a)	6,082,899	(6,082,899)	**–**
– Other receivables, deposits and prepayments	(b)	39,156,868	(361,756)	**38,795,112**
Current liabilities				
Trade and other payables				
– Contract liabilities	(a),(c)	–	9,987,394	**9,987,394**
– Amounts due to customers for contract work	(a)	2,774,074	(2,774,074)	**–**
– Other payables	(c)	30,108,318	(7,213,320)	**22,894,998**

(a) In relation to engineering services contracts previously accounted under IAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. RMB6,082.90 million of amounts due from customers for contract work and RMB2,774.07 million of amounts due to customers for contract work were reclassified to contract assets and contract liabilities, respectively.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(i) IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15 *(continued)*

(b) As at 1 January 2018, RMB361.76 million of retention receivables from customers previously included in other receivables, deposits and prepayments were reclassified to contract assets.

(c) As at 1 January 2018, RMB7,213.32 million of advances from customers previously included in other payables were reclassified to contract liabilities.

The following tables summarise the impact of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included. There is no impact of applying IFRS 15 on the consolidated statement of profit or loss and consolidated statement of other comprehensive income and consolidated statement of cash flows for the current year.

Impact on the consolidated statement of financial position

	As reported	**Adjustment**	**Amount without adoption of IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trade and other receivables			
– Contract assets	10,860,968	(10,860,968)	–
– Amounts due from customers for contract work	–	10,625,219	10,625,219
– Other receivables, deposits and prepayments	26,476,933	235,749	26,712,682
Current liabilities			
Trade and other payables			
– Contract liabilities	13,765,885	(13,765,885)	–
– Amounts due to customers for contract work	–	2,199,051	2,199,051
– Other payables	17,334,491	11,566,834	28,901,325

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(ii) IFRS 9 Financial instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(ii) IFRS 9 Financial instruments *(continued)*

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for–sale financial assets *RMB'000*	Trade and other receivables *RMB'000*	Financial assets at fair value through profit or loss ("FVTPL") required by IAS39/ IFRS9 *RMB'000*	Deferred income tax assets *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *RMB'000*
Balance at 31 December 2017, as restated – IAS 39		6,735,651	110,198,387	2,887,550	5,880,882	3,376,929	1,820,928	38,087,112	43,775,456
Effect arising from initial application of IFRS 9:									
Reclassification from available-for-sale financial assets	(a)	(6,735,651)	–	6,735,170	–	159,078	(1,820,928)	1,666,949	(5,580)
Remeasurement of impairment under ECL model	(b)	–	(588,573)	–	119,846	–	–	(556,049)	87,322
Balance at 1 January 2018, as restated		–	109,609,814	9,622,720	6,000,728	3,536,007	–	39,198,012	43,857,198

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(ii) IFRS 9 Financial instruments *(continued)*

Summary of effects arising from initial application of IFRS 9 *(continued)*

Notes:

(a) From available-for-sale investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB6,735.65 million were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value losses of RMB0.48 million relating to those equity investments of RMB1,359.60 million previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018. The fair value gains of RMB1,820.93 million relating to those investments previously carried at fair value were transferred from fair value reserve to retained earnings.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on past due analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

ECL for other financial assets at amortised cost, including deposits, amounts due from related parties, pledged bank deposits and bank balance, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of RMB588.57 million has been recognised against retained earnings and non-controlling interest. The additional loss allowance is mainly charged against trade and other receivables while impact to other financial assets are not significant.

All loss allowances for trade and other receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade and other receivables *RMB'000*
Loss allowance at 31 December 2017 under IAS 39, as restated	8,553,172
Amounts remeasured through opening equity	588,573
Loss allowance at 1 January 2018 under IFRS 9, as restated	9,141,745

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(iii) Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following tables show the adjustments recognised for each of the line item affected.

	31 December 2017 *RMB'000* (restated)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(restated)**
Non-current assets				
Available-for-sale financial assets	6,681,151	–	(6,681,151)	**–**
Financial assets at fair value through profit or loss	–	–	6,680,670	**6,680,670**
Deferred income tax assets	5,880,882	–	119,846	**6,000,728**
Other non-current assets	268,012,981	–	–	**268,012,981**
	280,575,014	–	119,365	**280,694,379**

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(iii) Impacts on opening consolidated statement of financial position arising from the application of all new standards *(continued)*

	31 December 2017 *RMB'000* (restated)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(restated)**
Current assets				
Trade and other receivables				
– Trade receivables	43,264,018	–	(588,573)	**42,675,445**
– Contract assets	–	6,444,655	–	**6,444,655**
– Amounts due from customers for contract work	6,082,899	(6,082,899)	–	**–**
– Other receivables, deposits and prepayments	39,156,868	(361,756)	–	**38,795,112**
– Others	19,095,519	–	–	**19,095,519**
Available-for-sale financial assets	54,500	–	(54,500)	**–**
Financial assets at fair value through profit or loss	2,887,550	–	54,500	**2,942,050**
Other current assets	63,041,283	–	–	**63,041,283**
	173,582,637	–	(588,573)	**172,994,064**
Current liabilities				
Trade and other payables				
– Contract liabilities	–	9,987,394	–	**9,987,394**
– Amounts due to customers for contract work	2,774,074	(2,774,074)	–	**–**
– Other payables	30,108,318	(7,213,320)	–	**22,894,998**
– Others	51,397,951	–	–	**51,397,951**
Other current liabilities	169,890,126	–	–	**169,890,126**
	254,170,469	–	–	**254,170,469**

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.1 Application of new and amendments to IFRSs *(continued)*

(iii) Impacts on opening consolidated statement of financial position arising from the application of all new standards *(continued)*

	31 December 2017 *RMB'000* (restated)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(restated)**
Net current liabilities	(80,587,832)	–	(588,573)	**(81,176,405)**
Total assets less current liabilities	199,987,182	–	(469,208)	**199,517,974**
Non-current liabilities	75,221,851	–	–	**75,221,851**
Net assets	124,765,331	–	(469,208)	**124,296,123**
Capital and reserves				
Share capital	5,399,026	–	–	**5,399,026**
Reserves	58,874,579	–	(550,950)	**58,323,629**
Equity attributable to:				
Owners of the Company	64,273,605	–	(550,950)	**63,722,655**
Holders of perpetual capital instruments	16,716,270	–	–	**16,716,270**
Non-controlling interests	43,775,456	–	81,742	**43,857,198**
Total equity	124,765,331	–	(469,208)	**124,296,123**

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[4]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 The original effective date of 1 January 2016 has been postponed until future announcement by the IASB.

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.2 New and amendments to IFRSs in issue but not yet effective *(continued)*

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

2.2 New and amendments to IFRSs in issue but not yet effective *(continued)*

IFRS 16 Leases *(continued)*

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB143.91 million as disclosed in Note 50. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB20.79 million and refundable rental deposits received of RMB181.97 million as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation *(continued)*

Business combination under common control

On 8 September 2017, the Company and China National Materials Company Limited ("Sinoma") entered into a merger agreement, pursuant to which Sinoma is to be merged into and absorbed by the Company by way of absorption and a share-exchange; and in accordance with the PRC Company Law and other applicable PRC laws (the "Merger"). The Exchange Ratio is 1.00 Sinoma Share to exchange for 0.85 CNBM Share, meaning that CNBM will issue: (i)0.85 CNBM H Share to exchange for 1.00 Sinoma H Share; and (ii) 0.85 CNBM Unlisted Share (comprising CNBM Domestic Shares and (if issued) the CNBM Unlisted Foreign Shares) to exchange for 1.00 Sinoma Unlisted Share. The Merger has been completed on 2 May 2018.

As Sinoma and the Company are controlled by the Parent, the Merger has been accounted for based on the principles of merger accounting.

On 11 April 2018, Zhejiang South Cement Company Limited (浙江南方水泥有限公司) ("Zhejiang South Cement") (an indirect subsidiary of the Company) and Zhejiang Sanshi Group Limited Company (浙江三獅集團有限公司) ("Sanshi Group") (a 100% indirect subsidiary of the Parent), being shareholders of Zhejiang Sanshi South New Material Company Limited (浙江三獅南方新材料有限公司) ("Sanshi South") (a company 50% indirectly held by the Company and 50% directly held by the Sanshi Group and whose accounts are consolidated with the Parent), entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which Zhejiang South Cement has agreed to make a capital contribution to Sanshi South in cash. As a result of the capital contribution from Zhejiang South Cement to the Sanshi South, the shareholding in Sanshi South held by Zhejiang South Cement has increased from 50% to 90% (the "deemed acquisition") and Sanshi South has become a subsidiary of the Group since then.

As Sanshi South and the Company are controlled by the Parent, the deemed acquisition has been accounted for based on the principles of merger accounting.

The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented. The opening balance at 1 January 2017 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2017.

The details of the restated balances have been disclosed in Note 47 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3.2.1 Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation *(continued)*

3.2.1 Changes in the Group's interests in existing subsidiaries *(continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 Business combinations

3.3.1 Acquisition method for business combination involving entity not under common control

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

3.3.1 Acquisition method for business combination involving entity not under common control *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

3.3.1 Acquisition method for business combination involving entity not under common control *(continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.3.2 Merger accounting for business combination involving entities under common control

Business combination involving entities under common control has been accounted for by applying the principles of merger accounting.

In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of for goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they were incurred.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.3.1 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and joint venture are described in Note 3.5 below.

3.5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.5 Investments in associates and joint ventures *(continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.5 Investments in associates and joint ventures *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, which continue to be measured in accordance with the accounting policies as set out in respective sections.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3.8 Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2) *(continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (to specify), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2) *(continued)*

Principal versus agent *(continued)*

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Further details of the Group's revenue and other income recognition policies are disclosed in Note 6.

3.9 Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services provided in the normal course of business, net of estimated customer returns, rebates, discounts, sales related taxes and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Revenue recognition (prior to 1 January 2018) *(continued)*

Revenue from sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied: (continued)

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 3.10).

Other service income is recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.10 Construction contracts (prior to 1 January 2018)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.11 Leasing *(continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.11 Leasing *(continued)*

Leasehold land and building *(continued)*

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3.12 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB), using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.12 Foreign currencies *(continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.14 Government grants

Government grants, which take many forms including VAT refunds, are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Retirement benefits costs and short-term employee benefits

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in capital reserve and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.16 Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of share options expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date. The amount previously recognised in share options reserve will be transferred to retained earnings.

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

At the end of each reporting period until the liability is settled, and at the date of settlement, the liability is remeasured to fair value. For cash-settled share-based payments that are already vested, any changes in fair value are recognised in profit or loss for the year. For cash-settled share based payments which are still subject to non-market vesting conditions, the effects of vesting and non-vesting conditions are accounted on the same basis as equity-settled share based payments.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.17 Taxation *(continued)*

Current and deferred tax, are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.18 Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss in the year the item is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3.20 Intangible assets

Patents

Patents have finite useful lives, are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

Trademarks

Trademarks have indefinite useful lives and are carried at cost less any accumulated impairment losses.

Mining rights

Mining rights have finite useful lives, are measured initially at purchase cost and are amortised on a straight line basis over the concession period. Subsequent to initial recognition, mining rights are stated at cost less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of the intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in the consolidated statement of profit or loss when the intangible assets are derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.21 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.24 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables and contract assets arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment and other income, net" line item in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Investment and other income, net" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 including trade receivables, other receivables, contract assets, amounts due from related parties, pledged bank deposits and cash and cash equivalents. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) (continued)

(i) Significant increase in credit risk *(continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis.

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

Financial assets at FVTPL *(continued)*

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Investment and other income" line item. Fair value is determined in the manner described in Note 5.3.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment losses on financial assets below).

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

Held-to-maturity investments *(continued)*

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designates certain unlisted equity shares, listed equity shares listed in Hong Kong and listed equity shares listed outside Hong Kong as AFS financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "fair value reserve" is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic condition that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of “fair value reserve”. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets (continued)

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity and perpetual capital instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group with no maturity date and contracted obligation to repay its principal and any distribution are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL (continued)

Prior to application of IFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability and is included in the "Investment and other income, net" line item.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are measured initially at their fair values and if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IFRS 9 (since 1 January 2018)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Other financial liabilities

Other financial liabilities, including trade and other payables, amount due to related parties, borrowings, obligations under finance leases and dividend payable to non-controlling interests are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expenses is recognised on an effective interest basis.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss. Unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the mature of hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness (under IFRS 9 since 1 January 2018)

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Assessment of hedging relationship and effectiveness (under IFRS 9 since 1 January 2018) *(continued)*

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Assessment of hedging relationship and effectiveness (before application of IFRS 9 on 1 January 2018)

A hedge is regarded as highly effective only if both of the following conditions are met:

- at the inception and in subsequent periods, the hedge is expected to be highly effective; and

- the actual results of the hedge are within a range of 80 to 125 per cent.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'investment and other income' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Discontinuation of hedge accounting (under IFRS 9 since 1 January 2018)

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions are ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Discontinuation of hedge accounting (before application of IFRS 9 on 1 January 2018)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions are ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.26 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.27 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

As described in Note 3, in the application of the Group's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over principal subsidiaries

Beijing New Building Material Public Limited Company ("BNBM")

BNBM is a subsidiary of the Group although the Group has only 37.83% (2017: 35.73%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The Group has increased the equity interests in BNBM to 37.83% from 35.73% since June 2018 and the remaining 62.17% equity interests are owned by thousands of shareholders that are unrelated to the Group. Details of BNBM are set out in Note 20.

Sinoma International Engineering Company Limited ("Sinoma International")

Sinoma International is a subsidiary of the Group although the Group has only 40.03% (2017: 39.70%) equity interests and voting rights in Sinoma International. Sinoma International is listed on the stock exchange of Shanghai, PRC. The Group has increased the equity interests in Sinoma International to 40.03% from 39.70% since October 2018 and the remaining 59.97% equity interests are owned by thousands of shareholders that are unrelated to the Group. Details of Sinoma International are set out in Note 20.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.1 Critical judgements in applying accounting policies *(continued)*

Control over principal subsidiaries *(continued)*

Ningxia Building Materials Group Co., Limited ("Ningxia Building Materials")

Ningxia Building Materials is a subsidiary of the Group although the Group has only 47.56% (2017: 47.56%) equity interests and voting rights in Ningxia Building Materials. Ningxia Building Materials is listed on the stock exchange of Shanghai, PRC. The Group has 47.56% equity interests in Ningxia Building Materials and the remaining 52.44% equity interests are owned by thousands of shareholders that are unrelated to the Group. Details of Ningxia Building Materials are set out in Note 20.

Xinjiang Tianshan Cement Co., Limited ("Tianshan Cement")

Tianshan Cement is a subsidiary of the Group although the Group has only 45.87% (2017: 45.87%) equity interests and voting rights in Tianshan Cement. Tianshan Cement is listed on the stock exchange of Shenzhen, PRC. The Group has 45.87% equity interests in Tianshan Cement and the remaining 54.13% equity interests are owned by thousands of shareholders that are unrelated to the Group. Details of Tianshan Cement are set out in Note 20.

Gansu Qilianshan Cement Group Company Limited ("Qilianshan Cement")

Qilianshan Cement is a subsidiary of the Group although the Group has only 25.04% (2017: 25.04%) voting rights in Qilianshan Cement through the directly-hold shareholding of the Company and the indirectly-hold shareholding of a subsidiary of the Company. Qilianshan Cement is listed on the stock exchange of Shanghai, PRC. The remaining 74.96% voting rights are owned by thousands of shareholders that are unrelated to the Group. Details of Qilianshan Cement are set out in Note 20.

The management of the Company assessed whether or not the Group has control over BNBM, Sinoma International, Ningxia Building Materials, Tianshan Cement and Qilianshan Cement (collectively, the "Principal Subsidiaries") based on whether the Group has the practical ability to direct the relevant activities of the Principal Subsidiaries unilaterally. In making the judgement, the management considered the Group's absolute size of holding in the Principal Subsidiaries and the relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities the Principal Subsidiaries and therefore the Group has control over the Principal Subsidiaries.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.1 Critical judgements in applying accounting policies *(continued)*

Significant influence over associates

Shanghai Yaohua Pikington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司) ("Shanghai Yaohua")

Note 21 describes that Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (2017: 12.74%) equity interests in Shanghai Yaohua. The Group has significant influence over Shanghai Yaohua by virtue of the contractual right to appoint 1 out of the 8 directors to the board of directors of that company.

China Shanshui Cement Group limited (中國山水水泥集團有限公司) ("Shanshui Cement")

Note 21 describes the Group has significant influence over Shanshui Cement by virtue of the contractual right to appoint 1 out of 5 directors to the board of directors of that company since 23 May 2018 and Shanshui Cement becomes an associate of the Group. The Group has decreased the equity interests in Shanshui Cement to 12.94% from 16.67% since 30 October 2018.

4.2 Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2018, the carrying amount of property, plant and equipment is approximately RMB175,475.86 million (2017: approximately RMB176,473.53 million).

Write down of inventories

Inventories are stated at lower of cost and net realisable value. During the year, allowance of approximately RMB338.01 million (2017: approximately of RMB87.79 million) is made to write down the cost of inventories to their net realisable values.

The determination of the amount of provision of inventories requires judgement because the assessment of net realisable values of inventories requires management to make assumptions and to apply judgement regarding forecast consumer demand, inventory ageing, subsequent sales information and technological obsolescence. The management believes that there will not be a material change in the estimates or assumptions which are used in the assessment of net realisable values of inventories.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.2 Key sources of estimation uncertainty *(continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill is approximately RMB43,657.58 million (2017: approximately RMB46,068.58 million). Details of the recoverable amount calculation are disclosed in Note 18.

Income taxes

As at 31 December 2018, a deferred tax asset of approximately RMB2,538.59 million (2017: approximately RMB2,905.15 million) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB20,329.98 million (2017: approximately RMB16,343.13 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 28.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management of the Company is responsible in determining the appropriate valuation techniques and inputs for fair value measurements.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.2 Key sources of estimation uncertainty *(continued)*

Fair value measurements and valuation processes *(continued)*

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The management assesses regularly the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties and financial instruments. Relevant information about the utilisation of valuation techniques and input in the process of determining the fair value of each asset and liability is disclosed in Notes 5.3 and 17.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and capital risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group seeks to minimise the effects of some of these risks by using derivative financial instruments.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency risk, interest rate risk and equity price risk. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group's functional currency is RMB in which most of the transactions are denominated. However, certain cash and cash equivalents and borrowings are denominated in foreign currencies. Collections of the Group's revenue from overseas operations and payments for purchases of certain machinery and equipment and certain expenses are also denominated in foreign currencies.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. During the year, management of the Group has entered into certain foreign currency forward contracts, however they do not qualify for hedge accounting, therefore, they are deemed as financial assets or financial liabilities held for trading. The particulars of the outstanding foreign currency forward contracts as at the end of the reporting period are disclosed in Note 40.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk *(continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)
United States Dollar ("USD")	**335,228**	766,165	**3,344,758**	8,062,261
European Dollar ("EUR")	**836,136**	783,614	**1,865,206**	2,134,731
Hong Kong Dollar ("HKD")	**429,960**	–	**682,259**	238,866
Papua New Guinea Kina ("PGK")	**64,057**	6,651	**172,731**	150,487
Nigerian Naira ("NGN")	**–**	–	**77,449**	99,249
Indian Rupee ("INR")	**–**	–	**139,173**	100,195
Indonesian Rupiah ("IDR")	**–**	–	**72,436**	36,714
Australian Dollar ("AUD")	**23,591**	12,685	**21,371**	18,167
British Pound ("GBP")	**–**	–	**177,412**	482,068
Russian Ruble ("RUB")	**–**	–	**73,839**	138,651
Japanese Yen ("JPY")	**8,637**	7,920	**32,642**	33,092
South African Rand ("ZAR")	**–**	–	**30,956**	47,048
Others	**499,593**	770,950	**318,050**	508,781

Sensitivity analysis

The following table details the Group's sensitivity to a 6.44% increase or decrease in RMB against the relevant foreign currencies. 6.44% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 6.44% change in foreign currency rates. A negative number below indicates a decrease in profit where RMB strengthen 6.44% against the relevant currency. For a 6.44% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk *(continued)*

Effect on profit after tax

	2018 RMB'000	2017 RMB'000 (restated)
USD	**133,847**	300,062
EUR	**45,767**	56,626
HKD	**11,221**	10,191
PGK	**4,833**	6,136
NGN	**3,444**	4,234
INR	**6,190**	4,275
IDR	**3,222**	1,566
AUD	**(99)**	234
GBP	**7,890**	20,566
RUB	**3,284**	5,915
JPY	**1,068**	1,229
ZAR	**1,377**	9,915
Others	**(8,075)**	(2,592)
	213,969	418,357

The change in exchange rate does not affect other component of equity.

