CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2019

Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December		
	2019	2018 (restated)	Growth rate
	(RMB in millions)		
Bank balances and cash	**24,083**	20,927	15.1%
Total assets	**446,548**	436,490	2.3%
Equity attributable to equity holders of the Company	**80,636**	71,822	12.3%

	For the year ended 31 December		
	2019	2018 (restated)	Growth rate
	(RMB in millions)		
Revenue	**253,403**	218,997	15.7%
Profit after tax	**18,429**	13,890	32.7%
Profit attributable to equity holders of the Company	**10,974**	7,932	38.4%
Net cash flows from operating activities	**63,348**	48,369	31.0%
Sales volume of cement and clinker *(in thousand tonnes)*	**391,248**	368,983	6.0%
Sales volume of commercial concrete *(in thousand m^3)*	**111,803**	95,990	16.5%
Sales volume of aggregate concrete *(in thousand tonnes)*	**52,384**	35,276	48.5%
Sales volume of gypsum board *(in million m^2)*	**1,966**	1,869	5.2%
Sales volume of glass fiber yarn *(in thousand tonnes)*	**2,478**	2,210	12.1%
Sales volume of wind power blade *(MW)*	**10,829**	8,040	34.7%
Revenue from engineering services *(RMB in millions)*	**40,376**	34,195	18.1%
Average selling price of cement and clinker *(RMB per tonne)*	**332.6**	318.3	4.5%
Average selling price of commercial concrete *(RMB per m^3)*	**464.6**	432.1	7.5%
Average selling price of aggregate concrete *(RMB per tonne)*	**59.1**	50.6	16.8%
Average selling price of gypsum board *(RMB per m^2)*	**5.45**	5.58	-2.3%
Average selling price of glass fiber yarn *(RMB per tonne)*	**4,890**	5,451	-10.3%
Average selling price of wind power blade *(RMB per MW)*	**657,180**	619,703	6.0%

CNBM

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 54, 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 2019, 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 2019), 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 wind power 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 Shou *(President)*
Cui Xingtai *(Vice President)*

Non-executive Directors

Zhan Yanjing
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 Lee Mei Yi (FCS, FCIS)
Authorised Representatives	:	Cao Jianglin Yu Kaijun
Alternate Authorised Representative	:	Lee Mei Yi (FCS, FCIS) (Au Hei Ki (ACS, ACIS), alternate to Lee Mei Yi)
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 Advisers	:	Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong DLA Piper Hong Kong 25F, Three Exchange Square, 8 Connaught Place, Central Hong Kong The PRC
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 54 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:

"13th Five-Year Plan"	the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China
"2422"	the reduction of account receivables and inventory; the reduction of other receivables, prepayments, interest-bearing liabilities and monetary capital; the reduction of asset-liability ratio and capital expenditure; and the reduction of the number of employees and legal persons
"ABC Investment"	農銀金融資產投資有限公司 (Agricultural Bank Financial Assets Investment Co., Ltd.)
"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.)
"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 FRP Institute"	北京玻璃鋼研究設計院有限公司 (Beijing FRP Research and Design Institute 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.)
"Beixin Flooring"	北新彈性地板有限公司 (Beixin Resilient Flooring Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)

"BIM"	Building Information Modeling, a complete information model, which is able to integrate the engineering-related information, process and resource of a project at all stages of a full life cycle for the convenience of all parties
"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
"BOCOM Investment"	交銀金融資產投資有限公司 (Bank of Communications Financial Assets Investment Co., Ltd.)
"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.)
"CBIRC"	中國銀行保險監督管理委員會 (China Banking and Insurance Regulatory Commission)
"CBM Holdings"	中國建材控股有限公司 (China Building Material Holdings Co., Limited)
"CBMI Construction"	中材建設有限公司 (CBMI Construction Co., Ltd.)
"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 point of profit growth

Definitions *(Continued)*

"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)
"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 Assets Management"	中建材資產管理有限公司 (China National Building Material Assets Management Corporation)
"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
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"CTG"	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)
"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
"Forchn International"	富春國際有限公司 (Forchn International Co., Limited)
"Four Modernization"	high-standardization, specialization, commercialization and productization
"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

Definitions *(Continued)*

"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)
"IASB"	International Accounting Standards Board
"IAS"	International Accounting Standards
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent from the Company or its connected persons (as defined in the Listing Rules)
"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 Environmental Protection Institute"	中建材環保研究院(江蘇)有限公司 (Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.)
"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.)
"Luoyang China United"	洛陽中聯水泥有限公司 (China United Cement Luoyang Co., Ltd.)
"management of three delicacies"	improve operating efficiency, enhance refined management and streamline the organizational structure
"MEE"	中華人民共和國生態環境部 (Ministry of Ecology and Environmental of the People's Republic of China)
"Merger of CNBM and Sinoma"	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 China United Concrete"	南京中聯混凝土有限公司 (China United Concrete Nanjing Co., Ltd.)
"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)
"Nanyang China United"	南陽中聯水泥有限公司 (China United Cement Nanyang Co., Ltd.)
"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"	南京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
"one body, two wings and global layout"	"one body" means to take the gypsum board business as the core, do a good job in supporting extension business of "gypsum board +", promote our original "Luban" universal board assembly system for the whole house, and provide customers with technical solutions of "interior, exterior, ceiling and floor" innovative products; "two wings" means to develop waterproof materials and coatings business, enter into "ten times +" market, and cultivate main business in a strategic level; "global presence" means to take gypsum board as the leading product, gradually carry out the global layout of the entire product series, and build a world-class brand
"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 2019 to 31 December 2019
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC

Definitions *(Continued)*

"SAC"	中國國家標準化管理委員會 (Standardization Administration 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 South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Zhentong"	上海圳通股權投資管理有限公司 (Shanghai Zhentong Equity Investment Management 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.)
"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 wholly-owned subsidiary of the Parent
"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)

Definitions *(Continued)*

"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
"Supervisory Committee"	the supervisory committee of the Company
"Suzhou Nonmetallic Minerals"	蘇州中材非金屬礦工業設計研究院有限公司 (Suzhou Sinma Design and Research Institute of Non-minerals Industry 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.)
"TCDRI"	天津水泥工業設計研究院有限公司 (Tianjin Cement Industry Design & Research Institute Co., Ltd.)
"Tianjin Mining"	天津礦山工程有限公司 (Sinoma Tianjin Mining Engineering Co., Ltd.)
"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.*)

"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)
"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.)

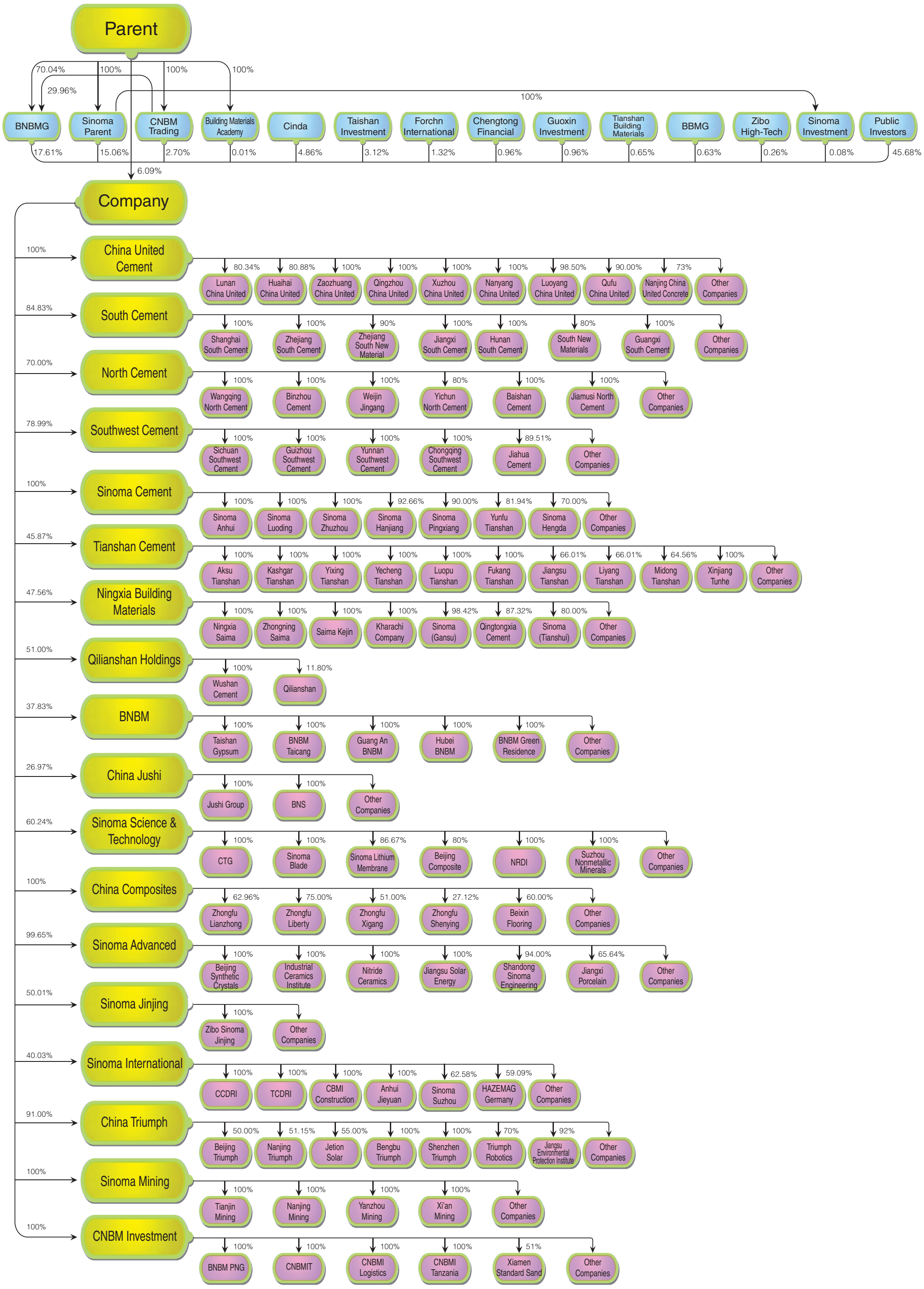
Definitions *(Continued)*

"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.)
"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 2019 is set out below:



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

5. Sinoma International indirectly held 37.42% equity interest in Sinoma Suzhou through CBMI Construction, and directly held 62.58% equity interest in Sinoma Suzhou.

6. 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. The Company's shareholding in South Cement increased from 87.5525% to 93.4275%. On 26 April 2019, South Cement had completed the registration of industrial and commercial changes for the above equity transfer.

   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 contributed RMB1 billion to South Cement with a total contribution amount of RMB2 billion. The Company's shareholding in South Cement decreased from 93.4275% to 84.8288%. On 27 June 2019, South Cement had completed the registration of industrial and commercial changes for the above capital increase.

7. On 26 December 2018, the Company entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which the Company agreed to acquire 3.5% equity interest held in Southwest Cement. The Company's shareholding in Southwest Cement increased from 88.7% to 92.2%. On 28 April 2019, Southwest Cement had completed the registration of industrial and commercial changes for the above equity transfer.

   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 contributed RMB1 billion to Southwest Cement with a total contribution amount of RMB2 billion. The Company's shareholding in Southwest Cement decreased from 92.2% to 78.9861%. On 28 April 2019, South Cement had completed the registration of industrial and commercial changes for the above capital increase.

8. On 31 May 2019, the Company, Sinoma and CNBM Investment entered into an equity transfer agreement, pursuant to which the Company and Sinoma, as the joint transferor, would transfer 51% equity interest held in Xiamen Standard Sand to CNBM Investment. On 5 August 2019, Xiamen Standard Sand has completed the registration of industrial and commercial changes for the above equity transfer.

9. On 26 December 2018, South Cement entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which South Cement agreed to acquire 1.675% equity interest held by Shanghai Zhentong in North Cement. On 6 June 2019, North Cement had completed the registration of industrial and commercial changes for the above equity transfer.

   On 16 October 2019, South Cement entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which South Cement agreed to acquire 2.925% equity interest held by Shanghai Zhentong in North Cement. Up to now, North Cement had not completed the registration of industrial and commercial changes for the above equity transfer.

Financial Highlights

The summary of financial results of the Group for 2019 and 2018 is as follows:

	For the year ended 31 December	
	2019	2018 (restated)
	(RMB in thousands)	
Revenue	**253,403,375**	218,996,802
Gross profit	**76,589,958**	65,105,089
Profit after tax	**18,428,928**	13,890,114
Profit attributable to equity holders of the Company	**10,974,167**	7,931,744
Distribution made to the equity holders of the Company	**1,518,259**	843,477
Earnings per share-basic *(RMB)*(1)	**1.301**	0.940

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 2018 and the weighted average number of 8,434,770,662 shares for 2019.

	As at 31 December	
	2019	2018 (restated)
	(RMB in thousands)	
Total assets	**446,547,977**	436,489,688
Total liabilities	**295,291,065**	300,562,311
Net assets	**151,256,912**	135,927,377
Non-controlling interests	**49,835,720**	41,886,694
Equity attributable to equity holders of the Company	**80,635,913**	71,821,596
Net assets per share-weighted average *(RMB)*(1)	**9.56**	8.51
Debt to assets ratio(2)	**41.7%**	45.6%
Net debt ratio(3)	**107.2%**	131.1%

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 2018 and the weighted average number of 8,434,770,662 shares for 2019.

(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 2019 and 2018 are set out below:

CEMENT SEGMENT

China United Cement

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**63,563**	57,852
Production volume – clinker *(in thousand tonnes)*	**55,230**	51,143
Sales volume – cement *(in thousand tonnes)*	**56,521**	52,429
Sales volume – clinker *(in thousand tonnes)*	**11,983**	12,598
Average selling price – cement *(RMB per tonne)*	**382.0**	349.7
Average selling price – clinker *(RMB per tonne)*	**314.1**	288.9
Sales volume – commercial concrete *(in thousand m^3)*	**47,508**	36,847
Average selling price – commercial concrete *(RMB per m^3)*	**472.9**	438.3

South Cement

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**113,869**	103,175
Production volume – clinker *(in thousand tonnes)*	**99,654**	84,483
Sales volume – cement *(in thousand tonnes)*	**102,193**	96,608
Sales volume – clinker *(in thousand tonnes)*	**19,042**	18,665
Average selling price – cement *(RMB per tonne)*	**343.4**	330.4
Average selling price – clinker *(RMB per tonne)*	**330.5**	327.3
Sales volume – commercial concrete *(in thousand m^3)*	**51,688**	47,519
Average selling price – commercial concrete *(RMB per m^3)*	**475.9**	442.0

CEMENT SEGMENT *(CONTINUED)*

North Cement

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**16,110**	14,722
Production volume – clinker *(in thousand tonnes)*	**13,302**	9,553
Sales volume – cement *(in thousand tonnes)*	**15,752**	14,522
Sales volume – clinker *(in thousand tonnes)*	**2,419**	909
Average selling price – cement *(RMB per tonne)*	**296.8**	327.3
Average selling price – clinker *(RMB per tonne)*	**256.0**	287.0
Sales volume – commercial concrete *(in thousand m^3)*	**3,426**	3,219
Average selling price – commercial concrete *(RMB per m^3)*	**342.2**	359.6

Southwest Cement

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**91,078**	90,419
Production volume – clinker *(in thousand tonnes)*	**73,932**	71,368
Sales volume – cement *(in thousand tonnes)*	**91,603**	90,052
Sales volume – clinker *(in thousand tonnes)*	**4,542**	3,934
Average selling price – cement *(RMB per tonne)*	**309.2**	298.2
Average selling price – clinker *(RMB per tonne)*	**265.5**	275.1
Sales volume – commercial concrete *(in thousand m^3)*	**1,060**	1,308
Average selling price – commercial concrete *(RMB per m^3)*	**344.2**	330.3