(ii) Interest rate risk

The Group is exposed to interest rate risk due to the fluctuation of the prevailing market interest rates on bank borrowings which carry at prevailing market interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The interest rate risk on bank balances is minimal as the fluctuation of the prevailing market interest rate is insignificant.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the basic interest rate set by People's Bank of China arising from the Group's long-term borrowings.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. During the year, the Group has entered into certain interest rate swaps designated as cash flow hedge for its exposure to interest rate risk.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(i) Total interest revenue/income from financial assets that are measured at amortised cost or at FVTOCI is as follows:

	2018
	RMB'000
Interest revenue	
Financial assets at amortised cost	**725,164**

(ii) Total interest income from financial assets that are measured at amortised cost is as follows:

	2017
	RMB'000
Interest revenue	
Loans and receivables (including bank balances and cash)	699,451

(iii) Interest expense on financial liabilities not measured at fair value through profit or loss:

	2018	2017
	RMB'000	*RMB'000*
Financial liabilities at amortised cost	**11,464,855**	11,591,870

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period, which amounted RMB65,966.67 million (2017: RMB73,780.98 million) were outstanding for the whole year. A 126 basis point (2017: 126 basis points) increase or decrease in variable-rate bank borrowings and interest rate swaps designated to hedge cash flow interest rate risk are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2018 would have decreased by RMB574.01 million (2017: RMB648.07 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate bank borrowings.

(iii) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through other comprehensive income in Note 25 and financial assets at fair value through profit or loss in Note 24 as at 31 December 2018. The Group's listed investments are listed on the stock exchanges of Hong Kong, Shenzhen and Shanghai and are valued at quoted market prices at the end of the reporting period.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk *(continued)*

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period date, and its respective highest and lowest point during the year was as follows:

	31 December 2018	**High/low 2018**	31 December 2017	High/low 2017
Hong Kong Stock Exchange – Hang Seng Index	**25,846**	**33,484/ 24,541**	29,919	30,200/21,884
Shenzhen Stock Exchange – Component Index	**7,240**	**11,633/ 7,084**	11,040	11,715/9,483
Shanghai Stock Exchange – Composite Index	**2,494**	**3,587/ 2,449**	3,307	3,450/3,017

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase in the fair values of listed equity securities against the Group's profit after tax with all other variables held constant on their carrying amounts at the end of the reporting period.

	2018		2017	
	Carrying amount of equity investments	**Increase in net profit**	Carrying amount of equity investments	Increase in net profit
	RMB'000	***RMB'000***	*RMB'000* (restated)	*RMB'000* (restated)
Investments listed in: Hong Kong, Shenzhen and Shanghai Stock Exchange	**4,682,180**	**322,513**	7,079,860	493,768

For a 10% decrease in the fair values of the equity investments, there would be an equal and opposite impact on the profit.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(b) Credit risk and impairment assessment

As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

(i) Trade receivables and contract assets arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customers. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix.

(ii) Bills receivables, other receivables, deposits, amounts due from related parties, pledged bank deposits and cash and cash equivalents

The Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on bills receivables, other receivables, deposits, amounts due from related parties, pledged bank deposits and cash and cash equivalents based on 12m ECL.

The credit risk on other receivables deposits and amounts due from related parties is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk on bills receivable is limited because the bills are guaranteed by banks for payments and the banks are either the state-owned banks or other creditworthy financial institutions in the PRC.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(b) Credit risk and impairment assessment *(continued)*

(ii) Bills receivables, other receivables, deposits, amounts due from related parties, pledged bank deposits and cash and cash equivalents *(continued)*

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for bills receivables, other receivables, deposits and amounts due from related parties, pledged bank deposits and cash and cash equivalents.

The Group has no significant concentration of credit risk. Trade receivables and contract assets (including amounts due from related parties with trading nature) consist of a large number of customers, spread across diverse geographical areas.

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(b) Credit risk and impairment assessment *(continued)*

(ii) Bills receivables, other receivables, deposits, amounts due from related parties, pledged bank deposits and cash and cash equivalents *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets and lease receivables which are subject to ECL assessment:

2018	*Notes*	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** *RMB'000*
Trade and other receivables	28				
– Trade receivables			Note	Lifetime ECL (provision matrix)	50,855,597
– Contract assets		N/A	Note	Lifetime ECL (provision matrix)	11,453,897
– Bills receivables			Low risk	12m ECL	21,006,658
– Other receivables, deposits and prepayments			Low risk	12m ECL	31,023,243
Deposits	26	N/A	Low risk	12m ECL	3,356,882
Amounts due from related parties	29	N/A	Low risk	12m ECL	5,392,064
Cash and cash equivalents	32	AA+	N/A	12m ECL	20,838,058
Pledged bank deposits	32	AA	N/A	12m ECL	6,846,409

Note:

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

During the year ended 31 December 2018, impairment allowance on trade receivables and contract assets is provided based on the provision matrix. Impairment allowance of approximately RMB1,644,50 million and RMB275.93 million was made on credit impaired debtor for trade receivables and contract assets respectively.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk

In managing of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2018, the Group has net current liabilities and capital commitments of approximately RMB56,918.20 million (2017: approximately RMB80,587.83 million) and approximately RMB0.5 million (2017: approximately RMB1,077.05 million) (Note 49), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding is sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2018, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB226,906.20 million (2017: approximately RMB219,028.92 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cashflow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018									
Trade and other payables	–	78,989,884	–	–	–	–	–	78,989,884	78,989,884
Amounts due to related parties									
Interest-free	–	1,088,062	–	–	–	–	–	1,088,062	1,088,062
Fixed rate	5.20%	2,687,429	–	–	–	–	–	2,687,429	2,554,590
Borrowings loans									
Fixed rate bank loans	4.20%	39,767,687	2,438,367	721,912	246,202	87,228	2,134,964	45,396,360	43,554,286
Variable rate bank loans	4.55%	41,305,173	13,854,304	3,614,928	2,020,048	6,607,423	1,566,274	68,968,150	65,966,666
Other borrowings from non-financial institutions	5.99%	433,326	375,553	218,731	53,190	28,209	30,243	1,139,252	1,074,868
Bonds	4.30%	48,259,759	6,172,337	21,825,530	6,832,991	7,568,027	1,588,389	92,247,033	88,443,943
Obligations under finance leases	6.20%	5,076,686	1,326,062	675,374	1,356,045	592,464	997,406	10,024,037	9,321,764
Dividends payable to non-controlling interests	–	214,779	–	–	–	–	–	214,779	214,779
Financial guarantee contracts	5.35%	67,424	–	–	–	–	–	67,424	64,000
		217,890,209	24,166,623	27,056,475	10,508,476	14,883,351	6,317,276	300,822,410	291,272,842
Derivative financial instruments – net settlement									
Foreign exchange forward contracts	–	53	–	–	–	–	–	53	53
Interest rate swaps	–	11,035	–	–	–	–	–	11,035	11,035
	–	11,088	–	–	–	–	–	11,088	11,088

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Effective interest rate %	Within one year *RMB'000*	One to two years *RMB'000*	Two to three years *RMB'000*	Three to four years *RMB'000*	Four to five years *RMB'000*	After five years *RMB'000*	Total undiscounted cashflow *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2017									
Trade and other payables	–	84,280,343	–	–	–	–	–	84,280,343	84,280,343
Amounts due to related parties									
Interest-free	–	2,623,908	–	–	–	–	–	2,623,908	2,623,908
Fixed rate	5.20%	6,889,677	–	–	–	–	–	6,889,677	6,549,129
Borrowings loans									
Fixed rate bank loans	4.22%	50,956,300	3,540,278	1,224,297	516,327	423,996	3,987,073	60,648,271	58,192,545
Variable rate bank loans	4.61%	57,102,454	9,515,768	6,904,161	733,320	892,264	2,034,313	77,182,280	73,780,978
Other borrowings from non-financial institutions	6.48%	1,230,376	182,713	71,280	40,199	36,157	57,647	1,618,372	1,519,885
Bonds	4.50%	45,462,903	13,116,722	3,973,743	5,458,004	7,044,194	4,112,603	79,168,169	75,759,013
Obligations under finance leases	7.12%	9,299,020	4,898,624	1,701,004	742,613	1,462,247	1,222,886	19,326,394	18,164,534
Dividends payable to non-controlling interests	–	310,476	–	–	–	–	–	310,476	310,476
Financial guarantee contracts	5.35%	59,879	–	–	–	–	–	59,879	56,838
		258,215,336	31,254,105	13,874,485	7,490,463	9,858,858	11,414,522	332,107,769	321,237,646
Derivative financial instruments – net settlement									
Foreign exchange forward contracts	–	477	–	–	–	–	–	477	477

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.2 Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure the Group consists of debt, which includes the borrowings disclosed in Note 35, cash and cash equivalents disclosed in Note 32, equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings and perpetual capital instruments.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

5.3 Fair value measurements of financial instruments

(a) Financial instruments that are measured at fair value on a recurring basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value measurements of financial instruments *(continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2018.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments	–	225	–	225
Financial assets at fair value through profit or loss	4,674,539	–	4,506,946	9,181,485
Financial assets at fair value through other comprehensive income	7,880	–	–	7,880
Total assets	**4,682,419**	**225**	**4,506,946**	**9,189,590**
Liabilities				
Derivative financial instruments	–	11,088	–	11,088
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities	**–**	**11,088**	**64,000**	**75,088**

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value measurements of financial instruments *(continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2017.

	Level 1 *RMB'000* *(restated)*	Level 2 *RMB'000* *(restated)*	Level 3 *RMB'000* *(restated)*	Total *RMB'000* *(restated)*
Assets				
Available-for-sale financial assets	4,643,825	–	732,228	5,376,053
Financial assets at fair value through profit or loss	1,704,102	–	1,183,448	2,887,550
Total assets	6,347,927	–	1,915,676	8,263,603
Liabilities				
Derivative financial instruments	–	477	–	477
Financial guarantee contracts	–	–	56,838	56,838
Total liabilities	–	477	56,838	57,315

During the year ended 31 December 2018, there were no significant transfers between levels of the financial assets and financial liabilities.

During the year ended 31 December 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value measurements of financial instruments *(continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quotes prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. The instruments are included in level 1. Instruments includes in level 1 comprise primarily Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair value of financial guarantee contracts is estimated by the management with reference to the financial condition of the guarantee, which were considered as level 3 valuation.

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value measurements of financial instruments *(continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

Information about Level 3 fair value measurements

Financial assets	Fair value as at 31 December 2018	Fair value as at 31 December 2017	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to Fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB2,489,935,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,183,448,000	Discounted cash flows Key unobservable inputs are: Expected yields of 2.85% to 4.00% of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value
Available-for-sale financial assets measured at fair value	N/A	16.67 per cent equity shares (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB732,228,000	Market approach listed company comparison method Key unobservable inputs are: Specific risk adjustment coefficient (Rc) of 33%, taking into account Shanshui Cement's recent operating situation	The higher the Specific risk adjustment coefficient, the lower the fair value
Unlisted equity shares classified as financial assets at fair value through profit or loss (31 December 2017: classified as available-for-sale financial assets measured at cost less accumulated impairment)	Unlisted equity shares, amounts of RMB2,017,012,000	N/A	Net assets value key unobservable input is: Discount rate of 10%	The higher the discount rate, the lower the fair value

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value measurements of financial instruments *(continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

Information about Level 3 fair value measurements *(continued)*

Note: The management considers that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

The directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost were not materially different from their fair value.

(b) Financial instruments that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of the Group's financial assets and financial liabilities at cost or amortised cost were not materially different from their fair value.

6 REVENUE

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Sale of goods	**189,817,501**	157,924,655
Provision of engineering services	**26,706,910**	24,307,171
Rendering of other services	**2,430,778**	1,888,886
	218,955,189	184,120,712

6 REVENUE *(CONTINUED)*

The Group's revenue recognition policies are disclosed as follows:

Sale of goods

The revenue of the Group from sale of goods is recognised at a point in time. Under the transfer-of-control approach in IFRS 15, revenue from sales of cement, concrete, glass fiber, composite and lightweight building materials is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the goods, which also represented the point of time when goods delivered. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Provision of engineering services

The revenue of the Group from provision of engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB34,468.92 million. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the construction work is completed, which is expected to occur within 3 years.

7 SEGMENTS INFORMATION

(a) Operating segments

For management purpose, the Group is currently organised into five major operating divisions during the year – cement, concrete, new materials, engineering services and others. These activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Cement	–	Production and sale of cement
Concrete	–	Production and sale of concrete
New materials	–	Production and sale of glass fiber, composite and lightweight building materials
Engineering services	–	Provision of engineering services to glass and cement manufacturers and equipment procurement
Others	–	Merchandise trading business and others

More than 90% of the Group's operations and assets are located in the PRC for the years ended 31 December 2018 and 2017.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2018

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	117,444,327	41,473,444	26,923,194	–	1,104,781	–	186,945,746
Over time	–	–	–	32,009,443	–	–	32,009,443
	117,444,327	41,473,444	26,923,194	32,009,443	1,104,781	–	218,955,189
Inter-segment sales (Note)	8,272,315	1,915	4,872	2,134,809	1,775,849	(12,189,760)	–
	125,716,642	41,475,359	26,928,066	34,144,252	2,880,630	(12,189,760)	218,955,189
Adjusted EBITDA	31,704,138	4,545,140	6,321,845	3,093,148	(3,140,755)	–	42,523,516
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(10,182,740)	(856,660)	(1,671,185)	(594,063)	(152,402)	–	(13,457,050)
Unallocated other income, net							61,587
Unallocated administrative expenses							(29,986)
Share of profits of associates	1,119,814	–	7,992	4,213	874,432	–	2,006,451
Share of losses of joint ventures	(1,627)	–	(705)	(2,549)	–	–	(4,881)
Finance costs, net	(7,512,599)	(1,615,154)	(472,611)	(483,053)	(447,636)	–	(10,531,053)
Unallocated finance costs, net							(208,638)
Profit before income tax							20,359,946
Income tax expense							(6,299,497)
Profit for the year							14,060,449

Note: The inter-segment sales were carried out with reference to market prices.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2018 *(continued)*

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits of associates, share of losses of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the year under evaluation compared to relying on one of the measures.

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to sales activities of each segment with the exception of corporate expense payables.

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information							
Capital expenditure:							
Property, plant and equipment	8,634,170	743,535	4,481,474	1,297,690	455,471	–	15,612,340
Prepaid lease payments	402,523	14,767	201,803	5,620	45,555	–	670,268
Intangible assets	1,412,538	23,481	265,624	67,365	1,216	–	1,770,224
Unallocated							119,124
	10,449,231	781,783	4,948,901	1,370,675	502,242	–	18,171,956
Acquisition of subsidiaries	30,170	–	404,366	–	–		434,536
Depreciation and amortisation							
Property, plant and equipment	9,009,220	815,652	1,397,868	518,805	130,373	–	11,871,918
Intangible assets	781,092	15,832	176,851	42,087	15,248	–	1,031,110
Unallocated							90,055
	9,790,312	831,484	1,574,719	560,892	145,621		12,993,083

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2018 *(continued)*

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Prepaid lease payments released to the consolidated statement of profit or loss	392,428	25,176	96,466	33,171	6,781	–	554,022
Allowance/(reversal of provision) for bad and doubtful debts	2,777,734	610,962	(134,096)	525,440	12,505	–	3,792,545
Impairment of goodwill	2,199,782	–	3,607	–	51,179	–	2,254,568
Impairment of property, plant and equipment	2,917,557	247,704	62,623	3,397	12,583	–	3,243,864
Write down/(reversal of provision) of inventories	132,382	3,512	4,273	(6,340)	204,182	–	338,009
Consolidated statement of financial position							
Assets							
Segment assets	229,650,694	47,832,640	45,980,224	51,133,320	5,833,938	–	380,430,816
Interests in associates	6,741,471	–	4,877,219	55,829	1,852,808	–	13,527,327
Interests in joint ventures	8,632	–	64,122	7,452	–	–	80,206
Unallocated assets							42,609,820
Total consolidated assets							436,648,169
Liabilities							
Segment liabilities	(142,404,108)	(3,419,040)	(19,876,125)	(42,840,791)	(8,218,957)	–	(216,759,021)
Unallocated liabilities							(83,464,119)
Total consolidated liabilities							(300,223,140)

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2017

	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	New materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others *RMB'000* (restated)	Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	96,557,990	31,586,858	24,266,887	–	2,092,309	–	154,504,044
Over time	–	–	–	29,616,668	–	–	29,616,668
	96,557,990	31,586,858	24,266,887	29,616,668	2,092,309	–	184,120,712
Inter-segment sales (Note)	3,770,746	–	91,887	1,689,717	891,763	(6,444,113)	–
	100,328,736	31,586,858	24,358,774	31,306,385	2,984,072	(6,444,113)	184,120,712
Adjusted EBITDA	23,796,092	3,042,464	5,838,123	3,111,473	322,010	–	36,110,162
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(8,529,811)	(1,044,413)	(1,559,463)	(594,901)	(109,245)	–	(11,837,833)
Unallocated other income, net							143,118
Unallocated administrative expenses							(509,051)
Share of profits/(losses) of associates	448,005	(22,311)	(22,697)	(380)	630,146	–	1,032,763
Share of profits of joint ventures	–	–	1,289	–	–	–	1,289
Finance costs, net	(8,010,640)	(1,366,406)	(484,985)	(408,064)	(329,643)	–	(10,599,738)
Unallocated finance costs, net							(292,681)
Profit before income tax							14,048,029
Income tax expense							(4,254,818)
Profit for the year							9,793,211

Note: The inter-segment sales were carried out with reference to market prices.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2017 *(continued)*

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits of associates, share of profits of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the year under evaluation compared to relying on one of the measures.

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to sales activities of each segment with the exception of corporate expense payables.

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Other information							
Capital expenditure:							
Property, plant and equipment	7,131,972	607,174	3,916,337	1,556,783	377,408	–	13,589,674
Prepaid lease payments	427,542	40,282	203,271	21,438	41,624	–	734,157
Intangible assets	801,361	83,076	186,139	41,047	992	–	1,112,615
Unallocated							172,595
	8,360,875	730,532	4,305,747	1,619,268	420,024	–	15,609,041
Acquisition of subsidiaries	2,188,880	732,935	154,003	51,170	–		3,126,988
Depreciation and amortisation							
Property, plant and equipment	7,640,206	1,006,976	1,421,791	514,443	89,094	–	10,672,510
Intangible assets	457,817	14,577	66,371	50,790	13,886	–	603,441
Unallocated							74,985
	8,098,023	1,021,553	1,488,162	565,233	102,980		11,350,936

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2017 *(continued)*

	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	New materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others *RMB'000* (restated)	Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
Prepaid lease payments released to the consolidated statement of profit or loss	431,788	22,860	71,301	29,668	6,265	–	561,882
Allowance/(reversal of provision) for bad and doubtful debts	694,940	222,006	19,753	147,880	(40,257)	–	1,044,322
Impairment of goodwill	270,564	–	12,342	155,565	–	–	438,471
Impairment of property, plant and equipment	806,993	–	13,240	1,474	–	–	821,707
Write down of inventories	18,116	8,483	28,287	32,867	33	–	87,786
Consolidated statement of financial position							
Assets							
Segment assets	252,306,996	51,255,631	43,586,798	41,189,238	6,495,022	–	394,833,685
Interests in associates	5,625,752	(115,469)	3,290,839	66,734	1,634,362	–	10,502,218
Interests in joint ventures	–	–	4,850	–	–	–	4,850
Unallocated assets							48,816,898
Total consolidated assets							454,157,651
Liabilities							
Segment liabilities	(153,111,823)	(16,892,582)	(20,464,227)	(39,056,884)	(7,984,851)	–	(237,510,367)
Unallocated liabilities							(91,881,953)
Total consolidated liabilities							(329,392,320)

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

A reconciliation of total adjusted profit before depreciation and amortisation, finance costs and income tax expense, is provided as follows:

	2018 **RMB'000**	2017 RMB'000 (restated)
Adjusted EBITDA for reportable segments	**45,664,271**	35,788,152
Adjusted EBITDA for other segments	**(3,140,755)**	322,010
Total segments profit	**42,523,516**	36,110,162
Depreciation of property, plant and equipment	**(11,871,918)**	(10,672,510)
Amortisation of intangible assets	**(1,031,110)**	(603,441)
Prepaid lease payments released to the consolidated statements of profit or loss	**(554,022)**	(561,882)
Corporate items	**31,601**	(365,933)
Operating profit	**29,098,067**	23,906,396
Finance costs, net	**(10,739,691)**	(10,892,419)
Share of profits of associates	**2,006,451**	1,032,763
Share of (losses)/profits of joint ventures	**(4,881)**	1,289
Profit before income tax	**20,359,946**	14,048,029

7 SEGMENTS INFORMATION *(CONTINUED)*

(b) Geographical segments

The Group's revenue from the following geographical markets, based on the locations of customers:

Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
		(restated)
PRC	**201,075,913**	165,138,480
Europe	**3,766,433**	2,620,629
Middle East	**1,878,977**	2,884,835
Southeast Asia	**2,826,961**	1,891,271
Oceania	**9,898**	9,591
Africa	**8,175,372**	10,043,497
Americas	**937,692**	845,702
Others	**283,943**	686,707
	218,955,189	184,120,712

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2018 and 2017.