Business Highlights *(Continued)*

CEMENT SEGMENT *(CONTINUED)*

Sinoma Cement

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**21,930**	20,704
Production volume – clinker *(in thousand tonnes)*	**21,015**	19,818
Sales volume – cement *(in thousand tonnes)*	**21,775**	20,579
Sales volume – clinker *(in thousand tonnes)*	**4,318**	4,055
Average selling price – cement *(RMB per tonne)*	**357.8**	335.6
Average selling price – clinker *(RMB per tonne)*	**330.2**	341.0
Sales volume – commercial concrete *(in thousand m^3)*	**730**	679
Average selling price – commercial concrete *(RMB per m^3)*	**519.6**	480.8

Tianshan Cement

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**16,570**	15,249
Production volume – clinker *(in thousand tonnes)*	**16,453**	14,798
Sales volume – cement *(in thousand tonnes)*	**16,638**	15,428
Sales volume – clinker *(in thousand tonnes)*	**4,849**	4,034
Average selling price – cement *(RMB per tonne)*	**435.0**	370.8
Average selling price – clinker *(RMB per tonne)*	**278.6**	271.1
Sales volume – commercial concrete *(in thousand m^3)*	**2,049**	2,110
Average selling price – commercial concrete *(RMB per m^3)*	**424.7**	431.1

CEMENT SEGMENT *(CONTINUED)*

Ningxia Building Materials

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**14,351**	13,216
Production volume – clinker *(in thousand tonnes)*	**12,586**	10,796
Sales volume – cement *(in thousand tonnes)*	**13,544**	12,740
Sales volume – clinker *(in thousand tonnes)*	**1,698**	1,150
Average selling price – cement *(RMB per tonne)*	**265.1**	258.1
Average selling price – clinker *(RMB per tonne)*	**209.1**	216.0
Sales volume – commercial concrete *(in thousand m^3)*	**1,772**	1,330
Average selling price – commercial concrete *(RMB per m^3)*	**322.7**	321.7

Qilianshan

	For the year ended 31 December	
	2019	2018
Production volume – cement *(in thousand tonnes)*	**21,294**	18,503
Production volume – clinker *(in thousand tonnes)*	**17,787**	14,448
Sales volume – cement *(in thousand tonnes)*	**21,283**	18,851
Sales volume – clinker *(in thousand tonnes)*	**1,383**	414
Average selling price – cement *(RMB per tonne)*	**280.3**	277.0
Average selling price – clinker *(RMB per tonne)*	**204.0**	215.1
Sales volume – commercial concrete *(in thousand m^3)*	**1,518**	979
Average selling price – commercial concrete *(RMB per m^3)*	**381.8**	376.2

Business Highlights *(Continued)*

NEW MATERIALS SEGMENT

BNBM

	For the year ended 31 December	
	2019	2018
Gypsum board – BNBM		
Production volume *(in million m^2)*	**356.6**	325.1
Sales volume *(in million m^2)*	**361.3**	320.4
Average selling price *(RMB per m^2)*	**7.37**	7.56
Gypsum board – Taishan Gypsum		
Production volume *(in million m^2)*	**1,563.1**	1,539.5
Sales volume *(in million m^2)*	**1,533.6**	1,531.3
Average selling price *(RMB per m^2)*	**5.07**	5.23

China Jushi

	For the year ended 31 December	
	2019	2018
Glass fiber yarn		
Production volume *(in thousand tonnes)*	**1,854**	1,581
Sales volume *(in thousand tonnes)*	**1,632**	1,471
Average selling price *(RMB per tonne)*	**4,638**	5,153

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Science & Technology

	For the year ended 31 December	
	2019	2018
Glass fiber yarn		
Production volume *(in thousand tonnes)*	**703**	700
Sales volume *(in thousand tonnes)*	**744**	710
Average selling price *(RMB per tonne)*	**5,585**	6,109
Wind power blade		
Production volume *(MW)*	**8,218**	5,154
Sales volume *(MW)*	**7,941**	5,587
Average selling price *(RMB per MW)*	**641,927**	595,741

China Composites

	For the year ended 31 December	
	2019	2018
Wind power blade		
Production volume *(MW)*	**2,850**	2,521
Sales volume *(MW)*	**2,888**	2,453
Average selling price *(RMB per MW)*	**699,119**	674,280

Chairman's Statement

Dear shareholders,

In 2019, facing the complicated domestic and foreign situation of significantly increasing risks and challenges, China pursued supply-side structural reform as its main task. With major progress made in three critical battles, the national economy was generally stable and the quality of development has steadily improved with main projected targets for development achieved. China recorded a year-on-year increase of 6.1% in the gross domestic product, a year-on-year increase of 5.4% in the fixed asset investment, a year-on-year increase of 9.9% in the real estate development investment, and a year-on-year increase of 3.8% in the infrastructure investment. Our building materials production continued to increase, and our further implementation of the supply-side structural reform, the transformation and upgrading of the building material industry achieved obvious results with its performance further improved.

Mr. Cao Jianglin
Chairman
Executive Director

In 2019, the Group firmly followed the working guidelines of "maintaining steady growth, focusing on the optimization, promoting reforms, and enhancing Party building" to conduct operation and management, reform and innovation, integration and optimization, and Party building simultaneously. The Group insisted on practicing "management of three delicacies" (三精管理) in depth. By promoting "improving operating efficiency", "enhancing refined management" and "streamlining the organizational structure", our profitability has been increased, the management efficiency has greatly improved and the administration was streamlined with high-efficiency attributes. By continuously deepening the innovation, steadily advancing the pilot reform, actively carrying out the "Double Hundred Action" (雙百行動), and carrying out in-depth reform of internal mechanisms, the Group made new progress in the construction of a scientific and technological innovation platform, and achieved new breakthroughs again in key technologies. The Group adhered to promoting the integration and optimization of continuous improvement to the development landscape of "three pillars" namely cement, new materials, and engineering services sectors. In addition, the Group continued the deep integration of Party building with operations to effectively transform the advantages of Party building into governance effectiveness, and guide its high-quality development with high-quality Party building. In 2019, the Group's consolidated operating revenue amounted to RMB253,403 million, representing a year-on-year increase of 15.7% whereas the profit attributable to equity holders of the Company amounted to RMB10,974 million, representing a year-on-year increase in 38.4%.

In the past year, under the leadership of the Board, the management and the entire staff of the Company made concerted efforts to overcome various difficulties. Since our achievements were hard earned, the experience therefrom was very precious. At the same time, 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 2019 Annual Report and major results to you.

In 2020, the sources of turbulence and risk points are increasing significantly around the world and China is experiencing the transformation of development methods, optimization of economic structure and change of growth momentum, structural, systematic and cyclical issues intertwined with each other and the continued impact of the "overlapping of three phases", and the novel coronavirus pneumonia (COVID-19) will impact on economic activity. In terms of economy activity, China will persist in deepening supply-side structural reforms, strive to secure victories in the "three critical missions", give a full play to the key role of effective investment, increase the intensity of new investment projects, accelerate the progress of projects under construction, and minimize the impact of the COVID-19. China's economy has tremendous resilience and potential, and the long-term positive trend will not change, bringing important foundational support to the development of the industry and the Group. Despite the situation of production overcapacity in the building materials industry and the decline in demand for traditional products, the supply-side structural reform has become a consensus among the public, and the hard work over the past few years has laid a solid foundation for future development.

In the new year, the Group will actively make a good use of the macroeconomic policies for the counter-cyclical adjustment and the transformation and upgrading of the industry under the impact brought by COVID-19, and will also get well prepared to face any difficulties. The Group will orderly promote resumption of work and production, increase inventory reserves, and prepare for market launch after the epidemic. In addition to promoting development through innovation, reform, internationalization and Party building, we will make further efforts in efficiency improvement, the "management of three delicacies", development, innovation, and reform to enhance competitiveness, innovation capability, control, influence, and ability to resist risks, to continue to move towards a new stage of high-quality development. In the new year, the Group will accelerate the cultivation to becoming a world-class comprehensive building materials and new material industry group with global competitiveness and make new contributions to promote the sustainable and healthy development of the national economy and society, sparing no efforts to repay the Shareholders and the society.