8 INVESTMENT AND OTHER INCOME, NET

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Dividends from available-for-sale financial assets	**–**	66,384
Dividends from financial assets at fair value through profit or loss	**116,910**	–
Discount on acquisition of interests in subsidiaries (Note 45(a))	**12,011**	216,132
Government subsidies:		
– VAT refunds (Note (a))	**1,796,216**	1,348,354
– Government grants (Note (b))	**603,285**	1,264,628
– Interest subsidy	**91,368**	115,327
Gain on disposal of subsidiaries, net (Note 45(b))	**231,786**	211,435
Decrease in fair value of financial assets at fair value through profit or loss, net	**(1,523,687)**	(14,140)
Increase in fair value of derivative financial instruments, net	**425**	2,218
Net rental income from:		
– Investment properties (Note 17)	**61,806**	53,454
– Land and building	**44,827**	5,058
– Equipment	**245,493**	107,062
Technical and other service income	**236,560**	185,818
Gain on disposal of interests in associates, net	**–**	78,972
Waiver of payables	**110,741**	202,465
Others	**55,633**	614,578
	2,083,374	4,457,745

Notes:

(a) The State Council of the PRC issued a "Notice Encouraging Comprehensive Utilisation of Natural Resources" (the "Notice") in 1996 to encourage and support enterprises, through incentive policies, to comprehensively utilise natural resources. Pursuant to the Notice, the Ministry of Finance and the State Administration of Taxation of the PRC enacted several regulations providing incentives in form of VAT refund for certain environmentally friendly products, including products that recognised industrial waste as part of their raw materials. Under the Notice and such regulations, the Group is entitled to receive immediate or future refund on any paid VAT with respect to any eligible products as income after it receives approvals from the relevant government authorities.

(b) Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

9 FINANCE COSTS, NET

	2018 **RMB'000**	2017 RMB'000 (restated)
Interest expenses on bank borrowings:		
– wholly repayable within five years	**6,141,477**	6,609,910
– not wholly repayable within five years	**2,132**	9,239
	6,143,609	6,619,149
Interest expenses on bonds, other borrowings and finance leases	**5,466,030**	5,163,122
Less: interest capitalised to construction in progress	**(144,784)**	(190,401)
	11,464,855	11,591,870
Interest income:		
– interest on bank deposits	**(408,805)**	(563,648)
– interest on loans receivables	**(316,359)**	(135,803)
	(725,164)	(699,451)
Finance costs, net	**10,739,691**	10,892,419

Borrowing costs capitalised for the year ended 31 December 2018 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.06% (2017: 3.10%) per annum to expenditure on the qualifying assets.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2018

	Fees *RMB'000*	Salaries, allowance and benefits-in-kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement plan contributions *RMB'000*	Share appreciation rights *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Peng Jianxin (Note a)	–	1,029	660	55	–	1,744
Mr. Peng Shou	–	1,178	630	40	–	1,848
Mr. Cui Xingtai	–	1,083	630	55	–	1,768
Mr. Song Zhiping (Note b)	–	–	–	–	–	–
Mr. Chang Zhangli (Note c)	–	490	315	16	–	821
Non-executive directors						
Ms. Xu Weibing (Note d)	–	–	–	–	–	–
Mr. Chang Zhangli (Note c)	–	491	315	15	–	821
Mr. Tao Zheng	–	–	–	–	–	–
Mr. Chen Yongxin	–	–	–	–	–	–
Mr. Shen Yungang (Note a)	–	–	–	–	–	–
Mr. Fan Xiaoyan (Note a)	–	–	–	–	–	–
Mr. Guo Chaomin (Note b)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Sun Yanjun	300	–	–	–	–	300
Mr. Liu Jianwen	300	–	–	–	–	300
Mr. Zhou Fangsheng	300	–	–	–	–	300
Mr. Qian Fengsheng	300	–	–	–	–	300
Ms. XiaXue	300	–	–	–	–	300
Supervisors						
Mr. Li Xinhua (Note a)	–	–	–	–	–	–
Ms. Zhou Guoping	–	–	–	–	–	–
Mr. Guo Yanming (Note a)	–	–	–	–	–	–
Ms. Cui Shuhong	–	846	660	55	–	1,561
Mr. Wang Yingcai (Note a)	–	868	600	55	–	1,523
Ms. Zeng Xuan	–	171	301	55	–	527
Mr. Wu Jiwei (Note b)	–	–	–	–	–	–
Ms. Xu Weibing (Note d)	–	–	–	–	–	–
Independent supervisors						
Mr. Wu Weiku	200	–	–	--	–	200
Mr. Li Xuan (Note a)	200	–	–	–	–	200
	1,900	6,156	4,111	346	–	12,513

Notes:

(a) Appointed on 13 June 2018.

(b) Resigned on 13 June 2018.

(c) Mr. Chang Zhangli acted as executive director and was appointed as an non-executive director on 13 June 2018.

(d) Ms. Xu Weibing acted as supervisor and was appointed as an non-executive director on 13 June 2018.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(a) Directors' and supervisors' emoluments *(continued)*

Year ended 31 December 2017

	Fees *RMB'000* (restated)	Salaries, allowance and benefits-in-kind *RMB'000* (restated)	Discretionary bonuses *RMB'000* (restated)	Retirement plan contributions *RMB'000* (restated)	Share appreciation rights *RMB'000* (restated)	Total *RMB'000* (restated)
Executive directors						
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Peng Shou	–	1,155	630	36	–	1,821
Mr. Cui Xingtai	–	679	630	50	–	1,359
Mr. Song Zhiping	–	–	–	–	–	–
Mr. Chang Zhangli	–	665	630	50	–	1,345
Non-executive directors						
Ms. Xu Weibing	–	–	–	–	–	–
Mr. Chang Zhangli	–	–	–	–	–	–
Mr. Tao Zheng	–	–	–	–	–	–
Mr. Chen Yongxin	–	–	–	–	–	–
Mr. Shen Yungang	–	–	–	–	–	–
Mr. Fan Xiaoyan	–	–	–	–	–	–
Mr. Guo Chaomin	–	–	–	–	–	–
Independent non-executive directors						
Mr. Sun Yanjun	300	–	–	–	–	300
Mr. Liu Jianwen	300	–	–	–	–	300
Mr. Zhou Fangsheng	300	–	–	–	–	300
Mr. Qian Fengsheng	300	–	–	–	–	300
Ms. XiaXue	300	–	–	–	–	300
Supervisors						
Mr. Li Xinhua	–	–	–	–	–	–
Ms. Zhou Guoping	–	–	–	–	–	–
Mr Guo Yanming	–	–	–	–	–	–
Ms. Cui Shuhong	–	365	465	50	–	880
Ms. Zeng Xuan	–	117	240	50	–	407
Mr. Wu Jiwei	–	–	–	–	–	–
Ms. Xu Weibing (Note a)	–	–	–	–	–	–
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Li Xuan	200	–	–	–	–	200
	1,900	2,981	2,595	236	–	7,712

Note:

(a) Ms. Xu Weibing was appointed as a supervisor on 6 December 2017.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2017: none) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments in respect of five (2017: five) individuals were as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Salaries, allowances and benefits-in-kind	**4,627**	2,544
Discretionary bonuses	**7,813**	7,699
Retirement plan contributions	**191**	175
	12,631	10,418

Their emoluments paid by the Group are within the following bands:

	Number of the five highest paid individuals	
	2018	2017
Nil–HKD1,000,000	**–**	–
HKD1,000,001–HKD1,500,000	**–**	–
HKD1,500,001–HKD2,000,000	**–**	–
HKD2,000,001–HKD2,500,000	**1**	5
HKD2,500,001–HKD3,000,000	**1**	–
HKD3,000,000–HKD3,500,000	**3**	–

No emoluments were paid by the Group to the directors, supervisors nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and none of the directors and supervisors has waived any emoluments for both years.

11 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2018 **RMB'000**	2017 RMB'000 (restated)
Depreciation of:		
Property, plant and equipment	**11,927,028**	10,723,200
Investment properties	**29,990**	23,669
	11,957,018	10,746,869
Amortisation of intangible assets	**1,036,065**	604,067
Total depreciation and amortisation	**12,993,083**	11,350,936
Impairment loss on available-for-sale financial assets	**–**	21,092
Impairment loss on goodwill	**2,254,568**	438,471
Impairment loss on property, plant and equipment recognised	**3,243,864**	821,707
Impairment loss on intangible assets	**225,712**	883
Impairment loss on prepaid lease payment	**62,788**	–
Cost of inventories recognised as expenses	**142,111,192**	122,204,135
Prepaid lease payments released to the consolidated statement of profit or loss	**554,022**	561,882
Loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**31,286**	433,501
Auditor's remuneration	**15,273**	15,672
Staff costs including directors' remunerations		
Salaries, bonus and other allowances	**15,396,826**	14,041,201
Equity-settled share-based payment expenses	**12,399**	410
Retirement plan contributions	**1,737,401**	1,411,193
Total staff costs	**17,146,626**	15,452,804
Allowance for bad and doubtful debts	**3,792,545**	1,044,322
Write down of inventories	**338,009**	87,786
Operating lease rentals	**551,749**	376,654
Net foreign exchange (gain)/losses	**(307,746)**	549,458

12 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Current income tax	**7,270,121**	4,184,598
Deferred income tax (Note 36)	**(970,624)**	70,220
	6,299,497	4,254,818

PRC income tax is calculated at 25% (2017: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

The total charge for the year can be reconciled to the profit before income tax as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Profit before income tax	**20,359,946**	14,048,029
Tax at domestic income tax rate of 25% (2017: 25%)	**5,089,986**	3,512,007
Tax effect of:		
Share of profits of associates	**(501,613)**	(258,193)
Share of losses/(profits) of joint ventures	**1,220**	(322)
Expenses not deductible for tax purposes	**1,778,402**	801,133
Income not taxable for tax purposes	**(561,285)**	(160,687)
Tax effect of tax losses not recognised	**1,692,145**	1,424,791
Utilisation of previously unrecognised tax losses	**(58,343)**	(144,566)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment (Note)	**(17,870)**	(12,134)
Effect of different tax rates of subsidiaries	**(1,123,145)**	(907,211)
	6,299,497	4,254,818

Note: Pursuant to the relevant tax rules and regulations, certain subsidiaries of the Company can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC, to the extent of the PRC income tax expense for the current year in excess of that for the previous year. Such PRC income tax credits are allowed as a deduction of current income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

12 INCOME TAX EXPENSE *(CONTINUED)*

(b) Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before taxation	**Taxation credited (Note 36)**	**Net of taxation**	Before taxation	Taxation charged (Note 36)	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000* (restated)	*RMB'000* (restated)	*RMB'000* (restated)
Actuarial loss on defined benefit obligations	**(17,988)**	**(2,429)**	**(20,417)**	(7,460)	816	(6,644)
Change in the fair value of equity instruments at fair value through other comprehensive income	**(8,737)**	**1,311**	**(7,426)**	–	–	–
Currency translation differences	**(95,408)**	**–**	**(95,408)**	28,127	–	28,127
Change in the fair value of available-for-sale financial assets	**–**	**–**	**–**	853,242	(91,812)	761,430
Share of associates' other comprehensive expense	**(29,584)**	**–**	**(29,584)**	(19,514)	–	(19,514)
Share of joint ventures' other comprehensive income	**2**	**–**	**2**	213	–	213
Change in the fair value on hedging instruments designated as cash flow hedges	**(11,035)**	**1,655**	**(9,380)**	–	–	–
Other comprehensive (expense)/income	**(162,750)**	**537**	**(162,213)**	854,608	(90,996)	763,612

13 DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Dividends paid		
– RMB0.1 (2017: RMB0.043) per share by the Company	**843,477**	232,158
– RMBNil (2017: RMB0.03) per share by Sinoma	**–**	107,144
	843,477	339,302
Proposed final dividend		
– RMB0.18 (2017: RMB0.1) per share by the Company (see below)	**1,518,259**	843,477

The final dividend of RMB1,518,258,719.16 in total (pre-tax) has been proposed by the board of directors on 22 March 2019.

The above proposed final dividends are subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

14 EARNINGS PER SHARE – BASIC AND DILUTED

The weighted average number of shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2018 and 2017 has taken into account the issue of 3,035,744,400 new shares in exchange of the entire equity interest in Sinoma arising from the merger of Sinoma.

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Profit attributable to owners of the Company	**8,066,995**	4,939,380

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares in issue	**8,434,771**	8,434,771

No diluted earnings per share have been presented as the Group did not have any dilutive potential ordinary shares outstanding during both years.

15 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2017					
As previously reported	7,929,850	72,608,925	77,102,579	5,917,827	163,559,181
Business combination under common control (Note 47)	1,882,488	26,960,606	39,018,308	1,977,003	69,838,405
As restated	9,812,338	99,569,531	116,120,887	7,894,830	233,397,586
Additions	10,614,025	1,390,947	1,349,925	238,742	13,593,639
Acquisition of subsidiaries (Note 45(a))	125,496	1,074,446	951,245	170,619	2,321,806
Transfer from construction in progress	(8,085,217)	3,489,189	4,529,290	66,738	–
Transfer to construction in progress for reconstruction	203,344	(79,258)	(179,240)	(438)	(55,592)
Disposals	(462,139)	(646,095)	(1,332,441)	(684,794)	(3,125,469)
Disposal of subsidiaries (Note 45(b))	(19,741)	(338,592)	(930,594)	(28,886)	(1,317,813)
Transfer from investment properties (Note 17)	–	47,897	–	–	47,897
Transfer to investment properties (Note 17)	–	(117,017)	–	–	(117,017)
As at 31 December 2017 (restated)	12,188,106	104,391,048	120,509,072	7,656,811	244,745,037

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2018					
As previously reported	9,833,055	76,637,340	80,465,025	5,804,707	172,740,127
Business combination under common control (Note 47)	2,355,051	27,753,708	40,044,047	1,852,104	72,004,910
As restated	12,188,106	104,391,048	120,509,072	7,656,811	244,745,037
Additions	10,677,073	2,197,228	2,504,267	243,212	15,621,780
Acquisition of subsidiaries (Note 45(a))	199,830	44,031	118,807	2,711	365,379
Transfer from construction in progress	(10,024,382)	4,198,433	5,801,526	24,423	–
Transfer to construction in progress for reconstruction	806,859	(251,258)	(583,788)	–	(28,187)
Disposals	(238,936)	(1,082,835)	(1,938,639)	(1,109,822)	(4,370,232)
Disposal of subsidiaries (Note 45(b))	(51)	(284,349)	(356,312)	(19,953)	(660,665)
Transfer from investment properties (Note 17)	–	25,287	–	–	25,287
Transfer to investment properties (Note 17)	(12,758)	(64,447)	–	–	(77,205)
As at 31 December 2018	13,595,741	109,173,138	126,054,933	6,797,382	255,621,194

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Construction in progress RMB'000	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
Depreciation and impairment					
As at 1 January 2017					
As previously reported	94,694	9,362,431	22,438,414	2,567,912	34,463,451
Business combination under common control (Note 47)	17,005	6,076,234	17,257,618	1,268,066	24,618,923
As restated	111,699	15,438,665	39,696,032	3,835,978	59,082,374
Charge for the year	–	2,813,851	7,182,828	726,521	10,723,200
Disposals	(2,681)	(405,816)	(1,033,522)	(473,515)	(1,915,534)
Impairment loss recognised	211,054	302,511	307,666	476	821,707
Transfer to construction in progress for reconstruction	–	(198)	(55,394)	–	(55,592)
Disposal of subsidiaries (Note 45(b))	(11,442)	(81,761)	(251,950)	(23,674)	(368,827)
Transfer from investment properties (Note 17)	–	7,011	–	–	7,011
Transfer to investment properties (Note 17)	–	(22,832)	–	–	(22,832)
As at 31 December 2017 (restated)	308,630	18,051,431	45,845,660	4,065,786	68,271,507

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Depreciation and impairment					
As at 1 January 2018					
As previously reported	279,825	11,184,051	26,958,350	2,806,252	41,228,478
Business combination under common control (Note 47)	28,805	6,867,380	18,887,310	1,259,534	27,043,029
As restated	308,630	18,051,431	45,845,660	4,065,786	68,271,507
Charge for the year	–	3,720,586	7,658,779	547,663	11,927,028
Disposals	(132,506)	(486,038)	(1,472,799)	(843,671)	(2,935,014)
Impairment loss recognised	577,810	1,265,613	1,251,883	148,558	3,243,864
Transfer to construction in progress for reconstruction	–	(294)	(27,893)	–	(28,187)
Disposal of subsidiaries (Note 45(b))	–	(82,641)	(208,238)	(16,749)	(307,628)
Transfer from investment properties (Note 17)	–	6,283	–	–	6,283
Transfer to investment properties (Note 17)	–	(32,523)	–	–	(32,523)
As at 31 December 2018	753,934	22,442,417	53,047,392	3,901,587	80,145,330
Carrying amount					
As at 31 December 2018	12,841,807	86,730,721	73,007,541	2,895,795	175,475,864
As at 31 December 2017 (restated)	11,879,476	86,339,617	74,663,412	3,591,025	176,473,530

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The carrying amount of land and buildings shown above comprises leasehold interests in land situated in the PRC under medium term leases.

During the year ended 31 December 2018, the management conducted a review of the Group's property, plant and equipment and determined that certain assets will not generate future benefit to the Group. Accordingly, impairment loss of approximately RMB3,243.86 million (2017: approximately RMB821.71 million) has been recognised in respect of those property, plant and equipment.

As at 31 December 2018, the carrying amount of plant and machinery includes an amount of approximately RMB16,909.31 million (2017: approximately RMB24,822.52 million) in respect of assets held under finance leases.

At the reporting date, the carrying amount of the Group's property, plant and equipment pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Construction in progress	**9,396**	–
Land and buildings	**1,280,497**	2,399,056
Plant and machinery	**7,145,885**	10,446,894
Total	**8,435,778**	12,845,950

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, as follows:

Land and buildings	**2.38%**	2.38%
Plant and machinery	**5.28% to 9.50%**	5.28% to 9.50%
Motor vehicles	**9.50%**	9.50%

At 31 December 2018, land and buildings with carrying amount of approximately RMB1,738.64 million (2017: approximately RMB1,846.90 million) are still in the process of applying the title certificates.