Cao Jianglin
Chairman

Beijing, the PRC
23 March 2020

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	Direct and indirect equity interests attributable to the Company
Cement	NSP cement	China United Cement	100%
	Commercial concrete	South Cement	84.83%[1]
	Aggregate	North Cement	71.68%[2]
		Southwest Cement	78.99%[3]
		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	China Jushi	26.97%
	Wind power blade	Sinoma Science & Technology	60.24%
	Waterproof material		
	Lithium battery separator	China Composites	100%
		Sinoma Advanced	99.65%
		Sinoma Jinjing	50.01%
Engineering services	Design and engineering EPC services:	Sinoma International	40.03%
	Cement production lines	China Triumph	91.00%
	Glass production lines	Sinoma Mining	100%

Notes:

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. The Company's shareholding in South Cement increased from 87.5525% to 93.4275%. On 26 April 2019, South Cement had completed the registration of industrial and commercial changes for the above equity transfer.

   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 contributed RMB1 billion to South Cement with a total contribution amount of RMB2 billion. The Company's shareholding in South Cement decreased from 93.4275% to 84.8288%. On 27 June 2019, South Cement had completed the registration of industrial and commercial changes for the above capital increase.

2. On 26 December 2018, South Cement entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which South Cement agreed to acquire 1.675% equity interest held by Shanghai Zhentong in North Cement. On 6 June 2019, North Cement had completed the registration of industrial and commercial changes for the above equity transfer.

   On 16 October 2019, South Cement entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which South Cement agreed to acquire 2.925% equity interest held by Shanghai Zhentong in North Cement. Up to now, North Cement had not completed the registration of industrial and commercial changes for the above equity transfer.

3. On 26 December 2018, the Company entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which the Company agreed to be transferred 3.5% equity interest held in Southwest Cement. The Company's shareholding in Southwest Cement increased from 88.7% to 92.2%. On 28 April 2019, Southwest Cement had completed the registration of industrial and commercial changes for the above equity transfer.

   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. The Company's shareholding in Southwest Cement decreased from 92.2% to 78.9861%. On 28 April 2019, South Cement had completed the registration of industrial and commercial changes for the above capital increase.

Mr. Peng Shou
President
Executive Director

In 2019, compared with the same period of last year, the sales volume of cement and clinker of the Group increased by 6.0% year-on-year to 391 million tonnes, the sales volume of commercial concrete increased by 16.5% year-on-year to 112 million cubic metres, the sales volume of aggregate concrete increased by 48.5% year-on-year to 52.38 million tonnes, the sales volume of gypsum board increased by 5.2% year-on-year to 1,966 million square metres, the sales volume of glass fiber increased by 12.1% year-on-year to 2.48 million tonnes and the sales volume of wind power blade increased by 34.7% year-on-year to 10,829 MW. The revenue from engineering services amounted to RMB40,376 million, representing a 18.1% increase year-on-year. The revenue of the Group amounted to RMB253,403 million, representing a 15.7% increase year-on-year. Profit attributable to equity holders of the Company amounted to RMB10,974 million, representing a 38.4% increase year-on-year.

CEMENT SEGMENT

In 2019, the national economic development steadily improved, and the main expected goals have been achieved. The fixed asset investment volume remained stable at a high base. The promoting in the strengthening areas of weakness in infrastructure construction projects and a high level of real estate investment provide a significant demand for cement. As a result, the national clinker production amounted to 1.52 billion tonnes, hitting a new record high, representing a year-on-year increase of 6.8%, and the national cement production amounted to 2.35 billion tonnes, representing a year-on-year increase of 4.9%. Although the situation of higher production in southern China and lower production in northern China continues, the production in southern China maintains a high and stable growth, while the demand in northern China has shown gradual improvements. (Data source: NBS)

In 2019, the PRC government persevered with pollution prevention and control, maintained the same direction with the same efforts, and gave priority to precise, scientific and legal pollution control. A new round of environmental inspection was launched in an all-round way to promote the in-depth development of the inspection work with a broad vision of environmental protection. Ministry of Ecology and Environment (MEE) imposed different shutdown restrictions on cement clinker production lines in response to the severely polluted weather during the warning period. Capacity replacement is being strictly implemented, the Ministry of Industry and Information Technology conducted on-site supervision and inspection of the capacity replacement, and clarified that the cement clinker production lines that were suspended for two years, or had accumulated production for less than one year during a three year period, shall not be used for capacity replacement; from 1 October 2019, PC32.5R cement was officially abolished. Implementation of environmental protection policies such as off-peak production, output reduction for environmental protection purpose, suspended production during severely polluted weather, mine regulation, and transportation overload control effectively adjusted supply and demand. In 2019, the profit of the cement industry increased by 19.6% year-on-year to RMB186.7 billion, and continued to maintain a modest growth trend. However, production overcapacity of the industry has not been fundamentally resolved. The task of cutting production overcapacity was arduous, and the supply-side structural reform remains the major task. (Sources: NBS, MEE, MIIT, SAC and Digital Cement)

In 2019, the Company proactively faced the challenges posed by flat demand period, production overcapacity, enhanced environmental protection policies, rising prices of raw materials and strict control and management on transportation. The Company further implemented the supply-side structural reform which practised off-peak production, shutdown of outdated production facilities and control of new additions, and facilitated the improvement on the policy of production capacity replacement. In addition, the Company ceased the production of PC32.5R cement and promoted raising product standards and continuously propelled the "management of three delicacies", (by enhancing operations, refining management and improving organisational efficiency). With the transformation of "Four Modernization" driven by scientific innovation and the improvement of procurement bidding rate and procurement efficiency, the Company vigorously advanced the "Cement+" model, optimized the layout of cement and commercial concrete and accelerated its aggregate business expansion. As at the end of 2019, the production capacity of cement reached 521 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

China United Cement

China United Cement adhered to the supply-side structural reform and reasonably adjusted and resolved the imbalance between peak shifting production and demand in the market to promote the construction of harmonic ecological environment of the industry. China United Cement also achieved the joint operation of “Cement+” and incorporated the advantages of the industrial chain of cement, commercial concrete and aggregate business to maximize the profitability and raise market influence. Furthermore, China United Cement reached a cooperation of cement projects and consolidated the construction of core profit area.

The evident synergy and efficiency of cost reduction lowered the accounts receivable and increased the return rate of cargo payments. China United Cement maintained a reasonable level of inventory to reduce the occupation of inventory funds by raw combustible materials. Additionally, China United Cement advanced the development of material procurement platform to concentrate efforts on online procurement, decreasing the procurement cost in a efficient manner, China United Cement also promoted the “surplus profits sharing” and the emolument optimization scheme to fully motivate the staff.

China United Cement strived to implement “Cement+” and made progressive achievements during aggregate business construction. Along the exploration into the integrated operation model, the profits attributable to “Cement+” segment increased. Oriented for the development goal of scientific innovation, China United Cement actively pushed for the construction of intelligent plants and strengthened the disposal capability with the construction of coordinated projects advanced. As at the end of 2019, the production capacity of cement reached 106 million tonnes.

South Cement

Sticking to the supply-side structure reform as its backbone, South Cement persisted in peak shifting production and implement the cancellation of PC32.5 cement to guide the industry toward a higher note. Based on integrated clinker resource area, it fortified the matching of large and small kilns, the exchange of clinkers and the adjustment across all areas and duly directed the clinkers in the north to the south, to cope with the impact of imported products with multiple strategic mixes. Meanwhile, South Cement continued to optimize resource allocation and market structure and actively expanded the core market and the market of major products.

South Cement steadily advanced lean production and reduced the consumption of coal and power, thoroughly practiced the refined management of procurement to give full play to the advantages of scale and sourcing as well as procurement platform to step up the mid-to-long term cooperation with strategic customers. It also deeply promoted the standardized management of finance, central fund management and impactful finance. Last but not least, South Cement continued on improving the allocation and incentive system.

South Cement accelerated the implementation of cement optimization and upgrade projects, continuously optimized the market layout and resource allocation, accelerated technological upgrades and de-capacity; explored the “Aggregate + commercial concrete + cement” integrated marketing model, developed the aggregate business in an orderly manner, and continued to promote the optimization and upgrades of commercial concrete, as well as environmental protection and technology improvement, further strengthening the construction of core profitable business. As at the end of 2019, the production capacity of cement reached 141 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

North Cement

With its efforts to resolve the prominent imbalance between supply and demand, North Cement rigorously carried out peak shifting production, adjusted its strategies to focus on major projects in order to spare no effort to win more market share and keep sales at a reasonable level. It explored clinker exporting market and coordinated the shipment of south-bound clinkers to relieve tensions in the north eastern market.

With the refined organization advanced and "2422" reduction implemented, the number of account receivables and inventories continued to decrease. North Cement promoted refined organization and refined production and management to enhance its supplying management and cut cost, and advanced the delicate operation to reduce overcapacity on the related area.

Leveraging on its endeavours in the research and production of new cement, new types of cement such as low-alkali cement and oil well cement had achieved mass production and were applied widely in various major projects. As at the end of 2019, the production capacity of cement reached 36.90 million tonnes.

Southwest Cement

Southwest Cement practiced the supply-side structure reform, advocated development by reducing production and implementing off-peak plan and abolition of the PC32.5R cement. Upholding the operating ideology of "PCP", it intensified the market mechanism of competition and cooperation to maximize the market profitability, comprehensively implemented central management and control on marketing to promote production and sales segregation, segmented the market and promoted the coordination of the price of clinkers and cement.

On the basis of lean production, Southwest Cement concentrated on "system optimization, indicator improvement and reliable equipments" to improve the operating quality. It closely monitored the balance of fund budgets, deepened central fund management and control on funds and tax planning. In addition, it endeavoured to propel the "Internet+" precise procurement and the reduction of inventory to enable distributors placing orders online.

With the accelerating transformation and upgrade, Saide intelligent demonstration production line in Zunyi, Guizhou commenced operation. With its active exploration on the full chain operation of "Cement+ commercial concrete+ aggregate business", Southwest Cement prioritized the acquisition of mineral resources. Southwest Cement intensified scientific planning and management of mines, comprehensively developed ecological and digital mines, and promoted the steady increase of market shares of Jiahua Special Cement by the operation model of light asset. As at the end of 2019, the production capacity of cement reached 122 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Sinoma Cement

Adhering to the operating ideology of "PCP", Sinoma Cement fully cooperated with the supply-side structure reform in the industry to promote the healthy development of the industry: improving product quality, service quality and market competitiveness with aim to steadily increase the market share and sales prices.

Sinoma Cement optimized management institutions, streamlined the organization structure, and promoted the optimization and upgrade of procurement management system in a systematic manner to enter into the e-commerce bidding procurement platform. It also carried out benchmarking management system and put in more efforts to R&D innovation and technology reform to improve the indicator of production technology.

Sinoma Cement steadily promoted the implementation of the strategy of "Cement+", the conducted orderly co-processing project of sludge and hazardous waste in cement kilns. It has made breakthroughs in its international businesses with the market shares of companies in Zambia increasing steadily. As at the end of 2019, the production capacity of cement reached 25.01 million tonnes.

Tianshan Cement

Adhering to the operating ideology of "PCP", Tianshan Cement implemented peak shifting production, took targeted sales strategies based on different regional market characteristics, and developed the strategy of "large region sales" to stabilise advantages in core market areas.

Tianshan Cement paid attention to the special reduction program "2422", streamlined institutions, and shortened the management and control chain. Tianshan Cement intensified benchmarking management and continuously improved the production and operation indicators. Furthermore, Tianshan Cement lowered accounts receivables, improved asset structure and elevated its asset profitability. With the optimized channels of suppliers and procurement, separation of bidders and purchasers and centralized procurement were implemented.

Tianshan Cement accelerated the construction of information, promoted intelligent management, and strengthened the construction of green and digital factories; Capturing the business opportunities presented by "Cement+", it strengthened and expanded e-commerce platform business to develop a new business model. As at the end of 2019, the production capacity of cement was 38.66 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Ningxia Building Materials

Facing the unfavorable situation posed by the imbalance of supply and demand in regional market, Ningxia Building Materials thoroughly upheld the ideology of "PCP", set focus on the market and adjusted measures according to local conditions and implemented precise policies.

By continuously advancing the application of procurement management platform, Ningxia Building Materials used centralized procurement and direct supply to effectively achieve resources sharing, cost reduction and efficiency enhancement, and continued to carry out the construction of information and intelligent plants to enable the incorporation of e-commerce into all businesses. Furthermore, it developed and took advantage of the online business platform for cargo logistics, "Finding Car"(我找車) to develop a new model for logistics business with innovation. By using the incentive mechanism reform as a breakthrough, the income distribution system of staff was reformed.

Ningxia Building Materials continued to explore and develop the "Cement+" business and the "oil well cement+ cementing materials" and increase the proportion of cement above 52.5 and the market shares of high-end products. As at the end of 2019, the production capacity of cement reached 21 million tonnes.

Qilianshan

With the supply-side structure reform carried forward, Qilianshan thoroughly upheld the ideology of "PCP", integrated the price, sales, market and profit into one, implemented the peak shift production in an orderly manner and major work on platform management and control, and constantly optimized the environment of marketing.

Qilianshan used the system function of "Qilianshan cement mall" to improve the entire process of marketing management chain automation control; Qilianshan formulated the coordinated procurement model in centralized material areas, enhanced the function of digital procurement transaction platform. It put in more efforts to manage and control the cost as a whole process, reduced procurement costs and the incentive measures of cost reduction and the incentive method of surplus profit bonus, and carried out effective incentives.

Qilianshan carried forward the strategy of "Cement+" which extended upstream toward aggregate business and machine-made sand, and downstream toward premixed concrete, premixed sand mortar, cement based composite material and concrete products. With the utilization of the systematic function of "Qilianshan cement mall", it improved automatic management and control on marketing management chain in the overall process. As at the end of 2019, the production capacity of cement reached 28 million tonnes.

NEW MATERIALS SEGMENT

BNBM

Thoroughly implementing the operating ideology of "PCP", BNBM consolidated the advantage of gypsum boards business in the PRC and continued to occupy the high ground of the industry. The sales volume of its major product, gypsum boards, grew against market trends with rising profitability in the high-end market. It comprehensively implemented the strategy of "one staff with various positions, one position with various functions" and further implemented the strategies of "50-person plant" and "80-person base".

Leading the way forward with "one body, two wings and global layout", BNBM, by sticking to innovative development and on the basis of gypsum boards, has further expanded and developed "gypsum board+" business and achieved the R&D of the original product of "Luban universal purpose board". Furthermore, it has also achieved national coverage with 10 industry bases of waterproof material by reorganizing three regional leading waterproofing enterprises. Since BNBM has fully initiated the global layout to steadily propel its international operation, the first round of global layout scheme is being implemented in a steady way.

BNBM was awarded the rating of A3 by Moody's, and won the award of "China Quality" and the "Global Gypsum Industry Outstanding Contribution Award" in the global gypsum board conference.

China Jushi

By focusing on "the management of three delicacies", China Jushi strived to optimize the adjustments on structure and unwaveringly increase the proportion of high-end and high value-added products. It also concentrated on developing major strategic customers, raised the ratio of high-end products and achieved a significant growth of sales under the downward market pressure.

China Jushi fully adopted the precise management and cost reduction and efficiency enhancement to achieve high quality development. By active implementation of scientific and technological innovation, the E9 glass fiber formula had been improved to achieve higher production volume, with lower cost and higher competitiveness. Intelligent glass fiber production base with 0.25 million tons per annum in Jushi Chengdu had commenced its production, which was expected to develop into another fully intelligent production base. With the constant improving level of "intelligent plant", it became the second batch of national intelligent leading production enterprises assessed by the Ministry of Industry and Information, listed in the fourth batch of mixed reform by the National Development and Reform Commission, and explored the implementation of marketing incentive measures with positive incentives.

China Jushi steadily constructed overseas projects and promoted the strategic arrangement worldwide. 96,000 tons of glass fiber production line in America had been put into production. Egypt base would turn its highlight to steady operation from construction management to achieve regional operation, while the project in India advanced steadily.