16 PREPAID LEASE PAYMENTS

	2018 **RMB'000**	2017 *RMB'000* (restated)
Carrying amount		
As at 1 January		
As previously reported	**15,800,054**	15,019,192
Business combination under common control (Note 47)	**4,120,965**	4,252,640
As restated	**19,921,019**	19,271,832
Additions	**700,006**	734,158
Acquisitions of subsidiaries (Note 45(a))	**58,873**	722,805
Released to the consolidated statement of profit or loss	**(554,022)**	(561,882)
Disposals	**(67,566)**	(205,784)
Disposals of subsidiaries (Note 45(b))	**(214,869)**	(40,110)
Transfer to investment property (Note 17)	**(923)**	–
Impairment loss recognised	**(62,788)**	–
As at 31 December	**19,779,730**	19,921,019

Analysis of the carrying amount of prepaid lease payments is as follows:

	2018 **RMB'000**	2017 *RMB'000* (restated)
Non-current portion	**19,272,500**	19,344,681
Current portion included in trade and other receivables (Note 28)	**507,230**	576,338
	19,779,730	19,921,019

The amount represents the prepaid lease payments situated in the PRC for a period of 10 to 50 years.

As at 31 December 2018, prepaid lease payments with carrying amount of approximately RMB26.77 million (2017: approximately RMB172.11 million) are still in the process of applying the title certificates.

As at 31 December 2018, the Group has pledged prepaid lease payments with a carrying amount of approximately RMB244.69 million (2017: approximately RMB504.82 million) to secure bank borrowings granted to the Group.

17 INVESTMENT PROPERTIES

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Cost		
As at 1 January		
As previously reported	**418,815**	444,605
Business combination under common control (Note 47)	**664,623**	416,045
As restated	**1,083,438**	860,650
Additions	**79,946**	167,070
Disposal	**(9,459)**	(13,402)
Transfer from property, plant and equipment (Note 15)	**77,205**	117,017
Transfer to property, plant and equipment (Note 15)	**(25,287)**	(47,897)
Transfer from prepaid lease payment (Note16)	**1,265**	–
As at 31 December	**1,207,108**	1,083,438
Depreciation		
As at 1 January		
As previously reported	**115,792**	111,105
Business combination under common control (Note 47)	**136,066**	102,357
As restated	**251,858**	213,462
Charge for the year	**29,990**	23,669
Disposal	**(1,605)**	(1,094)
Transfer from property, plant and equipment (Note 15)	**32,523**	22,832
Transfer to property, plant and equipment (Note 15)	**(6,283)**	(7,011)
Transfer to prepaid lease payment (Note16)	**342**	–
As at 31 December	**306,825**	251,858
Carrying amount		
As at 31 December	**900,283**	831,580

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2017: 2.38%) per annum.

As at 31 December 2018 and 2017, the Group has not pledged investment properties to secure bank borrowings granted to the Group.

17 INVESTMENT PROPERTIES *(CONTINUED)*

The fair value of the Group's investment properties as at 31 December 2018 was approximately RMB2,638,81 million (2017: approximately RMB1,710.10 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB78.30 million (2017: approximately RMB71.04 million). Direct operating expenses arising on the investment properties amounted to approximately RMB16.49 million (2017: approximately RMB17.59 million).

18 GOODWILL

	2018 ***RMB'000***	2017 *RMB'000* (restated)
As at 1 January		
As previously reported	**44,682,354**	42,604,255
Business combination under common control (Note 47)	**1,386,229**	1,535,049
As restated	**46,068,583**	44,139,304
Arising from acquisition of subsidiaries (Note 45(a))	**25,778**	2,388,427
De-registration of a subsidiary	**(177,845)**	(30,726)
Disposal of subsidiaries (Note 45(b))	**(11,072)**	(21,600)
Impairment loss recognised	**(2,254,568)**	(438,471)
Exchange difference	**6,704**	31,649
As at 31 December	**43,657,580**	46,068,583

Goodwill is allocated to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated as follows:

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Cement	**32,959,864**	35,141,906
Concrete	**9,572,521**	9,747,852
New materials	**119,856**	119,069
Engineering services	**943,724**	935,890
Others	**61,615**	123,866
	43,657,580	46,068,583

18 GOODWILL *(CONTINUED)*

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

During the year ended 31 December 2018, the Group recognised impairment loss of RMB2,199.78 million (2017: RMB270.56 million), RMB3.61 million (2017: RMB12.34 million) and RMB nil (2017: RMB155.57 million) and RMB51.18 million (2017: RMB nil) in relation to goodwill allocated to the CGU of cement operation, new materials operation, engineering service operation and other operations respectively. Prolonged losses have been incurred by certain subsidiaries of the cement segment, new materials segment and engineering service segment and the recoverable amount of these subsidiaries is less than their carrying amount. The management does not expect these subsidiaries to operate at a profit in the foreseeable future.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Cement and Concrete

The recoverable amounts of the groups of CGUs of cement and concrete operations have been determined based on the value in use calculation. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with growth rate of 5% (2017: 5%), and discount rate of 10% (2017: 10%). Both sets of cash flows beyond the five-year period are extrapolated using zero growth rate. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for both cement and concrete are also based on the budgeted sales and expected gross margins during the budget period. Expected cashflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development.

Others

The recoverable amounts of the groups of CGUs of other operations have been determined based on the value in use calculation. Their value in use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with growth rates of 10% (2017: 10%), and discount rates of 10% (2017: 10%). Their sets of cash flows beyond the five year period are extrapolated using zero growth rate. These growth rates are based on the industry growth forecasts and do not exceed the average long-term growth rates for the relevant industry. Cash flow projections during the budget period for these operations are also based on the budgeted sales and expected gross margins during the budget period. Expected cashflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each CGU or groups of CGUs to exceed its recoverable amount.

19 INTANGIBLE ASSETS

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Cost			
As at 1 January 2017			
As previously reported	8,719,598	487,216	9,206,814
Business combination under common control (Note 47)	1,110,698	881,477	1,992,175
As restated	9,830,296	1,368,693	11,198,989
Additions	917,345	196,830	1,114,175
Acquisition of subsidiaries (Note 45(a))	81,162	1,215	82,377
Disposals	(3,638)	(62,927)	(66,565)
Disposals of subsidiaries (Note 45(b))	(1,114)	(10,524)	(11,638)
Exchange difference	–	24,335	24,335
As at 31 December 2017 (restated)	10,824,051	1,517,622	12,341,673
Cost			
As at 1 January 2018			
As previously reported	**9,631,725**	**542,955**	**10,174,680**
Business combination under common control (Note 47)	**1,192,326**	**974,667**	**2,166,993**
As restated	**10,824,051**	**1,517,622**	**12,341,673**
Additions	**1,313,965**	**456,259**	**1,770,224**
Acquisition of subsidiaries (Note 45(a))	**6,074**	**4,210**	**10,284**
Disposals	**(26,549)**	**(41,345)**	**(67,894)**
Disposals of subsidiaries (Note 45(b))	**–**	**(21)**	**(21)**
Exchange difference	**–**	**2,768**	**2,768**
As at 31 December 2018	**12,117,541**	**1,939,493**	**14,057,034**

19 INTANGIBLE ASSETS *(CONTINUED)*

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Amortisation and impairment			
As at 1 January 2017			
As previously reported	1,737,757	209,273	1,947,030
Business combination under common control	397,794	484,238	882,032
As restated	2,135,551	693,511	2,829,062
Charge for the year	454,905	149,162	604,067
Disposals	(3,638)	(50,913)	(54,551)
Disposals of subsidiaries (Note 45(b))	(1,000)	(509)	(1,509)
Impairment loss recognised	883	–	883
Exchange difference	–	3,213	3,213
As at 31 December 2017 (restated)	2,586,701	794,464	3,381,165
Amortisation and impairment			
As at 1 January 2018			
As previously reported	**2,124,567**	**244,814**	**2,369,381**
Business combination under common control (Note 47)	**462,134**	**549,650**	**1,011,784**
As restated	**2,586,701**	**794,464**	**3,381,165**
Charge for the year	**769,899**	**266,166**	**1,036,065**
Disposals	**(2,967)**	**(24,699)**	**(27,666)**
Disposals of subsidiaries (Note 45(b))	**–**	**(21)**	**(21)**
Impairment loss recognised	**225,690**	**22**	**225,712**
Exchange difference	**–**	**2,275**	**2,275**
As at 31 December 2018	**3,579,323**	**1,038,207**	**4,617,530**
Carrying amount			
As at 31 December 2018	**8,538,218**	**901,286**	**9,439.504**
As at 31 December 2017 (restated)	**8,237,350**	**723,158**	**8,960,508**

19 INTANGIBLE ASSETS *(CONTINUED)*

Trademarks have indefinite useful lives. Patents included above have finite useful lives, over which the assets are amortised. The amortisation rates of patents are ranging from 5% to 10% per annum. Mining rights are amortised over its concession period from 2 to 30 years.

During the year ended 31 December 2018, the management conducted a review of the Group's intangible assets and determined that certain assets will not generate future benefit to the Group. Accordingly, impairment loss of approximately RMB225,71 million (2017: approximately RMB0.88 million) has been recognised in respect of those intangible assets.

As at 31 December 2018, the Group has pledged intangible assets with carrying amount of approximately RMB35.25 million (2017: Nil) to secure the bank borrowings granted the Group.

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017, which are established and operated in the PRC, are as follows:

			Attributable equity interest to the Company				
	Legal	Nominal value of	Direct		Indirect		Principal
Name of subsidiary	status	paid-in capital	2018 %	2017 %	2018 %	2017 %	activities
China United Cement Group Corporation Limited ("China United")	Limited liability company	RMB4,000,000,000	**100.00**	100.00	**–**	–	Production and sale of cement
South Cement Company Limited ("South Cement") (Note (i))	Limited liability company	RMB10,000,000,000	**92.03**	82.30	**–**	–	Production and sale of cement
Shanghai South Cement Company Limited	Limited liability company	RMB5,000,000,000	**–**	–	**92.03**	82.30	Production and sale of cement
Zhejiang South Cement Company Limited	Limited liability company	RMB4,500,000,000	**–**	–	**92.03**	82.30	Production and sale of cement
Hunan South Cement Company Limited	Limited liability company	RMB5,000,000,000	**–**	–	**92.03**	82.30	Production and sale of cement
South New Materials Technology Company Limited	Limited liability company	RMB1,000,000,000	**–**	–	**91.64**	81.95	Production and sale of composite materials
Jiangxi South Cement Company Limited	Limited liability company	RMB3,000,000,000	**–**	–	**92.03**	82.30	Production and sale of cement

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017, which are established and operated in the PRC, are as follows: *(Continued)*

Name of subsidiary	Legal status	Nominal value of paid–in capital	Attributable equity interest to the Company Direct 2018 %	Direct 2017 %	Indirect 2018 %	Indirect 2017 %	Principal activities
Huzhou South Cement Company Limited	Limited liability company	RMB1,000,000,000	–	–	92.03	82.30	Production and sale of cement
North Cement Company Limited	Limited liability company	RMB4,000,000,000	70.00	70.00	–	–	Production and sale of cement
South West Cement Company Limited ("Southwest Cement") (Note (ii))	Limited liability company	RMB10,000,000,000	87.79	71.00	–	–	Production and sale of cement
Sichuan Southwest Cement Company Limited	Limited liability company	RMB3,000,000,000	–	–	87.79	71.00	Production and sale of cement
Chongqing Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	–	–	87.79	71.00	Production and sale of cement
Guizhou Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	–	–	87.79	71.00	Production and sale of cement
Yunnan Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	–	–	87.79	71.00	Production and sale of cement
Sinoma Cement Company Limited ("Sinoma Cement")	Limited liability company	RMB1,853,280,000	100.00	100.00	–	–	Production and sale of cement
Tianshan Cement (Note (iii))	Joint stock company with limited liability	RMB1,048,722,959	45.87	45.87	–	–	Production and sale of cement
Ningxia Building Materials (Note (iv))	Joint stock company with limited liability	RMB478,181,042	47.56	47.56	–	–	Production and sale of cement
Qilianshan Cement (Note (v))	Joint stock company with limited liability	RMB776,290,282	–	–	19.26	19.26	Production and sale of cement
BNBM (Note (vi), (vii), (viii))	Joint stock company with limited liability	RMB706,990,796	37.83	35.73	–	–	Production and sale of lightweight building materials

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017, which are established and operated in the PRC, are as follows: *(Continued)*

Name of subsidiary	Legal status	Nominal value of paid–in capital	Attributable equity interest to the Company Direct 2018 %	Direct 2017 %	Indirect 2018 %	Indirect 2017 %	Principal activities
Taishan Gypsum Company Limited ("Taishan Gypsum") (Note (ix))	Limited liability company	RMB155,625,000	**–**	–	**37.83**	35.73	Production and sale of lightweight building materials
Sinoma Science & Technology Company Limited ("Sinoma Science & Technology") (Note (x))	Joint stock company with limited liability	RMB1,290,864,296	**60.24**	60.24	**–**	–	Production and sale of composite materials
Taishan Fiberglass Inc. ("CTG")	Limited liability company	RMB3,911,724,537	**–**	–	**60.24**	60.24	Production and sale of fiberglass
Sinoma Wind Power Blade Company Limited	Limited liability company	RMB441,019,253	**–**	–	**60.24**	60.24	Production and sale of turbine blades
Lianyuangang Zhongfu Lianzhong Composite Material Group Company Limited	Limited liability company	RMB261,307,535	**–**	–	**62.96**	62.96	Production and sale of composite materials
Sinoma International (Note (xi), (xii))	Joint stock company with limited liability	RMB1,754,257,928	**40.03**	39.70	**–**	–	Production and sale of engineering services
Chengdu Design & Research Institute of Building Materials Industry Company Limited	Limited liability company	RMB60,000,000	**–**	–	**40.03**	39.70	Production and sale of building materials
CNBMI Construction Company Limited	Limited liability company	RMB72,580,000	**–**	–	**40.03**	39.70	Production and sale of engineering services
China Triumph International Engineering Company Limited ("China Triumph")	Limited liability company	RMB500,000,000	**91.00**	91.00	**–**	–	Production of engineering services
Jetion Solar (China) Company Limited	Limited liability company	RMB702,000,000	**–**	–	**50.05**	50.05	Production and sale of electronic materials
CNBM Investment Company Limited	Limited liability company	RMB500,000,000	**100.00**	100.00	**–**	–	Sales of lightweight building materials

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017, which are established and operated in the PRC, are as follows: *(Continued)*

Notes:

(i) During the year ended 31 December 2018, the Company acquired additional issued shares of South Cement at a consideration of approximately RMB2,195.57 million. After that, the Company's effective equity interest in South Cement increased from 82.30% to 92.03 %.

(ii) During the year ended 31 December 2018, the Company acquired additional issued shares of Southwest Cement at a consideration of approximately RMB2,336.17 million and two independent third parties had capital injection into Southwest. After that, the Company's effective equity interest in South Cement increased from 71.00% to 87.79%.

(iii) Tianshan Cement is a joint stock company listed on the Shenzhen Stock Exchange.

(iv) Ningxia Building Materials is joint stock company listed on the Shanghai Stock Exchange.

(v) Qilianshan Cement is a joint stock company listed on Shanghai Stock Exchange.

(vi) The paid-in capital of BNBM represents the issued ordinary listed share capital and paid-in capital of the rest of the companies represents registered capital.

(vii) BNBM is a joint stock company listed on the Shenzhen Stock Exchange.

(viii) During the year ended 31 December 2018, BNBM has repurchased and cancelled 5.539% of its share from the non-controlling shareholders for a consideration of RMB1. After that, the Group's effective equity interests in BNBM increased from 35.73% to 37.83%.

(ix) The entity is considered to be controlled by the Company because it is a subsidiary of another Company's subsidiary.

(x) Sinoma Science & Technology is a joint stock company listed on the Shenzhen Stock Exchange.

(xi) Sinoma International is a joint stock company listed on the Shanghai Stock Exchange.

(xii) During the year ended 31 December 2018, Sinoma international has repurchased and cancelled 3.10% of its shares from non-controlling shareholders for consideration of RMB1. After that, the Group's effective equity interests in Sinoma International increased from 39.70% to 40.03%.

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

As at 31 December 2018, certain subsidiaries of the Company which had outstanding issued debt securities as follows:

Name	Face value of debt securities *RMB'000*	Maturity date
China United	1,000,000	11 January 2019
	750,000	18 January 2019
	1,000,000	22 January 2019
	1,000,000	24 February 2019
	1,000,000	04 March 2019
	1,000,000	26 May 2019
	1,000,000	20 July 2019
	1,000,000	09 August 2019
South Cement	1,200,000	05 March 2019
	600,000	05 March 2019
	1,500,000	09 April 2019
	1,000,000	14 April 2019
	900,000	26 April 2019
	500,000	14 June 2019
	500,000	12 July 2019
	900,000	19 July 2019
	500,000	18 November 2019
	1,500,000	24 April 2020
	1,800,000	03 August 2020
	2,000,000	17 April 2021
	800,000	16 August 2021
	1,500,000	17 October 2021
	200,000	24 April 2022
	200,000	03 August 2022
Southwest Cement	500,000	28 February 2019
	700,000	12 April 2019
	1,000,000	19 April 2019
	800,000	21 June 2019
	1,000,000	12 July 2019
	1,100,000	26 July 2019
	1,200,000	16 August 2019
	1,000,000	24 August 2019
Sinoma Cement	400,000	16 November 2019
Ningxia Building Materials	500,000	20 October 2019
Qilianshan Cement	500,000	21 August 2019
Sinoma Science & Technology	1,100,000	03 April 2021
CTG	700,000	06 September 2019
China Triumph	600,000	21 February 2019
	1,000,000	11 June 2021
	1,000,000	18 October 2021

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) BNBM and its subsidiaries

	2018 *RMB'000*	2017 *RMB'000*
Current assets	**5,651,861**	5,530,767
Non-current assets	**12,256,180**	10,579,914
Current liabilities	**(2,313,329)**	(2,896,491)
Non-current liabilities	**(1,155,800)**	(718,519)
Non-controlling interests	**(8,883,103)**	(8,059,633)
Equity attributable to owners of the Company	**5,555,809**	4,436,038
Revenue	**12,564,910**	11,164,344
Expenses	**(10,084,241)**	(8,809,446)
Profit for the year	**2,480,669**	2,354,898
Profit attributable to owners of the Company	**894,166**	837,506
Profit attributable to the non-controlling interests	**1,586,503**	1,517,392
Profit for the year	**2,480,669**	2,354,898
Other comprehensive income attributable to owners of the Company	**467**	–
Other comprehensive income attributable to the non-controlling interests	**767**	–
Other comprehensive income for the year	**1,234**	–
Total comprehensive income attributable to owners of the Company	**894,633**	837,506
Total comprehensive income attributable to the non-controlling interests	**1,587,270**	1,517,392
Total comprehensive income for the year	**2,481,903**	2,354,898
Dividends paid to non-controlling interests	**372,907**	203,692
Net cash inflow from operating activities	**2,782,675**	2,654,194
Net cash outflow from investing activities	**(2,059,162)**	(1,830,607)
Net cash outflow from financing activities	**(773,302)**	(1,041,542)
Net cash outflow	**(49,789)**	(217,955)

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(ii) Sinoma International and its subsidiaries

	2018	2017
	RMB'000	*RMB'000*
Current assets	**21,296,521**	22,354,480
Non-current assets	**9,744,765**	7,360,304
Current liabilities	**(17,931,113)**	(18,996,633)
Non-current liabilities	**(3,965,164)**	(2,773,132)
Non-controlling interests	**(5,520,542)**	(4,659,786)
Equity attributable to owners of the Company	**3,624,467**	3,285,233
Revenue	**21,501,420**	19,553,688
Expenses	**(20,098,107)**	(18,625,523)
Profit for the year	**1,403,313**	928,165
Profit attributable to owners of the Company	**596,777**	364,974
Profit attributable to the non-controlling interests	**806,536**	563,191
Profit for the year	**1,403,313**	928,165
Other comprehensive income attributable to owners of the Company	**21,106**	31,793
Other comprehensive expenses attributable to the non- controlling interests	**(2,523)**	(147)
Other comprehensive income for the year	**18,583**	31,646
Total comprehensive income attributable to owners of the Company	**617,883**	396,767
Total comprehensive income attributable to the non- controlling interests	**804,013**	563,044
Total comprehensive income for the year	**1,421,896**	959,811
Dividends paid to non-controlling interests	**177,721**	93,088
Net cash outflow from operating activities	**(1,619,613)**	(1,959,519)
Net cash outflow from investing activities	**(1,226,112)**	(47,799)
Net cash (outflow)/inflow from financing activities	**(125,346)**	912,715
Net cash outflow	**(2,971,071)**	(1,094,603)

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

(iii) Qilianshan Cement and its subsidiaries

	2018 *RMB'000*	2017 *RMB'000*
Current assets	**1,944,908**	2,404,514
Non-current assets	**7,756,512**	8,061,047
Current liabilities	**(2,912,388)**	(3,331,656)
Non-current liabilities	**(460,722)**	(1,027,547)
Non-controlling interests	**(6,155,256)**	(5,766,035)
Equity attributable to owners of the Company	**173,054**	340,323
Revenue	**5,774,755**	5,969,974
Expenses	**(5,086,004)**	(5,467,665)
Profit for the year	**688,751**	502,309
Profit attributable to owners of the Company	**143,078**	26,790
Profit attributable to the non-controlling interests	**545,673**	475,519
Profit for the year	**688,751**	502,309
Other comprehensive expenses attributable to owners of the Company	**(184)**	(129)
Other comprehensive expenses attributable to the non-controlling interests	**(1,827)**	(62,114)
Other comprehensive expenses for the year	**(2,011)**	(62,243)
Total comprehensive income attributable to owners of the Company	**142,894**	26,661
Total comprehensive income attributable to the non-controlling interests	**543,846**	413,405
Total comprehensive income for the year	**686,740**	440,066
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**1,277,109**	1,018,107
Net cash (outflow)/inflow from investing activities	**(383,624)**	176,311
Net cash outflow from financing activities	**(1,180,048)**	(904,167)
Net cash (outflow)/inflow	**(286,563)**	290,251

21 INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000 (restated)
Cost of investments in associates		
– listed in the PRC	**1,440,949**	1,440,949
– listed in Hong Kong	**767,529**	–
– unlisted	**4,859,848**	4,464,895
Share of post-acquisition profit, net of dividend received	**6,459,001**	4,596,374
	13,527,327	10,502,218
Fair value of listed investments	**10,269,373**	14,909,407
Share of profits of associates	**2,006,451**	1,032,763

As at 31 December 2018, the cost of investments in associates included goodwill of associates of approximately RMB731.90 million (2017: approximately RMB732.09 million).

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2018, which in the opinion of the directors are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of associate	Nominal value of registered capital	Attributable direct equity interest to the Group 2018 %	2017 %	Principal activities
China Jushi Co., Ltd. ("China Jushi") (Note (i))	RMB2,918,589,041	**26.97**	26.97	Production of glass fiber
Shangdong Quan Xing China United Cement Company Limited ("Shangdong Quan Xing")	RMB2,000,000,000	**49.00**	49.00	Sales of production of cement
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") (Note (ii))	RMB1,000,000,000	**50.00**	50.00	Production of cement
Shanghai Yaohua Pikington Glass Group Co., Ltd. ("Shanghai Yaohua") (Note (iii))	RMB934,916,069	**12.74**	12.74	Production of glass fiber
Gansu Shangfeng Cement Co., Ltd. ("Gansu Shangfeng") (Note (iv), (v))	RMB813,619,871	**14.40**	14.40	Production of cement
China Shanshui Cement Group Limited ("Shanshui Cement") (Note (vi), (vii))	USD100,000,000	**12.94**	–	Production of cement

Notes:

(i) China Jushi is a joint stock company listed on the Shanghai Stock Exchange.

(ii) Nanfang Wanniangqing was considered as an associate of the Group because South Cement can only nominate 2 out of 5 directors of the Board of Directors. Therefore, the Group only have significant influence but not control in Nanfang Wannianqing.

(iii) Shanghai Yaohua was considered as an associate of the Group because China Composite has virtue of the contractual right to appoint 1 out of the 4 directors to the board of directors of that Company.

(iv) Gansu shangfang is a joint stock company listed on the Shenzhen stock Exchange.

(v) Gansu Shangfeng was considered as an associate of the Group because South Cement has virtue of its contractual right to appoint director on its board. During the year ended 31 December 2017, the Group disposed 19,980,900 equity shares of Gansu Shangfeng to third parties for consideration of approximately RMB234.17 million. After the disposal, the number of share of Gansu Shangfeng owned by the Group was decreased from 137,107,315 shares to 117,126,415 shares.

(vi) Shanshui Cement is a joint stock company listed on the Hong Kong Stock Exchange.

(vii) Shanshui Cement was considered as an associate of the Group because China Building Material Holdings Co., Limited has virtue of its contractual right to appoint 1 out of 5 directors to the board of directors of that Company since 23 May 2018.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

(i) China Jushi

	2018 **_RMB'000_**	2017 *RMB'000*
Current assets	**7,276,422**	7,838,629
Non-current assets	**23,094,037**	16,953,180
Current liabilities	**(12,335,941)**	(7,819,977)
Non-current liabilities	**(3,454,140)**	(4,418,418)
Non-controlling interests	**(342,134)**	(104,756)
Revenue	**10,032,423**	8,651,549
Profit for the year	**2,384,835**	2,157,591
Other comprehensive income/(expense) for the year	**158,118**	(106,686)
Total comprehensive income for the year	**2,542,953**	2,050,905
Dividends received from the associate during the year	**196,803**	164,002

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Jushi recognised in the consolidated financial statements:

	2018 **_RMB'000_**	2017 *RMB'000*
Net assets of the associate	**14,238,244**	12,448,658
Proportion of the Group's ownership interest in China Jushi	**26.97%**	26.97%
Group's share of net assets of the associate	**3,840,054**	3,357,403
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**3,858,747**	3,376,096

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(ii) Shangdong Quan Xing

	2018	2017
	RMB'000	*RMB'000*
Current assets	**1,607,851**	1,168,596
Non-current assets	**3,523,403**	3,604,465
Current liabilities	**(2,423,241)**	(2,216,895)
Non-current liabilities	**(107,000)**	(174,219)
Non-controlling interests	**(294,341)**	(189,393)
Revenue	**2,981,419**	2,226,861
Profit for the year	**114,118**	85,467
Total comprehensive income for the year	**114,118**	85,467
Dividends received from the associate during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shangdong Quan Xing recognised in the consolidated financial statements:

	2018	2017
	RMB'000	*RMB'000*
Net assets of the associate	**2,306,672**	2,192,554
Proportion of the Group's ownership interest in Shangdong Quan Xing	**49%**	49%
Carrying amount of the Group's interest in Shangdong Quan Xing	**1,130,269**	1,074,351

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iii) Nanfang Wannianqing

	2018 **RMB'000**	2017 RMB'000
Current assets	**2,580,565**	1,380,768
Non-current assets	**2,881,459**	2,896,090
Current liabilities	**(1,573,267)**	(1,481,976)
Non-current liabilities	**(24,043)**	(70,387)
Non-controlling interests	**(785,503)**	(558,202)
Revenue	**6,810,825**	4,646,258
Profit for the year	**1,363,365**	675,639
Total comprehensive income for the year	**1,363,365**	675,639
Dividends received from the associate during the year	**100,000**	200,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanfang Wannianqing recognised in the consolidated financial statements:

	2018 **RMB'000**	2017 RMB'000
Net assets of the associate	**3,079,211**	2,166,293
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Carrying amount of the Group's interest in Nanfang Wannianqing	**1,539,606**	1,083,147

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iv) Aggregate information of associates that are not individually material

	2018	2017
	RMB'000	*RMB'000*
		(restated)
The Group's share of profits from continuing operations	**625,660**	71,162
The Group's share of other comprehensive (expenses)/ income	**(72,228)**	9,247
The Group's share of total comprehensive income	**553,432**	80,409
Aggregate carrying amount of the Group's interests in these associates	**6,998,705**	4,968,624

22 INTERESTS IN JOINT VENTURES

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Cost of investments in joint ventures		
– unlisted	**92,530**	12,295
Share of post-acquisition loss, net of dividend received	**(12,324)**	(7,445)
	80,206	4,850
Share of (losses)/profits of joint ventures	**(4,881)**	1,289

All joint ventures are accounted for using the equity method in the consolidated financial statements.

As at 31 December 2018, the Group has interests in a number of individually immaterial joint ventures, in the opinion of the directors, no individual joint venture principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The financial information and carrying amount in aggregate, of the Group's interests in joint ventures that are not individually material are set out below:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
The Group's share of (losses)/profits from continuing operations	**(4,881)**	1,289
The Group's share of other comprehensive income	**2**	213
The Group's share of total comprehensive (expenses)/income	**(4,879)**	1,502
Aggregate carrying amount of the Group's interests in these joint venture	**80,206**	4,850

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000 (restated)
Available-for-sale financial assets:		
– Unlisted equity shares, at cost (Note (i))	–	1,359,598
– Equity shares listed in Hong Kong (Note (ii))	–	1,633,972
– Equity shares listed outside Hong Kong	–	3,742,081
	–	6,735,651

	2018 RMB'000	2017 RMB'000 (restated)
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	–	6,681,151
Current portion	–	54,500
	–	6,735,651

Note i: The available-for-sale financial assets are stated at cost less accumulated impairment losses as the range of reasonable fair value estimates is so significant that the management is of the opinion that their fair values cannot be reliably measured.

Note ii: As at 31 December 2017, the Group has pledged listed equity shares listed in Hong Kong with the carrying amount of approximately RMB1,527.33 million to secure bank borrowings granted to the Group.

Note iii: Upon adoption of IFRS 9 on 1 January 2018, the Group has reclassified the available-for-sales financial assets as financial assets at fair value through profit or loss (Note 24). On 31 December 2017, the available-for-sale financial assets with carrying amount of approximately RMB5,376.05 million was stated at fair value through other comprehensive income and approximately RMB1,359.60 million was stated at cost less accumulated impairment losses.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Held-for-trading investments at market value:		
– Investment funds listed outside Hong Kong	**–**	295
– Equity shares listed outside Hong Kong	**–**	1,703,807
– Structured deposits (Note i)	**–**	1,183,448
	–	2,887,550
Financial assets at fair value through profit or loss (Note ii):		
– Investment funds listed outside Hong Kong	**239**	–
– Equity shares listed outside Hong Kong	**3,157,652**	–
– Equity shares listed in Hong Kong	**1,516,648**	–
– Structured deposits (Note i)	**2,489,935**	–
– Unlisted equity shares	**2,017,011**	–
	9,181,485	–
	9,181,485	2,887,550

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Analysed for reporting purposes:		
Non-current portion	**1,987,450**	–
Current portion	**7,194,035**	2,887,550
	9,181,485	2,887,550

Note i: During the year ended 31 December 2018 and 2017, the Group entered into certain investments with certain financial institutions. The investment based on respective contracts have maturity dates within 3 months.

Note ii: On 31 December 2017, financial assets at fair value through profit or loss represents held-for-trading investments and unlisted investments designated as at fair value through profit or loss. Upon adoption of IFRS 9 on 1 January 2018, the Group has reclassified the available-for-sales financial assets at financial assets at fair value through profit or loss.

As at 31 December 2018, approximately RMB472.34 million (31 December 2017: RMB Nil) of the financial assets at fair value through profit or loss are pledged to secure bank loans granted to the Group.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 **RMB'000**	2017 RMB'000 (restated)
Equity shares listed in Hong Kong	**7,880**	–

Note: The above listed equity investments represent the Group's equity interest in a public entity established in the PRC listed in Hong Kong. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. No dividends were received on this investment during the year (2017: RMBNil).

26 DEPOSITS

	2018 **RMB'000**	2017 RMB'000 (restated)
Investment deposits for acquisition of subsidiaries	**1,028,602**	446,267
Deposits paid to acquire property, plant and equipment	**1,707,504**	2,501,054
Deposits paid to acquire intangible assets	**292,218**	65,323
Deposits paid in respect of prepaid lease payments	**328,425**	215,304
	3,356,749	3,227,948

Note: The carrying amounts of the deposits approximate to their fair values.

27 INVENTORIES

	2018 **RMB'000**	2017 RMB'000 (restated)
Raw materials	**8,858,118**	10,614,045
Work-in-progress	**4,178,273**	4,341,542
Finished goods	**6,339,014**	6,857,608
Consumables	**300,808**	393,477
	19,676,213	22,206,672

28 TRADE AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000 (restated)
Trade receivables, net of allowance for bad and doubtful debts (Note (b))	**44,603,206**	44,652,834
Bills receivable (Note (c))	**20,954,537**	19,729,448
Contract assets (Note 31)	**10,860,968**	–
Amounts due from customers for contract work (Note 30)	**–**	6,082,899
Prepaid lease payments (Note 16)	**507,230**	576,338
Other receivables, deposits and prepayments	**26,476,933**	39,156,868
	103,402,874	110,198,387

	2018 **RMB'000**	2017 RMB'000 (restated)
Analysed for reporting purposes:		
Non-current portion	**5,920,820**	2,599,083
Current portion	**97,482,054**	107,599,304
	103,402,874	110,198,387

Notes:

(a) The carrying amounts of the trade and other receivables approximate to their fair values.

(b) The Group normally allowed an average of credit period of 60–180 days to its trade customers, except for customers of engineering services segment, the credit period are normally ranging from 1 to 2 years.

The ageing analysis of trade receivables based on the invoice date is as follows:

	2018 **RMB'000**	2017 RMB'000 (restated)
Within two months	**8,995,854**	10,362,867
More than two months but within one year	**22,744,295**	20,169,155
Between one and two years	**7,262,590**	7,467,409
Between two and three years	**3,379,780**	2,800,026
Over three years	**2,220,687**	3,853,377
	44,603,206	44,652,834

28 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

(c) The bills receivable is aged within six months.

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB2,770.64 million (2017: approximately RMB4,610.09 million) which are past due but not impaired. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the other receivables, deposits and prepayment are retention amounts of RMB361.76 million, of which RMB68.67 million are due after one year. Upon application of IFRS 15, the retentions receivables were reclassified to contract assets.

Ageing of trade receivables which are past due but not impaired:

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Within one year	**1,510,519**	2,547,559
Between one and two years	**702,123**	945,503
Between two and three years	**259,117**	571,895
Over three years	**298,878**	545,132
	2,770,637	4,610,089

(e) As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its operation because of a large number of small customers with common risk characteristics that are representative of customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit and ECL for trade receivables and contract assets which are assessed collectively based on provision matrix as at 31 December 2018.

	Weighted average loss rate	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*	**Net carrying amount** *RMB'000*
Current (not yet past due)	7.63%	57,048,683	4,355,146	52,693,537
Within one year past due	15.08%	1,778,765	268,246	1,510,519
Between one and two years past due	44.18%	1,329,367	627,244	702,123
Between two and three years past due	57.66%	611,946	352,829	259,117
Over three years past due	80.60%	1,540,733	1,241,855	298,878
		62,309,494	6,845,320	55,464,174

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year, the Group provided approximately RMB1,920.43 million impairment allowance based on the provision matrix.

28 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(f) Movement in the allowance for bad and doubtful debts are as follows. Comparative amount of 2017 represent the allowance amount for impairment losses under IAS 39.

	2018 **RMB'000**	2017 RMB'000 (restated)
As at 31 December		
As previous reported	**5,241,574**	4,159,133
Business combination under common control	**3,311,598**	3,386,987
As at 31 December, as restated	**8,553,172**	7,546,120
Adjustment on initial application of IFRS 9 (Note 2.1 (ii))	**588,573**	–
As at 1 January, as restated	**9,141,745**	7,546,120
Additions from acquisition of subsidiaries	**6,967**	226,814
Disposal of subsidiaries	**(35,038)**	(89,079)
Allowance for bad and doubtful debts	**3,792,545**	1,044,322
Amounts written off as uncollectible	**(720,387)**	(103,297)
Written off of impairment loss	**–**	(68,898)
Others	**–**	(2,810)
As at 31 December	**12,185,832**	8,553,172

(g) Carrying amounts of trade and other receivables were denominated in the following currencies:

	2018 **RMB'000**	2017 RMB'000 (restated)
RMB	**97,342,630**	106,441,101
EUR	**505,036**	1,459,165
USD	**4,845,280**	1,956,133
THB	**178,615**	179,847
Others	**531,313**	162,141
	103,402,874	110,198,387

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted to the report date.

(h) As at 31 December 2018, approximately RMB1,011.88 million (2017: approximately RMB1,180.52 million) of the trade receivables and approximately RMB934.95 million (2017: approximately RMB829.30 million) of bills receivable are pledged to secure bank loans granted to the Group.

29 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**2,049,260**	3,402,154
– Associates	**53,756**	80,253
– Joint ventures	**742**	5,394
– Immediate holding company	**–**	64
– Non-controlling interests of subsidiaries	**269,013**	310,170
	2,372,771	3,798,035
Non-trading in nature:		
– Fellow subsidiaries	**1,593,876**	1,170,175
– Associates	**362,728**	438,658
– Joint ventures	**535**	992
– Immediate holding company	**1,031**	1,401
– Non-controlling interests of subsidiaries	**359,726**	561,140
	2,317,896	2,172,366
	4,690,667	5,970,401
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**610,127**	1,967,829
– Associates	**21,783**	37,340
– Joint ventures	**214**	–
– Non-controlling interests of subsidiaries	**32,587**	37,233
	664,711	2,042,402
Non-trading in nature:		
– Fellow subsidiaries	**2,319,429**	1,845,979
– Associates	**899**	280
– Immediate holding company	**32,472**	4,092,529
– Non-controlling interests of subsidiaries	**625,141**	1,191,845
	2,977,941	7,130,633
	3,642,652	9,173,035

29 AMOUNTS DUE FROM/(TO) RELATED PARTIES *(CONTINUED)*

The carrying amounts of amounts due from and to related parties approximate to their fair values. All amounts are unsecured and repayable on demand. The trading nature portion of amounts due from and to related parties is aged within one year.

As at 31 December 2018, amounts due from related parties of approximately RMB1,148.37 million (2017: approximately RMB1,428.39 million) carry the variable interest rate of 4.35% (2017: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2018, amounts due to related parties of approximately RMB2,554.59 million (2017: approximately RMB6,549.08 million) carry the fixed interest rate of 5.20% (2017: 5.31%) per annum. The remaining balances of amounts due to related parties are interest-free.

30 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2018 *RMB'000*	2017 *RMB'000* (restated)
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses to date	–	78,319,070
Less: progress billings	–	(75,010,245)
	–	3,308,825
Analysed for reporting purposes:		
Amounts due from customers for contract work included in trade and other receivables (Note 28)	–	6,082,899
Amounts due to customers for contract work included in trade and other payables (Note 34)	–	(2,774,074)
	–	3,308,825

As at 31 December 2017, advances received from customers for contract work amounted to approximately RMB2,774.07 million are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 28, amounted to approximately RMB361.76 million.

31 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2018 *RMB'000*	1 January 2018* *RMB'000*
Arising from performance under construction contracts, included in trade and other receivables (Note 28)	**10,625,219**	6,082,899
Retention receivables, included in trade and other receivables (Note 28)	**235,749**	361,756
	10,860,968	6,444,655

* The amounts in this column are after the adjustments from the application of *IFRS 9 and 15*.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates.

Typical payment terms which impact on the amount of contract assets recognised in respect of project contract work are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 15% to 30% of total contract sum as part of its credit risk management policies.

31 CONTRACT ASSETS AND CONTRACT LIABILITIES *(CONTINUED)*

(a) Contract assets *(continued)*

The Group also typically agrees to a retention period ranging from 1 to 2 years for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

(b) Contract liabilities

	31 December 2018 *RMB'000*	1 January 2018* *RMB'000*
Billings in advance of performance from construction contracts, included in trade and other payables (Note 34)	**2,199,051**	2,774,074
Advance from customers, included in trade and other payables (Note 34)	**11,566,834**	7,213,320
	13,765,885	9,987,394

* The amounts in this columns are after the adjustments from application of IFRS 15.

Typical payment terms which impact on the amount of contract liabilities recognised in respect of project contract work are as follows:

When the Group receives a deposit before the project contract work commences this will give rise to contract liabilities at the start of a project contract, until the revenue recognised on the project exceeds the amount of the deposit. It is common practice on the Group's project contracts to require a deposit before work commences.