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Science & Technology

For the blade business, Sinoma Science & Technology actively expanded production capacity and upgraded product structure to develop forward-looking and innovative products with leading industry technology and huge market demand, and held a leading position in domestic market share. It continued to deepen the cooperation with international first-class manufacturers, with its shipment to overseas significantly increased. It accelerated the placing of internationalization and completed the establishment of an overseas development and research center to adapt to the trend of on-grid wind power with a moderate price through technological innovation and refined management.

For the glass fiber business, Sinoma Science & Technology optimized its product structure based on the demand and maintained a balance between production and sales in light of the declined market demand growth and under the challenging circumstance of the increased downward pressure on the price. It continued to increase the proportion of advanced production capacity, optimize production technology and enhance management efficiency, with various performance indicators of the Manzhuang New Area recording the best level in history. By adhering to independent research, development and innovation of the core technology, Sinoma Science & Technology newly introduced high-modaling fiber, and ultrafine fiber and low-dielectric glass fiber, all of which were put into mass production.

For lithium diaphragm business, through the "self-construction + M&A" model, Sinoma Science & Technology rapidly expanded its production capacity and grow into a leading supplier of lithium battery diaphragms in China. Leveraging on its quality products and services, it focused on securing top strategic customers at home and abroad, with its sales significantly increased. In addition, with its efforts in developing the international market and the implementation of its strategies, batches of products have been delivered to high-end strategic major customers abroad.

China Composites

Closely keeping with the recovering industry trend, China Composites actively adjusted its production and market strategy, continuously reducing various pressures on the business and paid attention to cost reduction and efficiency enhancement, and conducted the R&D of new products. With the promising development of offshore wind power blade business and the increase in volumes and prices, the gross profit margin of products maintained a relatively high level in the industry. China Composites newly developed blades of over 60 meters to lay a foundation on seizing high ground of the market. 68.6 and 76 meters blades in the phase II project of large-scale offshore and wind power blades with low wind speed had achieved mass production.

By optimizing the market strategy, the differentiated marketing was adopted for carbon fiber products, which were classified according to related policies, leading to the increase in sales and price. T1000 grade carbon fiber has achieved an important breakthrough from trial to a hundred ton scale of production, ending the monopoly of the T1000 grade carbon fiber by other countries. It continued to improve the industry layout of carbon fiber projects and the production base of 20,000 tons high-performance carbon fiber was begun to build, which provided a solid basis on which to build a carbon fiber production enterprise with global competitiveness.

China Composites has accelerated the building of intelligent plants so as to achieve substantial results for management system, innovative development and the ability of cyber security protection, revolutionising the enterprise's transformation from production method as well as its management and control model.

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Advanced

Sinoma Advanced electroceramics obtained Kaima certification and was listed on the supplier lists of overseas power grid companies. It has developed the fused silica nanometer ceramic roller so that the gap in the high-end market had been filled, turning it into a new profit channel. The first phase of 50 tons of silicon nitride has been put into production, and the highly precise G3 Silicon Nitride ceramic bearing balls achieved stable mass production and could be supplied to various international renowned manufactures such as SKF to fill in domestic gaps and thoroughly change the passive situation of the field in China, which relied on import for a long period. It achieved the full coverage of contractual management of the managers, actively implemented the incentive mechanism, and promoted the implementation of key staff shareholding in science and technology enterprises.

ENGINEERING SERVICES SEGMENT

Sinoma International

With high-quality development as its main guide, Sinoma International promoted its production and operation in an orderly manner, deeply practiced the "management model of three delicacies", accelerated the efforts in the reform and innovation and achieved steady growth in its corporate development.

The company continued to consolidate its strengths in the principal business of cement technical equipment engineering service and achieved an outstanding results in the market expansion. In terms of global market share of the principal business of cement engineering, the company has ranked the first in the world for 12 consecutive years by deepening the implementation of the strategy of "cement engineering +" and making a great achievement in the diversified business expansion and localized operation. By deeply developing businesses in the Southeast Asia, Middle East, South America, Africa and other key regions, the company successfully signed contracts for various engineering projects such as the CS sugar factory in Egypt and the chemical industrial park in Kazakhstan; with enhanced internal coordination, the company successively implemented joint venture projects with its peers in Vietnam, Nigeria and Tanzania to explore new growth points of business profit; the company optimized the layout of energy-saving and environmental protection industries to achieve positive progress in areas such as co-processing of engineering service and operation by using cement kilns, comprehensive treatment of ecological environment, environmental protection engineering and energy-saving transformation.

ENGINEERING SERVICES SEGMENT *(CONTINUED)*

Sinoma International *(Continued)*

In terms of technology and innovation, the BIM platform was implemented for a number of domestic and foreign projects to realize the digitalization for the entire lifecycle from design, procurement and construction to operation and maintenance; the industrial application is possible for many achievements such as the low-energy new technology of the second generation; the initial effects of intelligentisation being evident, construction is underway for a group of demonstration projects of fully intelligent factories such as Wuhu South Cement Co., Ltd.. Through innovation, the Company achieved pleasing results. By grasping the opportunities brought by the "Double Hundred Actions", the company continued to optimize corporate governance, actively explore market-oriented operation and incentive mechanism reform, and empower the company with high-quality development through reform and innovation.

China Triumph

With outstanding advantages of "high-end approach, smartness, internationalization and proper intelligentization", China Triumph continued to strengthen its principal business and moderately diversify businesses. The engineering technology and service of domestic highly high-end glass fields such as photovoltaic glass, display glass and automotive glass are in a dominate position, and significant achievements have been made in the marketing of overseas glass-engineering market. The company independently developed the command center system of intelligent glass factory and completed the production line in Nigeria for float glass; the company re-explored the international market in terms of cement engineering by deeply cultivating key engineering market such as Russia division and French division; the company became one of the global leaders in new energy engineering.

With business covering global mainstream market, the company strengthened efforts to explore overseas market; leveraging on the combining of industrial advantages of new housing engineering, the company focused on the building of industrialized housing. The intelligent agriculture engineering created a new identity of "glass +". The company implemented the new mode of "glass +" engineering technology service to achieve organic combination between new glass materials and engineering construction.

Sinoma Mining

By being deeply rooted in the traditional industry, i.e. mine engineering and mining services, Sinoma Mining has vigorously developed the restoration industry of the ecological environment of mines. The number of new contracts and the contract amounts set a new record high. The quality of projects and management efficiency improved significantly in the overall quality; focusing on the "management model of three delicacies", the company made new steps toward high-quality development to constantly improve its overall competitiveness.

FINANCIAL REVIEW

Revenue of the Group increased by 15.7% to RMB253,403.4 million in 2019 from RMB218,996.8 million in 2018. Profit attributable to equity holders of the Company increased by 38.4% to RMB10,974.2 million in 2019 from RMB7,931.7 million during 2018.

Revenue

Our revenue increased by 15.7% to RMB253,403.4 million in 2019 from RMB218,996.8 million in 2018. The major reason was that the revenue of cement segment increased by RMB24,179.0 million, revenue of engineering services segment increased by RMB6,050.4 million and revenue of new materials segment increased by RMB3,931.6 million.

Cost of sales

Our cost of sales increased by 14.9% to RMB176,813.4 million in 2019 from RMB153,891.7 million in 2018. The major reason was that the cost of sales of cement segment increased by RMB14,037.7 million, the cost of sales of engineering services segment increased by RMB5,305.5 million and the cost of sales of new materials segment increased by RMB3,028.0 million.

Other income

Other income of the Group increased by 103.2% to RMB4,296.8 million in 2019 from RMB2,114.1 million in 2018. 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 increased from RMB-1,523.7 million in 2018 to RMB1,101.6 million in 2019, and the government grants increased from RMB606.7 million in 2018 to RMB1,241.3 million in 2019.

Selling and distribution costs

Selling and distribution costs increased by 13.9% from RMB11,536.1 million in 2018 to RMB13,140.5 million in 2019. The major reasons for such increase were an increase of RMB1,297.2 million in transportation costs and an increase of 170.8 million in labor costs.