Movements in contract liabilities:

	31 December 2018 *RMB'000*
Balance at 1 January 2018	**9,987,394**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(9,513,939)**
Increase in contract liabilities as a result of billing in advance of project contract work and advance from customers	**13,292,430**
Balance at 31 December 2018	**13,765,885**

32 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalents/pledged bank deposits denominated in non-functional currencies of the relevant Group entities are as follows:

	2018 ***RMB'000***	2017 *RMB'000* (restated)
USD	**2,568,008**	5,252,134
EUR	**654,641**	595,098
ZAR	**30,956**	47,048
RUB	**73,839**	138,651
MOP	**48,534**	56,873
HKD	**231,419**	209,808
INR	**139,173**	100,195
NGN	**76,927**	99,249
GBP	**54,141**	55,695
Others	**667,298**	282,347
	4,544,936	6,837,098

As at 31 December 2018, the Group pledged approximately RMB6,846.41 million (2017: approximately RMB11,403.07 million), which is denominated in RMB, to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.35% to 2.80% (2017: range from 0.30% to 3.30%) per annum.

33 ASSETS CLASSIFIED AS HELD-FOR-SALE

According to the Notice on Implementation Scheme of Removal of Polluting Enterprises (Including Chemical Enterprises) from Central Urban Area of Urumqi Municipality (WZB [2011] No. 104) issued by the General Office of the People's Government of Urumqi Municipality, premise ("Cangfanggou Premise") of Xinjiang Tianshan Cement Co., Ltd. ("Tianshan Cement") (a directly-owned subsidiary of the Company) in No. 242, Shuinichang Street, Cangfanggou Road, Urumqi would be relocated in whole. The government would take back the state-owned land involved in the said removal. Tianshan Cement carried out bid, auction and listing for the land as per the planed conditions and relocation compensation conditions specified by the government. Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. delisted the land and obtained the development right of the land, and should pay the relocation loss and personnel resettlement costs due to the relocation. The relocation and development principles, i.e. "compliance with planning, overall removal, step-by-step demolition and delivery, and phased compensation", determined in the document of the people's government of the autonomous region (XZH [2013] No. 214) shall be followed. Supplementary development of municipal roads and traffic infrastructure of Cangfanggou Premise shall be provided. Tianshan Cement performed relocation and delivered the assets step by step.

Tianshan Cement signed the relocation compensation agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd., agreeing that assets in the relocation range should be delivered in six phases (i.e. 2014–2019).

As at 31 December 2018, the carrying amounts and the fair value of assets related to Cangfanggou Premise phases IV-VI (31 December 2017: phase IV-VI) which amounted to approximately RMB11.19 million (31 December 2017: RMB86.83 million) and approximately RMB89.72 million (31 December 2017: RMB396.09 million), respectively, are planned to be delivered at the end of 2019.

The major classes of assets of the Cangfanggou Premise phases IV-VI at 31 December 2018 and 2017 are property, plant and equipment.

34 TRADE AND OTHER PAYABLES

The ageing analysis of trade and other payables is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Within two months	**7,334,650**	7,501,989
More than two months but within one year	**18,843,783**	17,236,912
Between one and two years	**2,962,476**	2,877,373
Between two and three years	**1,267,923**	1,143,097
Over three years	**2,328,904**	2,037,100
Trade payables	**32,737,736**	30,796,471
Bills payable	**15,151,772**	20,601,480
Contract liabilities (Note 31)	**13,765,885**	–
Amounts due to customers for contract work (Note 30)	**–**	2,774,074
Other payables	**17,334,491**	30,108,318
	78,989,884	84,280,343

The carrying amount of trade and other payables approximate to their fair values. Bills payable are aged within six months.

35 BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Bank borrowings:		
– Secured	**4,999,350**	5,694,298
– Unsecured	**104,521,603**	126,279,225
	109,520,953	131,973,523
Bonds	**88,443,943**	75,759,013
Borrowings from other financial institutions	**1,074,867**	1,519,884
	199,039,763	209,252,420

35 BORROWINGS *(CONTINUED)*

	2018 *RMB'000*	2017 *RMB'000* (restated)
Analysed for reporting purposes:		
Non-current	**77,529,956**	61,112,697
Current	**121,509,807**	148,139,723
	199,039,763	209,252,420

The exposure of the fixed rate and variable rate bank borrowings and the contractual maturity dates are as follows:

	2018 *RMB'000*	2017 *RMB'000* (restated)
Fixed rate bank borrowings repayable:		
Within one year	**38,164,767**	48,893,014
Between one and two years	**2,327,806**	3,396,928
Between two and three years	**692,814**	1,174,723
Between three and four years	**236,278**	495,421
Between four and five years	**83,712**	406,828
More than five years	**2,048,910**	3,825,631
	43,554,287	58,192,545
Variable rate bank borrowings repayable:		
Within one year	**39,507,578**	54,586,038
Between one and two years	**13,251,366**	9,096,423
Between two and three years	**3,457,607**	6,599,906
Between three and four years	**1,932,136**	701,004
Between four and five years	**6,319,869**	852,943
More than five years	**1,498,110**	1,944,664
	65,966,666	73,780,978

35 BORROWINGS *(CONTINUED)*

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Effective interest rate per annum:		
Fixed rate borrowings	**1.00% to 6.36%**	1.00% to 6.50%
Variable rate borrowings	**1.00% to 6.36%**	1.00% to 6.50%

The carrying amount of borrowings approximate to their fair value.

As at 31 December 2018, bank borrowings of approximately RMB54,275.46 million (2017: approximately RMB68,355.49 million) were guaranteed by independent third parties.

The borrowings denominated in AUD, EUR, USD, HKD and SAR of approximately RMB4.40 million, RMB4,430.72 million, RMB1,941.91 million, RMB2,841.52 million and RMB10.97 million respectively (2017: approximately RMB5.77 million, RMB2,613.31 million, RMB1,852.67 million, RMB2,710.82 million and RMB12.2 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB6,704.22 million (2017: approximately RMB5,694.30 million) are secured by the following assets of the Group:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Property, plant and equipment (Note 15)	**8,435,778**	12,845,950
Prepaid lease payments (Note 16)	**244,686**	504,824
Intangible assets (Note 19)	**35,253**	–
Available-for-sale financial assets (Note 23)	**–**	1,527,325
Financial assets at fair value through profit or loss (Note 24)	**472,344**	–
Cash and cash equivalents (Note 32)	**6,846,409**	11,403,070
Trade receivables (Note 28)	**1,011,881**	1,180,522
Bills receivable (Note 28)	**934,947**	829,300
	17,981,298	28,290,991

36 DEFERRED INCOME TAX

The following are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments on available -for-sale investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Write-down of inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2017										
As previously reported	(139,614)	(658,784)	(1,096,646)	(353,301)	664,276	846,610	3,036,426	16,087	325,912	2,640,966
Business combination under common control (Note 47)	(521,751)	(96,485)	(48,580)	–	369,988	146,783	78,282	963	311,942	241,142
As restated	(661,365)	(755,269)	(1,145,226)	(353,301)	1,034,264	993,393	3,114,708	17,050	637,854	2,882,108
Arising from acquisition of subsidiaries (Note 45(a))	–	(64,310)	(42,898)	–	16,384	70,525	6,472	–	(9)	(13,836)
Arising from disposal of subsidiaries (Note 45(b))	–	491	449	–	(6,982)	(1,347)	–	–	2	(7,387)
(Charge)/credit to the consolidated statement of profit or loss (Note 12(a))	6,939	7,539	(27,003)	–	87,647	(1,121)	(216,027)	(14,246)	86,052	(70,220)
(Charge)/credit to the consolidated other comprehensive income (Note 12(b))	(91,812)	–	–	–	–	–	–	–	816	(90,996)
As at 31 December 2017 (restated)	(746,238)	(811,549)	(1,214,678)	(353,301)	1,131,313	1,061,450	2,905,153	2,804	724,715	2,699,669
As at 31 December 2017										
As previously reported	(99,761)	(724,213)	(1,167,689)	(353,301)	747,563	853,595	2,825,995	1,842	378,121	2,462,152
Business combination under common control (Note 47)	(646,477)	(87,336)	(46,989)	–	383,750	207,855	79,158	962	346,594	237,517
As at 31 December 2017, as restated	(746,238)	(811,549)	(1,214,678)	(353,301)	1,131,313	1,061,450	2,905,153	2,804	724,715	2,699,669
Adjustment on initial application of IFRS 9 (Note 2.1 (ii))	–	–	–	–	119,846	–	–	–	–	119,846
As at 1 January 2018, as restated	**(746,238)**	**(811,549)**	**(1,214,678)**	**(353,301)**	**1,251,159**	**1,061,450**	**2,905,153**	**2,804**	**724,715**	**2,819,515**
Arising from acquisition of subsidiaries (Note 45(a))	**–**	**(996)**	**(1,518)**	**–**	**106**	**–**	**–**	**–**	**–**	**(2,408)**
Arising from disposal of subsidiaries (Note 45(b))	**–**	**1,818**	**354**	**–**	**(8,830)**	**1,062**	**–**	**–**	**1,078**	**(4,518)**
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	**186,140**	**118,985**	**67,007**	**–**	**345,324**	**204,157**	**(366,564)**	**1,917**	**413,658**	**970,624**
Credit/(charge) to the consolidated other comprehensive income (Note 12(b))	**384,740**	**80**	**3**	**–**	**–**	**(288)**	**–**	**–**	**(383,998)**	**537**
As at 31 December 2018	**(175,358)**	**(691,662)**	**(1,148,832)**	**(353,301)**	**1,587,759**	**1,266,381**	**2,538,589**	**4,721**	**755,453**	**3,783,750**

36 DEFERRED INCOME TAX *(CONTINUED)*

	2018 *RMB'000*	2017 *RMB'000* (restated)
For presentation purpose:		
Deferred income tax assets	**6,223,157**	5,880,882
Deferred income tax liabilities	**(2,439,407)**	(3,181,213)
	3,783,750	2,699,669

The Group has unused tax losses that were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2018 *RMB'000*	2017 *RMB'000* (restated)
Unused tax losses expiring in:		
2018	**–**	1,819,508
2019	**3,027,291**	3,532,191
2020	**3,853,185**	3,664,365
2021	**2,496,718**	3,187,256
2022	**4,093,864**	4,139,806
2023	**6,858,918**	–
	20,329,976	16,343,126

37 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2018, certain fixtures and equipment are under finance leases. The average lease term is 1 to 9 years (2017: 1 to 9 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at range of 3.00% to 8.00% (2017: 3.24% to 8.00%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)
Amounts payable under finance leases:				
Within one year	**5,076,686**	9,299,020	**4,964,618**	9,147,828
More than one year but less than two years	**1,326,062**	4,898,624	**1,263,655**	4,446,889
More than two years but less than five years	**3,621,289**	5,128,750	**3,093,491**	4,569,817
	10,024,037	19,326,394	**9,321,764**	18,164,534
Less: future finance charge	**(702,273)**	(1,161,860)	**N/A**	N/A
Present value of lease obligations	**9,321,764**	18,164,534	**9,321,764**	18,164,534
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(4,964,618)**	(9,147,828)
			4,357,146	9,016,706

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

38 FINANCIAL GUARANTEE CONTRACTS

	2018 RMB'000	2017 RMB'000
As at 1 January	**56,838**	56,981
Financial guarantee recognised	**7,162**	–
Settlement	**–**	(143)
As at 31 December	**64,000**	56,838

Subsidiaries had guaranteed bank borrowings of former related parties which are independent to the Group. The fair value of the guarantees granted amounting to approximately RMB64.00 million (2017: approximately RMB56.84 million) is recognised as a liability.

39 EMPLOYEE BENEFITS PAYABLE

The Group operates unfunded defined benefit plan for qualifying former employees. The Group paid supplemental pension subsidies or pension contributions to its employees in the PRC who retired prior to 31 December 2006. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in the PRC who leave the Group after 31 December 2006.

The plan is administrated by the Group and contributed from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. Under the plan, the employees are entitled to retirement benefits varying between 45% and 85% of final salary on attainment of a retirement age of 55–60.

39 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

The defined benefit plan exposes the Group to actuarial risks, such as interest rate risk, longevity risk and salary risk.

Interest rate risk	A decrease in the bond interest rate will increase the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations and the present value of the defined benefit obligation as at 31 December 2018 were carried out at 25 February 2019 by Mr. Alex Tschai, Consulting Director, Principal Actuary of Mercer Consulting (China) Ltd. and is a Fellow of the Society of Actuaries. The present value of the defined benefit obligation, related past service cost were measured using the Projected Unit Credit Cost method.

The principal assumptions used for the purposes of the actuarial valuation were as follow:

	2018	2017
Discount rate	**3.30%**	4.00%
Benefit increase rates	**From 1% to 6%**	From 1% to 6%
Mortality for current early retiree		
– Male	**0.26%**	0.26%
– Female	**0.12%**	0.12%
Mortality for current retiree		
– Male	**1.01%**	0.93%
– Female	**0.61%**	0.55%

The assumptions on mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

The actuarial valuation showed that the market value of plan assets was RMB Nil (2017: RMB Nil) and that the actuarial value of these assets represented 0% (2017: 0%) of the benefits that had accrued to members.

39 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

Amounts recognised in profit or loss or other comprehensive income in respect of the defined benefit plan are as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Service cost:		
– Current service cost	**(39)**	36,794
– Past service cost and (gains)/losses from settlements	**4,661**	(238)
Net interest expenses	**8,287**	6,019
Components of defined benefit cost recognised in profit or loss	**12,909**	42,575
Remeasurement of net defined benefit liabilities:		
Actuarial losses recognised for the year	**18,194**	7,460
Components of defined benefit cost recognised in other comprehensive income	**18,194**	7,460
Total	**31,103**	50,035

The net interest expenses of approximately RMB8.29million (2017: RMB6.02 million) are included in administrative expenses in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

39 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

The movements of employee benefit payable are as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
As at 1 January		
As previously reported	**–**	–
Business combination under common control (Note 47)	**252,356**	247,423
As restated	**252,356**	247,423
Interest cost	**8,287**	6,019
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	**(39)**	36,794
– Actuarial losses recognised for the year	**18,194**	7,460
– Past service cost, including losses on curtailments	**4,661**	(238)
Benefits paid	**(11,304)**	(45,102)
As at 31 December	**272,155**	252,356

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Analysed for reporting purposes:		
Non-current portion	**267,442**	215,619
Current portion	**4,713**	36,737
	272,155	252,356

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes other respective assumptions occurring at the end other reporting period, while holding all other assumptions constant.

39 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

- If the discount rate is 50 basis points higher (lower). the defined benefit obligation would decrease by RMB10.94 million (increase by RMB10.94 million) (2017: decrease by RMB10.58 million (increase by RMB10.58 million)),

- If the benefits increase rates increases (decreases) by 0.5%, the defined benefit obligation would increase by RMB11.07 million (decrease by RMB11.07 million) (2017: increase by RMB10.82 million (decrease by RMB10.82 million)).

- If the mortality change to 95% of original assumption, the defined benefit obligation would increase by RMB3.23 million (decrease by RMB3.23 million) (2017: increase by RMB3.02 million (decrease by RMB3.02 million)).

The sensitivity analysis presented above may not be representative other actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The weighted average duration of the defined benefit obligation is 10.2 years (2017: 9.8 years).

The Group expects to make a contribution of RMB56.04 million (2017: RMB52.13 million) to the defined benefit plan during the next financial year.

40 DERIVATIVE FINANCIAL INSTRUMENTS

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Derivative financial assets		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**225**	–
Derivative financial liabilities		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**53**	477
Derivatives that are designated and effective as hedging instruments carried at fair value:		
–Interest rate swaps	**11,035**	–
	11,088	477

40 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

Major terms of the foreign currency forward contracts are as follows:

31 December 2018

Notional amounts	Maturities	Exchange rates
Sell ZAR1,034,350	25 January 2019	USD14.3379：ZAR1
Sell USD3,000,000	21 March 2019	RMB6.8955：USD1
Sell EUR362,130	30 April 2019	EUR0.078：JPY1

31 December 2017

Notional amounts	Maturities	Exchange rates
Sell USD934,500	17 February 2018	RMB6.8569：USD1

Major terms of interest rate swaps are as follow:

31 December 2018

Notional amounts	Maturities	Floating interest rate	Fixed interest rate
EUR56,151,800	20 June 2023	From Euribor	to 0.35%
EUR107,000,000	20 February 2025	From Euribor	to 0.43%

41 SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the subsidiary of the Company

Sinoma International's share option incentive plan (the "Equity Incentive Plan") was adopted pursuant to a resolution passed on 6 December 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 6 December 2022. Under the Scheme, the Board of Directors of Sinoma International may grant options to eligible employees, including directors, employees and its subsidiaries of the Sinoma International, to subscribe for shares in Sinoma International.

At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Equity Incentive Plan was 17,424,500 (31 December 2017: 17,424,500), representing 1.00% (31 December 2017: 0.99%) of the shares of Sinoma International in issue at that date. The total number of shares in respect of which options may be granted under the Equity Incentive Plan is not permitted to exceed 1% of the shares of Sinoma International in issue at any point in time, without prior approval from Sinoma International's shareholders.

No consideration is payable on the grant of an option. The options vest after two years from the date of grant and are then exercisable within a period of three years. The exercise price is determined by the directors of Sinoma International, and will not be less than the higher of (i) the average trading price of shares of Sinoma International on the last trading day before the date of grant, (ii) the closing price of shares of Sinoma International on the last trading day before the date of grant; (iii) the average trading price of shares of Sinoma International for the last 20 trading days before the date of grant; (iv) the average closing price of shares of Sinoma International for the last 30 trading days before the pricing benchmark date; and the nominal value of the underlying shares of Sinoma International, being RMB1.00 per share. Options granted under the Equity Incentive Plan have a contractual term of 5 years from the grant date.

41 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Equity-settled share option scheme of the subsidiary of the Company *(continued)*

Details of the terms and movements of the share options granted pursuant to the Equity Incentive Plan for the years ended 31 December 2018 and 2017 are as follows:

Category of participants	**Date of grant**	**Exercise period**	**Exercise price per Sinoma International Share** *RMB*	**Outstanding at 1 January 2018** *RMB'000*	**Granted during the year** *RMB'000*	**Exercised during the year** *RMB'000*	**Forfeited during the year** *RMB'000*	**Expired during the year** *RMB'000*	**Outstanding at 31 December 2018** *RMB'000*
Directors and employees (489 in total) of Sinoma International and its subsidiaries	**7 December 2017**	**From 7 December 2019 to 6 December 2020**	**9.27**	**5,808,166**	**–**	**–**	**–**	**–**	**5,808,166**
		From 7 December 2020 to 6 December 2021	**9.27**	**5,808,167**	**–**	**–**	**–**	**–**	**5,808,167**
		From 7 December 2021 to 6 December 2022	**9.27**	**5,808,167**	**–**	**–**	**–**	**–**	**5,808,167**
Exercisable at the end of the year				**17,424,500**					**17,424,500**

Category of participants	Date of grant	Exercise period	Exercise price per Sinoma International Share *RMB*	Outstanding at 1 January 2017 *RMB'000*	Granted during the year *RMB'000*	Exercised during the year *RMB'000*	Forfeited during the year *RMB'000*	Expired during the year *RMB'000*	Outstanding at 31 December 2017 *RMB'000*
Directors and employees (489 in total) of Sinoma International and its subsidiaries	7 December 2017	From 7 December 2019 to 6 December 2020	9.27	–	5,808,166	–	–	–	5,808,166
		From 7 December 2020 to 6 December 2021	9.27	–	5,808,167	–	–	–	5,808,167
		From 7 December 2021 to 6 December 2022	9.27	–	5,808,167	–	–	–	5,808,167
Exercisable at the end of the year					17,424,500				17,424,500

41 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Equity-settled share option scheme of the subsidiary of the Company *(continued)*

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Exercise price	RMB9.27
Expected volatility	24.93%
Expected life	4 years
Risk-free rate	3.54%
Expected dividend yield	0%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Sinoma International's share price over the previous 4 years. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB12.40 million for the year ended 31 December 2018 (2017: RMB0.41 million) in relation to share options granted by Sinoma International.

42 SHARE CAPITAL

	Domestic share (Note (a))		H Shares (Note (b))		Unlisted foreign shares (Note (c))		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Total capital
		RMB'000		RMB'000		RMB'000	RMB'000
Registered paid up shares of RMB1.0 each							
As at 1 January 2017, 31 December 2017, 1 January 2018	2,519,854,366	2,519,854	2,879,171,896	2,879,172	–	–	5,399,026
Issuance of new shares (Note (d))	1,935,044,267	1,935,045	989,525,898	989,526	111,174,235	111,174	3,035,745
As at 31 December 2018	**4,454,898,633**	**4,454,899**	**3,868,697,794**	**3,868,698**	**111,174,235**	**111,174**	**8,434,771**

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares listed in the Hong Kong Stock Exchange subscribed for, traded in and credited as fully paid up in HKD by persons other than PRC government and/or PRC incorporated entities only.