Administrative expenses

Administrative expenses increased by 27.1% to RMB34,003.2 million in 2019 from RMB26,751.4 million in 2018. This was primarily due to an increase of RMB3,583.9 million in allowances for impairment of goodwill, an increase of RMB1,829.4 million in litigation settlement costs, an increase of RMB685.8 million in labor costs, an increase of RMB534.8 million in R&D expense.

FINANCIAL REVIEW *(CONTINUED)*

Finance costs

Finance costs decreased by 18.5% to RMB8,754.0 million in 2019 from RMB10,741.2 million in 2018, primarily due to the decrease in the borrowing costs and the decrease in borrowings.

Share of profits of associates

Our share of profits of associates increased by 22.5% to RMB2,458.4 million in 2019 from RMB2,006.5 million in 2018, primarily due to the increase in profits of our associates in the cement segment, but partly offset by declining profits of associate China Jushi.

Income tax expense

Income tax expense increased by 43.1% to RMB9,019.3 million in 2019 from RMB6,302.1 million in 2018, primarily due to the increase in profit before tax.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 26.3% to RMB6,284.3 million in 2019 from RMB4,977.5 million in 2018, primarily due to the increase in operating profit in cement segment and engineering services segment of the Group, but partially offset by the decline in operating profit of the new materials segment.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 38.4% to RMB10,974.2 million in 2019 from RMB7,931.7 million in 2018. Net profit margin increased from 3.6% in 2018 to 4.3% in 2019.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment

China United Cement

Revenue

Revenue of China United Cement increased by 27.1% to RMB49,763.2 million in 2019 from RMB39,153.1 million in 2018, mainly attributable to the increase in the average selling price and the increase in sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of China United Cement increased by 27.8% to RMB34,386.6 million in 2019 from RMB26,914.4 million in 2018, mainly attributable to the increase in sales volume of cement products and commercial concrete as well as the increase in raw material prices.

Gross profit and gross profit margin

Gross profit of China United Cement increased by 25.6% to RMB15,376.6 million in 2019 from RMB12,238.7 million in 2018. Gross profit margin of China United Cement decreased from 31.3% in 2018 to 30.9% in 2019, mainly due to the increase in raw material prices, but partially offset by the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of China United Cement increased by 6.3% to RMB5,523.0 million in 2019 from RMB5,196.5 million in 2018. Operating profit margin of China United Cement decreased from 13.3% in 2018 to 11.1% in 2019, primarily due to the decrease in gross profit margin and the increase in allowances for property, plant and equipment, goodwill and accounts receivable.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

South Cement

Revenue

Revenue of South Cement increased by 11.9% to RMB66,028.3 million in 2019 from RMB59,029.6 million in 2018, 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 10.8% to RMB43,506.0 million in 2019 from RMB39,265.1 million in 2018, mainly attributable to the increase in the sales volumes of cement products and commercial concrete.

Gross profit and gross profit margin

Gross profit of South Cement increased by 14.0% to RMB22,522.4 million in 2019 from RMB19,764.5 million in 2018. Gross profit margin of South Cement increased from 33.5% in 2018 to 34.1% in 2019. This was mainly attributable to the increase in the average selling prices of cement products and commercial concrete.

Operating profit

Operating profit of South Cement increased by 22.7% to RMB10,879.1 million in 2019 from RMB8,864.1 million in 2018. Operating profit margin of South Cement increased from 15.0% in 2018 to 16.5% in 2019. This was primarily due to the increase in gross profit margin and government grants, partially offset by increase in allowances for impairment of goodwill.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

North Cement

Revenue

Revenue of North Cement increased by 4.8% to RMB6,467.0 million in 2019 from RMB6,171.6 million in 2018, mainly attributable to the increase in the sales volume of cement products and commercial concrete, partially offset by the decrease in the average selling prices of cement products and commercial concrete.

Cost of sales

Cost of sales of North Cement increased by 13.4% to RMB5,140.1 million in 2019 from RMB4,532.4 million in 2018, mainly attributable to the increase in the sales volume of cement products and commercial concrete, and the increase in the raw material prices and coal prices.

Gross profit and gross profit margin

Gross profit of North Cement decreased by 19.1% to RMB1,326.9 million in 2019 from RMB1,639.2 million in 2018. Gross profit margin of North Cement decreased to 20.5% in 2019 from 26.6% in 2018, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the increase in raw material prices and coal prices.

Operating profit

Operating profit of North Cement decreased to RMB-870.5 million in 2019 from RMB-835.0 million in 2018. Operating profit margin of North Cement in 2019 was -13.5%, which was the same as that in 2018, primarily due to the decrease in gross profit margin and the increase in net gain from the changes in the fair value of financial assets at fair value through profit or loss.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Southwest Cement

Revenue

Revenue of Southwest Cement increased by 5.4% to RMB29,891.6 million in 2019 from RMB28,365.2 million in 2018, mainly attributable to the increase in the average selling prices of cement products and commercial concrete and the increase in sales volume of cement products, partially offset by the decrease in sales volume of commercial concrete.

Cost of sales

Cost of sales of Southwest Cement increased by 0.9% to RMB21,001.9 million in 2019 from RMB20,814.5 million in 2018, mainly attributable to the increase in the sales volume of cement products, partially offset by the decrease in the sales volume of commercial concrete.

Gross profit and gross profit margin

Gross profit of Southwest Cement increased by 17.7% to RMB8,889.7 million in 2019 from RMB7,550.7 million in 2018. Gross profit margin of Southwest Cement increased from 26.6% in 2018 to 29.7% in 2019, mainly attributable to the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Southwest Cement decreased by 18.4% to RMB3,546.5 million in 2019 from RMB4,347.0 million in 2018. Operating profit margin of Southwest Cement decreased from 15.3% in 2018 to 11.9% in 2019, primarily due to the increase in allowances for impairment of property, plant and equipment and goodwill, partially offset by the increase in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Sinoma Cement

Revenue

Revenue of Sinoma Cement increased by11.7% to RMB10,043.6 million in 2019 from RMB8,991.4 million in 2018, mainly attributable to the increase in the average selling prices and sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of Sinoma Cement increased by 5.0% to RMB6,077.1 million in 2019 from RMB5,789.7 million in 2018, mainly attributable to the increase in sales volumes of cement products and commercial concrete and the increase in raw material prices.

Gross profit and gross profit margin

Gross profit of Sinoma Cement increased by 23.9% to RMB3,966.5 million in 2019 from RMB3,201.7 million in 2018. Gross profit margin of Sinoma Cement increased from 35.6% in 2018 to 39.5% in 2019, 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.

Operating profit

Operating profit of Sinoma Cement increased by 15.1% to RMB2,676.5 million in 2019 from RMB2,325.5 million in 2018. Operating profit margin of Sinoma Cement increased from 25.9% in 2018 to 26.6% in 2019, which was primarily due to the increase in gross profit margin, partially offset by the increase in the R&D expenses.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Tianshan Cement

Revenue

Revenue of Tianshan Cement increased by 22.5% to RMB9,459.4 million in 2019 from RMB7,724.6 million in 2018, mainly attributable to the increase in the average selling prices and sales volumes of cement products, partially offset by the decrease in the average selling prices and sales volumes of commercial concrete.

Cost of sales

Cost of sales of Tianshan Cement increased by 18.7% to RMB5,994.1 million in 2019 from RMB5,047.9 million in 2018, mainly attributable to the increase in sales volumes of cement products and the raw material prices, partially offset by the decrease in sales volumes of commercial concrete.

Gross profit and gross profit margin

Gross profit of Tianshan Cement increased by 29.5% to RMB3,465.4 million in 2019 from RMB2,676.8 million in 2018. Gross profit margin of Tianshan Cement increased from 34.7% in 2018 to 36.6% in 2019, which was mainly due to the increase in the average selling prices of cement products, partially offset by the increase in raw material prices and the decrease in the average selling price of commercial concrete.