(c) Unlisted Foreign Shares are non-overseas listed ordinary shares subscribed for and credited as fully paid up in foreign currency by persons other than PRC government and/or PRC incorporated entities only.

(d) Pursuant to a special resolution passed at the CNBM's extraordinary general meeting, the H shareholders' class meeting of CNBM, the domestic shareholders' class meeting of CNBM, the Sinoma's extraordinary general meeting and the H Shareholders' Class meeting of Sinoma held on 6 December 2017, the Company issued 989,525,898 H Shares of RMB1.00 each, 1,935,044,267 Domestic Shares of RMB1.00 each and 111,174,235 Unlisted Foreign Shares of RMB1.00 each on 2 May 2018 in exchange for entire issued share capital of Sinoma.

Other than the specific requirements on the holders of the shares as set out in Notes (a), (b) and (c), the shares mentioned above rank pari passu in all respects with each other.

43 RESERVES

(a) Capital reserve

Capital reserve mainly comprised: (i) the excess/deficiency of the carrying amount of net assets over the purchase consideration for subsidiaries acquired under common control, and (ii) the excess/deficiency of the considerations paid for/received from over the changes in the carrying amounts of non-controlling interests in the acquisitions of further interests in subsidiaries or disposal of part interests in subsidiaries, respectively.

(b) Statutory surplus reserve fund

According to relevant laws and regulations of the PRC, the Company and its subsidiaries established in the PRC are required to make an appropriation at the rate of 10 percent of the profit after income tax of the respective company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve fund until the balance has reached 50 percent of the registered capital of the respective company. Upon approval from the authorities, the statutory surplus reserve fund can be used to offset accumulated losses or to increase share capital, when it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25 percent of the share capital.

(c) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment in equity securities held at the end of the reporting period.

(d) Share option reserve

The share option reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policies as set out in Note 3.16. The amount will either be transferred to the share premium account where the related options are exercised, or be transferred to retained earnings where the related options expired or are forfeited.

(e) Hedging reserve

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

44 PERPETUAL CAPITAL INSTRUMENTS

	Principal *RMB'000*	Distribution/ appropriation of profit *RMB'000*	Total *RMB'000*
Balance as at 1 January 2017	11,907,366	96,320	12,003,686
Issuance of perpetual capital instruments	4,662,750	–	4,662,750
Profit attributable to holders of perpetual capital instruments	–	652,530	652,530
Distributions made to holders of perpetual capital instruments	–	(602,696)	(602,696)
Balance as at 31 December 2017	16,570,116	146,154	16,716,270
Balance as at 1 January 2018	**16,570,116**	**146,154**	**16,716,270**
Issuance of perpetual capital instruments	**5,369,567**	**–**	**5,369,567**
Profit attributable to holders of perpetual capital instruments	**–**	**980,882**	**980,882**
Distributions made to holders of perpetual capital instruments	**–**	**(847,632)**	**(847,632)**
Balance as at 31 December 2018	**21,939,683**	**279,404**	**22,219,087**

During the year, the Company issued the perpetual interest-bearing debentures in an aggregate principal amounts of RMB43,000.00 million with coupon rates ranging from 4.79% to 5.70%. The net proceeds after deducting the issuance cost amounted to approximately RMB4,274.96 million. Unless a mandatory interest payment event has occurred, on each interest payment date of the perpetual interest-bearing debentures, the Company can elect to defer payment of interest due and all interest deferred pursuant to this term and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The aforesaid deferral of interest shall not constitute a default by the Company. Interest shall accrue on the deferred interest at the prevailing coupon rate over the period of deferral. The perpetual interest-bearing debentures have no maturity date and will continue indefinitely until redeemed by the Company in accordance with their terms. The Company is entitled to redeem the perpetual capital instruments at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the perpetual interest-bearing debentures. If the Company does not exercise the right of redemption, the coupon rate will be reset every five years from the sixth interest-bearing year onwards.

44 PERPETUAL CAPITAL INSTRUMENTS *(CONTINUED)*

During the year, a subsidiary of the Company entered into a perpetual capital instrument agreement with an independent third party with the aggregate principal amount of RMB1,100.00 million. The net proceeds after deducting the issuance cost amounted to approximately RMB1,094.61 million. The perpetual capital instrument has no fixed maturity date and repayable at the subsidiaries' option at its principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instrument is 6.48% per annum for the first year and will be adjusted with reference to the 3-year benchmark lending rate in subsequent years. The payments of distribution can be deferred at the discretion of the subsidiary. While any distributions are unpaid or deferred, the subsidiary cannot declare or pay dividends to the shareholders. Therefore, the perpetual capital instrument is classified as equity instrument and presented as a part of equity in the consolidated statement of financial position.

Interest payment of RMB847.63 million (2017: RMB602.70 million) has been paid by the Group to the holders of the above-mentioned perpetual capital instruments for the year ended 31 December 2018.

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2018, the Group acquired 7 (2017: 34) subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the equity investment management and production and sale of cement, concrete and new materials.

These acquisitions have been accounted for using the acquisition method.

Summary of net assets acquired in the transactions during the year, and the goodwill arising, are as follows:

	2018 *RMB'000*	2017 *RMB'000* (restated)
Net assets acquired:		
Property, plant and equipment (Note 15)	**365,379**	2,321,806
Prepaid lease payments (Note 16)	**58,873**	722,805
Intangible assets (Note 19)	**10,284**	82,377
Deferred income tax assets (Note 36)	**106**	93,372
Inventories	**58,077**	381,258
Trade and other receivables	**49,857**	3,366,160
Amounts due from the related parties	**1,345**	1,227,448
Pledged bank deposits	**–**	7,000
Cash and cash equivalents	**4,434**	220,833
Trade and other payables	**(40,563)**	(3,660,023)
Current income tax liabilities	**(941)**	(33,031)
Dividend payable to non-controlling interests	**–**	(922,805)
Amounts due to the related parties	**–**	(1,567,902)
Borrowings	**–**	(90,000)
Deferred income tax liabilities (Note 36)	**(2,514)**	(107,208)
Deferred income	**(14,009)**	–
Net assets	**490,328**	2,042,090
Non-controlling interests	**(26,473)**	(125,514)
Discount on acquisition of interests in subsidiaries (Note 8)	**(12,011)**	(216,132)
Interest transferred from interests in associates	**–**	(250,208)
Goodwill (Note 18)	**25,778**	2,388,427
Total consideration	**477,622**	3,838,663

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Total consideration satisfied by:		
Cash	**410,712**	748,546
Other payables	**66,910**	366,928
Transferred from prepayment	**–**	2,723,189
	477,622	3,838,663
Net cash (outflow)/inflow arising on acquisition:		
Cash consideration paid	**(410,712)**	(748,546)
Less: Cash and cash equivalents acquired	**4,434**	220,833
	(406,278)	(527,713)

Note: The goodwill arising on the acquisition of these companies is mainly attributable to the benefit of expected revenue growth and future market development, and the synergies in consolidating the Group's cement and concrete operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The discount on acquisition was the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and profit for the year are approximately RMB77.16 million and RMB0.03 million respectively attributable to the additional business mainly generated by these newly acquired companies.

Had these business combinations been effected at 1 January 2018, the revenue of the Group would be approximately RMB218,966.88 million and profit for the year of the Group would be approximately RMB14,065.59 million. The management of the Company considers these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Details of the Group's significant acquisitions during the year are as follows:

Meng Pai New Materials (Xuan Cheng) Limited ("萝牌新材料(宣城)有限公司") ("Meng Pai") (previously known as Xuan Cheng Wan Jia Building Material ("宣城萬佳建材有限公司")

On 23 August 2018, BNBM acquired 100% equity interest of Meng Pai for consideration of approximately RMB353.85 million. The acquired subsidiary is principally engaged in production and sale of new materials.

The transaction has been completed during the year and the acquired subsidiary is principally engaged in production and sale of new materials.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2018 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	**289,920**
Prepaid lease payments	**41,160**
Intangible assets	**1,152**
Deferred income tax assets	**106**
Inventories	**45,205**
Trade and other receivables	**4,860**
Amount due from the related parties	**79**
Trade and other payables	**(6,338)**
Current income tax liabilities	**(563)**
Deferred income	**(14,009)**
Net assets	**361,572**
Non-controlling interests	**–**
Discount on acquisition of interests in subsidiary	**(7,720)**
Total consideration	**353,852**

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Meng Pai New Materials (Xuan Cheng) Limited ("夢牌新材料(宣城)有限公司") ("Meng Pai") (previously known as Xuan Cheng Wan Jia Building Material ("宣城萬佳建材有限公司") *(continued)*

	2018 **Fair value** ***RMB'000***
Total consideration satisfied by:	
Cash	**322,384**
Other payables	**31,468**
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**353,852**

Included in the revenue and loss for the year are approximately RMB76.35 million and RMB0.88 million respectively attributable to the additional business generated by acquired subsidiaries.

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

During the year ended 31 December 2018, the Group disposed its equity interest in 10 (2017: 6) subsidiaries to third parties. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Net assets disposed of:		
Property, plant and equipment (Note 15)	**353,037**	948,986
Goodwill (Note 18)	**11,072**	21,600
Prepaid lease payment (Note 16)	**214,869**	40,110
Intangible assets (Note 19)	**–**	10,129
Deferred income tax assets (Note 36)	**8,061**	8,329
Inventory	**348,479**	156,035
Trade and other receivables	**249,628**	445,103
Amounts due from related parties	**34,728**	–
Pledged bank deposits	**–**	1,261
Cash and cash equivalents	**20,461**	20,390
Trade and other payables	**(305,003)**	(1,006,987)
Current income tax liabilities	**(25,923)**	(1,240)
Amounts due to related parties	**(316,189)**	(33,206)
Borrowings	**(186,477)**	(275,268)
Deferred income	**(5,685)**	–
Deferred tax liabilities (Note 36)	**(3,543)**	(942)
Non-controlling interests	**(164,434)**	(44,769)
Net assets disposal of	**233,081**	289,531
Consideration received:		
Cash received	**203,863**	373,118
Deferred cash consideration	**147,820**	129,989
	351,683	503,107

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(continued)*

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Gain on disposal of subsidiaries:		
Consideration received and receivable	**351,683**	503,107
Net assets disposed of	**(233,081)**	(289,531)
Direct costs attributable to disposal	**(86)**	(33)
Release of exchange reserve	**–**	(2,108)
Investment in associates retained	**113,324**	–
Release of capital reserves	**(54)**	–
Gain on disposal of subsidiaries, net (Note 8)	**231,786**	211,435
Net cash inflow arising from disposal of subsidiaries:		
Cash consideration	**203,863**	373,118
Direct costs attributable to disposal	**(86)**	(33)
Cash and cash equivalents disposed of	**(20,461)**	(20,390)
Net cash inflow from disposal of subsidiaries	**183,316**	352,695

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2018, the Group acquired additional issued shares of 6 (2017: 5) subsidiaries for a consideration of approximately RMB4,633.94 million (2017: RMB23.47 million). The carrying amount of the non-controlling interests in these subsidiaries on the date of acquisition was approximately RMB5,640.81 million (2017: RMB22.92 million). The Group recognised a decrease in non-controlling interests of approximately RMB5,640.81 million (2017: RMB22.92 million) and an increase in equity attributable to owners of the Group of approximately RMB1,006.87 million (2017: decrease in equity attributable to owners of the Group of approximately RMB0.55 million).

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Carrying amount of non-controlling interests acquired	**5,640,813**	22,920
Consideration paid to non-controlling interests	**(4,633,943)**	(23,473)
Shortfall/(excess) of consideration paid recognised within parent's equity	**1,006,870**	(553)

Details of the Group's significant acquisition of additional interests in subsidiaries during both years are as follows:

Southwest Cement Company Limited ("西南水泥有限公司") ("Southwest Cement")

During the year ended 31 December 2018, the Group acquired additional equity interests in Southwest Cement for a consideration of approximately RMB2,336.17 million. After that, the Group's effective equity interests in Southwest Cement increased from 71.00% to 92.20%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB2,771.56 million. The Group recognised a decrease in non-controlling interests of approximately RMB2,771.56 million and an increase in equity attributable to owners of the Company of approximately RMB587.80 million.

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(continued)*

Beijing New Building Material Public Limited Company ("北新集團建材股份有限公司") ("BNBM")

During the year ended 31 December 2018, BNBM has repurchased and cancelled 5.54% of its share from the non-controlling shareholders for a consideration of RMB1. After that, the Group's effective equity interests in BNBM increased from 35.73% to 37.83%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB287.36 million. The Group recognised a decrease in non-controlling interests of approximately RMB287.36 million and an increase in equity attributable to owners of the Company of approximately RMB287.36 million.

South Cement Company Limited ("南方水泥有限公司") ("South Cement")

During the year ended 31 December 2018, the Group acquired additional equity interests in South Cement for a consideration of RMB2,195.57 million. After that, the Group's effective equity interests in South Cement increased from 82.30% to 92.03%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB2,512.95 million. The Group recognised a decrease in non-controlling interests of approximately RMB2,512.95 million and an increase in equity attributable to owners of the Company of approximately RMB317.38 million.

Zhongyi Kaisheng (Bengbu) Glass Cold End Machinery Co., Ltd ("中意凱盛(蚌埠)玻璃冷端機械有限公司") ("Zhongyi Kaisheng")

During the year ended 31 December 2017, the Group acquired additional equity interests in Zhongyi Kaisheng for a consideration of approximately RMB23.00 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB19.13 million. The Group recognised a decrease in non-controlling interests of approximately RMB19.13 million and a decrease in equity attributable to owners of the Company of approximately RMB3.88 million.

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONTINUED)

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2018 RMB'000	2017 RMB'000
Carrying amount of equity interest obtained by non-controlling interests	**(660,287)**	(8,349)
Capital contributed by non-controlling interests	**501,882**	–
Loss on disposal within equity	**(158,405)**	(8,349)

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the year ended 31 December 2018 and 2017 are as follows:

During the year ended 31 December 2018, the Company entered into capital increase agreements with two independent third parties ("Southwest Cement investors"), pursuant to which the Southwest Cement investors agreed to contributes RMB2,000.00 million to Southwest Cement. Up to 31 December 2018, the Southwest Cement investors contributed RMB501.88 million to Southwest Cement. After that, the Group's effective equity interests in Southwest Cement decreased from 92.20% to 87.79%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB42.34 million and increase in non-controlling interests of approximately RMB544.23 million.

During the year ended 31 December 2017, China United Cement Corporation, a wholly owned subsidiary of the Company, transferred the equity interest in a wholly-owned subsidiary, Bayan Nur Zhong Lian Tuan Yang Cement Company Limited ("巴彥淖爾中聯團羊水泥有限公司") ("Tuan Yang", to a partially-owned subsidiary, Bayan Nur Zhong Lian Cement Company Limited ("巴彥淖爾中聯水泥有限公司") ("Bayan Nur"). After that, the Group's effective equity interest in Tuan Yang were diluted from 100% to 60%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB8.35 million and increase in non-controlling interests of approximately RMB8.35 million.

47 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 3.1 to the consolidated financial statements, the acquisitions of Sinoma and Sanshi South have been accounted for based on merger accounting. Accordingly, the assets and liabilities of Sinoma and Sanshi South acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for year prior to the combination have been restated to include the financial position and results of operation of Sinoma and Sanshi South on a combined basis. The details of the restated balances are stated as below.

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2016 and 2017 are as follows:

As at 31 December 2016

	The Group excluding Sinoma and Sanshi South *RMB'000*	Sinoma *RMB'000*	Sanshi South *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current assets					
Property, plant and equipment	129,095,730	45,151,108	68,537	(163)	174,315,212
Prepaid lease payments	14,660,619	4,057,676	3,011	–	18,721,306
Investment properties	333,500	313,688	–	–	647,188
Goodwill	42,604,255	1,525,426	9,623	–	44,139,304
Intangible assets	7,259,784	1,110,140	3	–	8,369,927
Interests in associates	10,715,153	250,190	–	(93,158)	10,872,185
Interests in joint ventures	–	3,348	–	–	3,348
Available-for-sale financial assets	3,095,655	2,718,139	–	–	5,813,794
Deposits	3,522,251	373,604	–	–	3,895,855
Trade and other receivables	–	1,169,821	–	–	1,169,821
Deferred income tax assets	4,821,436	1,044,663	5,317	–	5,871,416
	216,108,383	57,717,803	86,491	(93,321)	273,819,356

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2016 *(continued)*

	The Group excluding Sinoma and Sanshi South *RMB'000*	Sinoma *RMB'000*	Sanshi South *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current assets					
Inventories	15,204,778	6,166,813	7,626	(21,237)	21,357,980
Trade and other receivables	76,582,356	20,695,870	523,683	(110,509)	97,691,400
Available-for-sale financial assets	43,998	–	–	–	43,998
Financial assets at fair value through profit or loss	2,692,941	5,303	–	–	2,698,244
Amounts due from related parties	11,929,052	257,155	4,215	(170,957)	12,019,465
Pledged bank deposits	7,973,769	2,434,949	54,390	–	10,463,108
Cash and cash equivalents	10,252,050	15,508,351	150,508	–	25,910,909
	124,678,944	45,068,441	740,422	(302,703)	170,185,104
Assets classified as held-for-sale	–	41,907	–	–	41,907
	124,678,944	45,110,348	740,422	(302,703)	170,227,011

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2016 *(continued)*

	The Group excluding Sinoma and Sanshi South *RMB'000*	Sinoma *RMB'000*	Sanshi South *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities					
Trade and other payables	49,360,883	31,237,587	372,245	(41,835)	80,928,880
Amounts due to related parties	6,108,064	144,423	133,337	(261,026)	6,124,798
Borrowings – amount due within one year	140,802,387	21,173,769	80,000	–	162,056,156
Derivative financial instruments	–	2,563	–	–	2,563
Obligations under finance leases	4,935,082	159,715	–	–	5,094,797
Current income tax liabilities	1,885,842	271,543	5,264	–	2,162,649
Employee benefits payable	–	27,748	–	–	27,748
Financial guarantee contracts	56,981	–	–	–	56,981
Dividends payable to non-controlling interests	311,380	95,862	–	–	407,242
	203,460,619	53,113,210	590,846	(302,861)	256,861,814
Net current (liabilities)/assets	(78,781,675)	(8,002,862)	149,576	158	(86,634,803)
Total assets less current liabilities	137,326,708	49,714,941	236,067	(93,163)	187,184,553
Non-current liabilities					
Borrowings – amount due after one year	44,492,436	11,707,282	–	–	56,199,718
Deferred income	968,633	920,139	–	–	1,888,772
Obligations under finance leases	14,141,494	134,255	–	–	14,275,749
Employee benefits payable	–	219,675	–	–	219,675
Deferred income tax liabilities	2,180,470	808,838	–	–	2,989,308
	61,783,033	13,790,189	–	–	75,573,222
Net assets/(liabilities)	75,543,675	35,924,752	236,067	(93,163)	111,611,331
Capital and reserves					
Share capital	5,399,026	3,571,464	160,000	(3,731,464)	5,399,026
Reserves	36,434,035	13,276,696	76,067	3,593,578	53,380,376
Equity attributable to:					
Owners of the Company	41,833,061	16,848,160	236,067	(137,886)	58,779,402
Holders of perpetual capital instruments	12,003,686	–	–	–	12,003,686
Non-controlling interests	21,706,928	19,076,592	–	44,723	40,828,243
Total equity/(deficit)	75,543,675	35,924,752	236,067	(93,163)	111,611,331

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2017

	The Group excluding Sinoma and Sanshi South *RMB'000*	Sinoma *RMB'000*	Sanshi South *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current assets					
Property, plant and equipment	131,511,649	44,905,379	57,207	(705)	176,473,530
Prepaid lease payments	15,361,805	3,980,051	2,825	–	19,344,681
Investment properties	303,023	528,557	–	–	831,580
Goodwill	44,682,354	1,376,606	9,623	–	46,068,583
Intangible assets	7,805,299	1,155,209	–	–	8,960,508
Interests in associates	10,283,138	334,549	–	(115,469)	10,502,218
Interests in joint ventures	–	4,850	–	–	4,850
Available-for-sale financial assets	3,479,659	3,201,492	–	–	6,681,151
Deposits	2,854,836	373,112	–	–	3,227,948
Trade and other receivables	–	2,599,083	–	–	2,599,083
Deferred income tax assets	4,729,030	1,148,174	3,678	–	5,880,882
	221,010,793	59,607,062	73,333	(116,174)	280,575,014
Current assets					
Inventories	16,381,022	5,869,529	8,729	(52,608)	22,206,672
Trade and other receivables	83,254,550	23,554,089	882,335	(91,670)	107,599,304
Available-for-sale financial assets	54,500	–	–	–	54,500
Financial assets at fair value through profit or loss	2,878,711	8,839	–	–	2,887,550
Amounts due from related parties	6,068,783	554,460	–	(652,842)	5,970,401
Pledged bank deposits	8,190,061	3,145,020	67,989	–	11,403,070
Cash and cash equivalents	9,355,281	13,864,613	154,416	–	23,374,310
	126,182,908	46,996,550	1,113,469	(797,120)	173,495,807
Assets classified as held-for-sale	–	86,830	–	–	86,830
	126,182,908	47,083,380	1,113,469	(797,120)	173,582,637

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2017 *(continued)*

	The Group excluding Sinoma and Sanshi South *RMB'000*	Sinoma *RMB'000*	Sanshi South *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities					
Trade and other payables	53,116,459	30,928,189	428,024	(192,329)	84,280,343
Amounts due to related parties	8,147,485	1,117,218	468,058	(559,726)	9,173,035
Borrowings – amount due within one year	130,485,081	17,606,642	48,000	–	148,139,723
Obligations under finance leases	9,015,132	132,696	–	–	9,147,828
Derivative financial instruments	–	477	–	–	477
Employee benefits payable	–	36,737	–	–	36,737
Current income tax liabilities	2,594,784	421,257	8,971	–	3,025,012
Financial guarantee contracts	56,838	–	–	–	56,838
Dividends payable to non-controlling interests	249,544	60,932	–	–	310,476
	203,665,323	50,304,148	953,053	(752,055)	254,170,469
Net current (liabilities)/assets	(77,482,415)	(3,220,768)	160,416	(45,065)	(80,587,832)
Total assets less current liabilities	143,528,378	56,386,294	233,749	(161,239)	199,987,182
Non-current liabilities					
Borrowings – amount due after one year	45,944,115	15,168,582	–	–	61,112,697
Deferred income	922,312	773,304	–	–	1,695,616
Obligations under finance leases	9,015,699	1,007	–	–	9,016,706
Employee benefits payable	–	215,619	–	–	215,619
Deferred income tax liabilities	2,266,878	914,335	–	–	3,181,213
	58,149,004	17,072,847	–	–	75,221,851
Net assets/(liabilities)	85,379,374	39,313,447	233,749	(161,239)	124,765,331
Capital and reserves					
Share capital	5,399,026	3,571,464	160,000	(3,731,464)	5,399,026
Reserves	39,842,063	15,396,766	73,749	3,562,001	58,874,579
Equity attributable to:					
Owners of the Company	45,241,089	18,968,230	233,749	(169,463)	64,273,605
Holders of perpetual capital instruments	16,716,270	–	–	–	16,716,270
Non-controlling interests	23,422,015	20,345,217	–	8,224	43,775,456
Total equity/(deficit)	85,379,374	39,313,447	233,749	(161,239)	124,765,331

47 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect, arising from the common control combination on the consolidated statements of profit or loss for the year ended 31 December 2017 are as follows:

For the year ended 31 December 2017

	The Group excluding Sinoma and Sanshi South *RMB'000*	Sinoma *RMB'000*	Sanshi South *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Revenue	127,626,322	56,240,756	752,586	(498,952)	184,120,712
Cost of sales	(92,381,098)	(43,031,648)	(595,498)	445,531	(135,562,713)
Gross profit	35,245,224	13,209,108	157,088	(53,421)	48,557,999
Investment and other income, net	3,234,183	1,213,513	10,049	–	4,457,745
Selling and distribution costs	(8,160,125)	(2,202,996)	(78,319)	–	(10,441,440)
Administrative expenses	(12,072,311)	(6,578,581)	(17,126)	110	(18,667,908)
Finance costs, net	(9,735,438)	(1,152,938)	(4,043)	–	(10,892,419)
Share of profits of associates	1,051,501	3,574	–	(22,312)	1,032,763
Share of profits of joint ventures	–	1,289	–	–	1,289
Profit before income tax	9,563,034	4,492,969	67,649	(75,623)	14,048,029
Income tax expense	(3,222,894)	(1,011,617)	(20,307)	–	(4,254,818)
Profit for the year	6,340,140	3,481,352	47,342	(75,623)	9,793,211
Profit attributable to:					
Owners of the Company	3,224,802	1,748,474	47,342	(81,238)	4,939,380
Holders of perpetual capital instruments	652,530	–	–	–	652,530
Non-controlling interests	2,462,808	1,732,878	–	5,615	4,201,301
	6,340,140	3,481,352	47,342	(75,623)	9,793,211

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

For the year ended 31 December 2017 *(Continued)*

	Impact on earnings per share of the Group *RMB*
Reported figures before restatement	0.382
Restatement arising from business combination of entities under common control	0.204
Restated	0.586

The effect of business combinations of entities under common control described above on the Group's net profit for the year ended 31 December 2017 is as follows:

	Impact on net profit of the Group *RMB'000*
Reported figures before restatement	6,340,140
Restatement arising from business combination of entities under common control	3,453,071
Restated	9,793,211

48 CONTINGENT LIABILITIES AND LITIGATION

During the Reporting Period, save as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor was any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement dated 30 May 2010 by the Company reproducing the announcement of BNBM in respect of the gypsum board in the United States and the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third quarterly report, the 2015 annual report, the 2016 interim report, the 2016 annual report, the announcement dated 22 June 2017, the 2017 interim report, the announcement dated 22 March 2018, the 2017 annual report, the announcement dated 22 August 2018, the 2018 interim report and the announcement dated 19 March 2019 setting out information on the subsequent development of the gypsum board litigation in the United States.

In March 2018, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum and/or Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan") are parties, BNBM and Taishan have jointly reached settlement with the plaintiff of one of the gypsum board cases, Meritage Homes of Floria, Inc. ("Meritage"). According to the terms of BNBM and Taishan's joint settlement with Meritage, Taishan agreed to pay Meritage US$1,380,000, in full and final settlement of Meritage's respective claims against BNBM and Taishan. According to the settlement agreement, Taishan has pay the settlement to Meritage. The case filed by Meritage against BNBM and Taishan has been fully settled.

Having fully considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM and Taishan Gypsum Company Limited* are parties, Taishan has reached settlement with the Plaintiffs (including Allen) ("Plaintiffs") of one of the gypsum board cases. This gypsum board case is a third-party claim which has been initiated by the original claimants, Venture Supply, Inc. and Porter-Blaine Corp. (collectively, "Venture"), against Taishan, and has subsequently been transferred to the Plaintiffs (the "Transferred Third-party Claim") as a part of the settlement arrangement for a lawsuit brought by the Plaintiffs against Venture in Virginia in the US. According to the terms of settlements reached between Taishan and the Plaintiffs, Taishan agreed to pay a settlement sum of US$1,978,528.40 into a custodian account within 60 days from the effective date (i.e. 21 August 2018) of the settlement agreement. After the payment is made, the Plaintiffs will waive all liabilities with respect to Taishan the Transferred Third-party Claim involves, and will not make any further claims or allegations with respect thereto. In September 2018, Taishan has paid the settlement sum in full into the custodian account. With respect to Taishan, the Allen case had been concluded.

48 CONTINGENT LIABILITIES AND LITIGATION *(CONTINUED)*

Having considered integrated factors including costs of litigation and potential impact on other gypsum board litigation by BNBM and Taishan Gypsum, in March 2019, Taishan reached settlement with not more than 498 plaintiffs (the "Plaintiffs") from the cases remanded to the Southern District Court of Florida for trial in the Amorin Case (as defined in the announcement of the Company dated 13 February 2015) and has entered into a settlement and waiver of liability agreement (the "Settlement Agreement") with the Plaintiffs. The maximum aggregate settlement amount payable by Taishan under the Settlement Agreement is US$27,713,848.47 (subject to upward adjustment in the event of, in summary, Taishan entering into any further settlement agreement "on or before 11:59 pm EDT on 31 March 2021 with any other plaintiffs in the Amorin Case within the State of Florida who are not party or subject to the Settlement Agreement in respect of cases bearing similar characteristics (in relation to product markings) as the cases relating to the Plaintiffs" on terms significantly more favourable to the plaintiffs than the Settlement Agreement (the "Possible Adjustment")). According to the terms of the Settlement Agreement, each Plaintiff shall irrevocably and unconditionally discharge and release any and all claims against Taishan and certain of its related parties upon receiving the settlement amount in full.

The Company, BNBM and Taishan Gypsum have respectively engaged domestic and overseas lawyers to consider and assess the litigation strategies and defenses, as well as its impact on each of the parties above. At present, the economic loss of the Company and the impact on its profit for the current period (if any) that may result from the case cannot be accurately estimated. The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

49 COMMITMENTS

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**524**	1,077,053
	524	1,077,053

50 OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Within one year	**114,791**	33,838
In the second to fifth year inclusive	**21,754**	36,198
Over five years	**7,362**	2,361
	143,907	72,397

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen years (2017: fourteen years) and rentals are fixed for an average term of fourteen years (2017: fourteen years).

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Within one year	**138,656**	246,709
In the second to fifth year inclusive	**162,222**	303,326
Over five years	**18,127**	62,476
	319,005	612,511

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2017: one year to twenty years)

51 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and no-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related parties (Note 29) *RMB'000*	Borrowings (Note 35) *RMB'000*	Obligations under finance leases (Note 37) *RMB'000*
At 1 January 2017			
As previously reported	4,986,126	185,294,823	19,076,576
– Adjusted for business combination under common control (Note 47)	–	32,961,051	293,970
As restated	4,986,126	218,255,874	19,370,546
Financing cash flows	2,144,507	(8,818,186)	(1,206,012)
Acquisition of subsidiaries	–	90,000	–
Disposal of subsidiaries	–	(275,268)	–
At 31 December 2017	7,130,633	209,252,420	18,164,534

51 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(CONTINUED)*

	Amounts due to related parties (Note 29) *RMB'000*	Borrowings (Note 35) *RMB'000*	Obligations under finance leases (Note 37) *RMB'000*
At 1 January 2018			
As previously reported	**7,033,704**	**176,429,196**	**18,030,831**
– Adjusted for business combination under common control (Note 47)	**96,929**	**32,823,224**	**133,703**
As restated	**7,130,633**	**209,252,420**	**18,164,534**
Financing cash flows	**(3,836,503)**	**(10,026,180)**	**(8,842,770)**
Disposal of subsidiaries	**(316,189)**	**(186,477)**	**–**
At 31 December 2018	**2,977,941**	**199,039,763**	**9,321,764**

52 RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Parent and its subsidiaries (other than the Group), other government-related entities and subsidiaries ("other stated-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

52 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties

The Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries (collectively the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries:

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Provision of production supplies to		
– The Parent Group	**335,666**	593,712
– Associates	**52,623**	176,674
– Joint ventures	**27**	18,860
– Non-controlling interests of subsidiaries	**192,657**	302,006
	580,973	1,091,252
Provision of support services to		
– The Parent Group	**545,369**	25,559
– Associates	**1,055**	6,662
– Non-controlling interests of subsidiaries	**30**	7
	546,454	32,228
Rental income received from		
– The Parent Group	**39,517**	2,977
– Associates	**1,956**	13,549
– Non-controlling interests of subsidiaries	**–**	69
	41,473	16,595
Rendering of engineering service to the Parent Group	**923,716**	621,079
Interest income received from		
– The Parent Group	**7,850**	1,941
– Associates	**1,926**	6,559
– Non-controlling interests of subsidiaries	**–**	529
	9,776	9,029

52 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(continued)*

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Provision of production supplies by		
– The Parent Group	**391,160**	764,620
– Associates	**40,587**	59,565
– Non-controlling interests of subsidiaries	**–**	65,612
	431,747	889,797
Provision of support services by		
– The Parent Group	**20,689**	67,686
– Associates	**–**	584
– Non-controlling interests of subsidiaries	**–**	971
	20,689	69,241
Supplying of equipment by the Parent Group	**86,053**	301,924
Interest expense paid to		
– The Parent Group	**91,759**	18,457
– Non-controlling interests of subsidiaries	**30,361**	16,288
	122,120	34,745
Provision of engineering services by the Parent Group	**67,852**	220,279
Supply of raw materials by		
– Associates	**–**	586
– Non-controlling interests of subsidiaries	**–**	4,553
	–	5,139
Supply of raw materials (limestone and clay) by the Parent Group	**407,154**	35,301
Rental expenses paid to:		
– The Parent Group	**–**	4,637
– Non-controlling interests of subsidiaries	**–**	1,121
	–	5,758

52 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2018, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2018 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2018 ***RMB'000***	2017 *RMB'000* (restated)
Short-term benefits	**12,167**	7,476
Post-employment benefits	**346**	236
	12,513	7,712

53 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company at the end of the reporting period includes:

	2018 *RMB'000*	2017 *RMB'000*
Investments in subsidiaries	**47,703,972**	27,164,097
Other non-current assets	**3,088,873**	2,275,521
Amount due from subsidiaries	**69,030,794**	70,374,935
Other current assets	**5,125,553**	1,987,363
Non-current liabilities	**(38,008,216)**	(22,186,462)
Current liabilities	**(36,117,779)**	(46,710,211)
Net assets	**50,823,197**	32,905,243
Share capital (Note 42)	**8,434,771**	5,399,026
Reserves	**21,497,372**	10,970,227
Perpetual capital instruments	**20,891,054**	16,535,990
Total equity	**50,823,197**	32,905,243

53 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(b) Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below:

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Fair value reserve (Note 43(b)) *RMB'000*	Statutory surplus reserve fund (Note 43(a)) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments (Note 44) *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017	5,399,026	4,824,481	501,310	5,253	1,293,858	4,252,200	16,276,128	12,003,686	28,279,814
Net profit for the year	–	–	–	–	–	321,026	321,026	652,055	973,081
Other comprehensive income for the year	–	–	–	4,257	–	–	4,257	–	4,257
Issue of perpetual capital instruments, net of issuance cost (Note 44)	–	–	–	–	–	–	–	4,482,750	4,482,750
Dividends (Note 13)	–	–	–	–	–	(232,158)	(232,158)	–	(232,158)
Appropriation to statutory reserve	–	–	–	–	140,484	(140,484)	–	–	–
Interest paid on perpetual capital instruments (Note 44)	–	–	–	–	–	–	–	(602,501)	(602,501)
Balance at 31 December 2017	5,399,026	4,824,481	501,310	9,510	1,434,342	4,200,584	16,369,253	16,535,990	32,905,243
Adjustment on initial application of IFRS 9	**–**	**–**	**–**	**(9,510)**	**951**	**8,391**	**(168)**	**–**	**(168)**
Balance at 1 January 2018, as restated	**5,399,026**	**4,824,481**	**501,310**	**–**	**1,435,293**	**4,208,975**	**16,369,085**	**16,535,990**	**32,905,075**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**1,015,025**	**1,015,025**	**917,515**	**1,932,540**
Other comprehensive income for the year	**–**	**–**	**(17,225)**	**–**	**–**	**–**	**(17,225)**	**–**	**(17,225)**
Business combination under common control	**3,035,745**	**(3,035,745)**	**13,408,735**	**–**	**–**	**–**	**13,408,735**	**–**	**13,408,735**
Issue of perpetual capital instruments, net of issuance cost (Note 44)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,274,961**	**4,274,961**
Dividends (Note 13)	**–**	**–**	**–**	**–**	**–**	**(843,477)**	**(843,477)**	**–**	**(843,477)**
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**246,699**	**(246,699)**	**–**	**–**	**–**
Interest paid on perpetual capital instruments (Note 44)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(837,412)**	**(837,412)**
Balance at 31 December 2018	**8,434,771**	**1,788,736**	**13,892,820**	**–**	**1,681,992**	**4,133,824**	**29,932,143**	**20,891,054**	**50,823,197**

54 EVENT AFTER THE END OF REPORTING PERIOD

Entering into a joint venture agreement

References are made to the announcements of the Company dated 18 March 2019 in relation to Entering into a Joint Venture Agreement.

On 18 March 2019, the Company and China Conch Venture Holdings Limited ("Conch Venture") ("中國海螺創業控制有限公司"), a limited liability company listed in Hong Kong Stock Exchange (stock code: 586) entered into a Joint Venture Agreement ("JV Agreement") in relation to the management and governance of the affairs and scope of the Joint Venture Company ("JV Company").

Pursuant to the JV Agreement, the aim and scope of the JV Company are to establish a wholly foreign-owned enterprises ("WOFE") in the PRC for the principal purpose of engaging in solid waste disposal business in the PRC.

On 12 February 2019, the JV Company was established with an initial issued share capital of RMB0.01 million. Pursuant to the terms of the JV Agreement, the issued share capital shall be increased from RMB0.01 million to RMB500 million, with the additional RMB499.99 million to be contributed by the China Building Material Holdings Company Limited ("CBM Holdings") (中國建材控股有限公司), a direct wholly-owned subsidiary of the Company and China Conch Venture Holdings International Limited ("CV International") (中國海創控股國際有限公司), a direct wholly-owned subsidiary of Conch Venture. Upon completion of the capital injection, the Company and Conch Venture will have equal shareholding of the JV Company with RMB250 million capital contribution each. The board of directors of the JV Company comprises five directors, of which three are nominated by CV International and two are nominated by CBM Holdings. Each of the JV shareholders has the right of first refusal in the event that the other JV shareholder intends to transfer any of its shares in the JV Company.

For details of the Joint Venture Agreement signed with Conch Venture, please refer to the voluntary announcement of the Company dated 18 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	*(restated)*	*(restated)*	*(restated)*
Revenue	**218,955,189**	184,120,712	151,891,721	154,228,810	177,300,270
Cost of sales	**(153,867,565)**	(135,562,713)	(115,544,143)	(120,655,493)	(133,967,008)
Gross profit	**65,087,624**	48,557,999	36,347,578	33,573,317	43,333,262
Investment and other income, net	**2,083,374**	4,457,745	4,741,383	7,887,108	6,461,281
Selling and distribution costs	**(11,534,806)**	(10,441,440)	(9,362,856)	(9,156,434)	(9,608,416)
Administrative expenses	**(26,538,125)**	(18,667,908)	(15,939,752)	(14,440,923)	(14,556,083)
Finance costs, net	**(10,739,691)**	(10,892,419)	(10,803,898)	(12,592,480)	(13,021,326)
Share of profits of associates	**2,006,451**	1,032,763	765,417	360,568	1,059,819
Share of (losses)/profits of joint ventures	**(4,881)**	1,289	904	(13,059)	(84,696)
Profit before income tax	**20,359,946**	14,048,029	5,748,776	5,618,097	13,583,841
Income tax expense	**(6,299,497)**	(4,254,818)	(1,799,151)	(1,823,574)	(3,599,410)
Profit for the year	**14,060,449**	9,793,211	3,949,625	3,794,523	9,984,431
Profit for the year attributable to:					
Owners of the Company	**8,066,995**	4,939,380	1,615,730	1,807,036	6,424,447
Holders of perpetual capital instruments	**980,882**	652,530	527,103	325,592	45,125
Non-controlling interests	**5,012,572**	4,201,301	1,806,792	1,661,895	3,514,859
	14,060,449	9,793,211	3,949,625	3,794,523	9,984,431
Final dividend proposed	**1,518,259**	843,477	339,298	306,904	997,979

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
Total assets	**436,648,169**	454,157,651	444,046,367	434,467,299	416,489,544
Total liabilities	**(300,223,140)**	(329,392,320)	(332,435,036)	(327,052,856)	(318,464,204)
Perpetual capital instruments	**(22,219,087)**	(16,716,270)	(12,003,686)	(9,994,863)	(5,000,125)
Non-controlling interests	**(41,995,004)**	(43,775,456)	(40,828,243)	(40,114,092)	(38,601,922)
Equity attributable to owners of the Company	**72,210,938**	64,273,605	58,779,402	57,305,488	54,423,293