Operating profit

Operating profit of Tianshan Cement increased by 66.6% to RMB2,721.7 million in 2019 from RMB1,634.0 million in 2018. Operating profit margin of Tianshan Cement increased from 21.2% in 2018 to 28.8% in 2019, which was primarily due to the increase in gross profit margin, the increase in the net gain from change in fair value of financial assets at fair value through profit or loss and the decrease in allowances for impairment of property, plant and equipment.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Ningxia Building Materials

Revenue

Revenue of Ningxia Building Materials increased by 14.8% to RMB4,668.6 million in 2019 from RMB4,067.4 million in 2018, mainly attributable to the increase in the average selling prices and sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of Ningxia Building Materials increased by 13.2% to RMB3,004.7 million in 2019 from RMB2,655.0 million in 2018, mainly attributable to the increase in sales volumes of cement products and commercial concrete and the increase in the coal prices.

Gross profit and gross profit margin

Gross profit of Ningxia Building Materials increased by 17.8% to RMB1,663.9 million in 2019 from RMB1,412.5 million in 2018. Gross profit margin of Ningxia Building Materials increased from 34.7% in 2018 to 35.6% in 2019, 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 coal prices.

Operating profit

Operating profit of Ningxia Building Materials increased by 49.5% to RMB1,052.9 million in 2019 from RMB704.4 million in 2018. Operating profit margin of Ningxia Building Materials increased from 17.3% in 2018 to 22.6% in 2019. The increase in operating profit margin was primarily due to the increase in gross profit margin and the decrease in repairing fee, partially offset by the increase in allowances for impairment of property, plant and equipment and accounts receivable.

FINANCIAL REVIEW *(CONTINUED)*

Cement Segment *(continued)*

Qilianshan

Revenue

Revenue of Qilianshan increased by 20.0% to RMB6,837.9 million in 2019 from RMB5,700.4 million in 2018, mainly attributable to the increase in the average selling prices and sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of Qilianshan increased by 14.0% to RMB4,391.7 million in 2019 from RMB3,853.8 million in 2018, mainly attributable to the increase in sales volumes of cement products and commercial concrete and the increase in the coal prices.

Gross profit and gross profit margin

Gross profit of Qilianshan increased by 32.5% to RMB2,446.2 million in 2019 from RMB1,846.6 million in 2018. Gross profit margin of Qilianshan increased from 32.4% in 2018 to 35.8% in 2019. 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 86.2% to RMB1,560.6 million in 2019 from RMB837.9 million in 2018. Operating profit margin of Qilianshan increased from 14.7% in 2018 to 22.8% in 2019, which was mainly due to the increase in gross profit margin, the increase in government grants and the increase in the net gain from the changes in the fair value of financial assets at fair value through profit or loss, partially offset by the increase in allowances for impairment of property, plant and equipment and goodwill.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment

BNBM

Revenue

Revenue of BNBM increased by 7.8% to RMB12,801.8 million in 2019 from RMB11,877.4 million in 2018. This was mainly attributable to the increase in the sales volume of gypsum board, partially offset by the decrease in the average selling price of gypsum board.

Cost of sales

Cost of sales of BNBM increased by 7.5% to RMB8,727.5 million in 2019 from RMB8,115.5 million in 2018. This was mainly due to the increase in the sales volume of gypsum board, partially offset by the decrease in the raw material prices.

Gross profit and gross profit margin

Gross profit of BNBM increased by 8.3% to RMB4,074.2 million in 2019 from RMB3,761.9 million in 2018. Gross profit margin of BNBM increased to 31.8% in 2019 from 31.7% in 2018, mainly due to the decrease in the raw material prices, partially offset by the decrease in the average selling price of gypsum board.

Operating profit

Operating profit of BNBM decreased by 76.1% to RMB683.3 million in 2019 from RMB2,864.1 million in 2018. Operating profit margin of BNBM decreased from 24.1% in 2018 to 5.3 % in 2019, mainly due to the increase in litigation settlement fee and the decrease in the VAT refund.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment *(continued)*

Sinoma Science & Technology

Revenue

Revenue of Sinoma Science & Technology increased by 19.3% to RMB13,353.5 million in 2019 from RMB11,193.9 million in 2018, mainly attributable to the increase in the price of wind power blade and the increase in the sales volumes of glass fiber yarn and wind power blade, partially offset by the decrease in the price of glass fiber yarn.

Cost of sales

Cost of sales of Sinoma Science & Technology increased by 19.1% to RMB9,926.0 million in 2019 from RMB8,336.1 million in 2018, mainly attributable to the increase in the sales volumes of glass fiber yarn and wind power blade.

Gross profit and gross profit margin

Gross profit of Sinoma Science & Technology increased by 19.9% to RMB3,427.5 million in 2019 from RMB2,857.7 million in 2018. Gross profit margin of Sinoma Science & Technology increased to 25.7% in 2019 from 25.5% in 2018. The increase in gross profit margin was mainly attributable to the increase in the price of wind power blade, partially offset by the decrease in the price of glass fiber yarn.

Operating profit

Operating profit of Sinoma Science & Technology increased by 30.1% to RMB1,982.7 million in 2019 from RMB1,523.8 million in 2018. The operating profit margin of Sinoma Science & Technology increased to 14.8% in 2019 from 13.6% in 2018, which was mainly attributable to the increase in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment *(continued)*

China Composites

Revenue

Revenue of China Composites increased by 32.2% to RMB3,163.7 million in 2019 from RMB2,393.2 million in 2018, mainly attributable to the increase in the average selling price and the sales volume of wind power blade.

Cost of sales

Cost of sales of China Composites increased by 40.0% to RMB2,611.7 million in 2019 from RMB1,865.4 million in 2018, mainly attributable to the increase in the sales volume of wind power blade.

Gross profit and gross profit margin

Gross profit of China Composites increased by 4.6% to RMB552.0 million in 2019 from RMB527.8 million in 2018. Gross profit margin of China Composites decreased to 17.4% in 2019 from 22.1% in 2018. The decrease in gross profit margin was mainly attributable to the decrease of the gross profit margin of wind power blade.

Operating profit

Operating profit of China Composites increased by 53.3% to RMB291.9 million in 2019 from RMB190.5 million in 2018. The operating profit margin of China Composites increased to 9.2% in 2019 from 8.0% in 2018. The increase in operating profit margin was mainly attributable to the decrease in allowances for impairment of accounts receivable, but partially offset by the decrease in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

New Materials Segment *(continued)*

Sinoma Advanced

Revenue

Revenue of Sinoma Advanced decreased by 2.9% to RMB1,107.1 million in 2019 from RMB1,139.7 million in 2018, mainly attributable to the decrease in the average selling price and sales volume of solar-energy fused silica crucibles, partially offset by the increase in the average selling prices and sales volumes of electric porcelain insulators and nitrides.

Cost of sales

The cost of sales of Sinoma Advanced decreased by 6.9% to RMB888.2 million in 2019 from RMB954.5 million in 2018, mainly due to the decrease in sales volume of solar-energy fused silica crucibles, partially offset by the increase in the sales volumes of electric porcelain insulators and nitrides.

Gross profit and gross profit margin

Gross profit of Sinoma Advanced increased by 18.2% to RMB218.8 million in 2019 from RMB185.2 million in 2018. Gross profit margin of Sinoma Advanced increased to 19.8% in 2019 from 16.2% in 2018. The increase in gross profit margin was mainly attributable to the increase in the average selling prices of electric porcelain insulators and nitrides, partially offset by the decrease in the average selling price of solar-energy fused silica crucibles.

Operating profit

Operating profit of Sinoma Advanced increased by 21.4% to RMB63.6 million in 2019 from RMB52.4 million in 2018. The operating profit margin of Sinoma Advanced increased to 5.7% in 2019 from 4.6% in 2018. The increase in operating profit margin was mainly attributable to the increase in gross profit margin, partially offset by increase in R&D expenses.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment

Sinoma International

Revenue

Revenue of Sinoma International increased by 13.4% to RMB24,255.8 million in 2019 from RMB21,395.2 million in 2018, mainly attributable to the increase in volume of completed engineering services in the year.

Cost of sales

Cost of sales of Sinoma International increased by 15.8% to RMB20,263.1 million in 2019 from RMB17,497.0 million in 2018, mainly attributable to the increase in volume of completed engineering services in the year.

Gross profit and gross profit margin

Gross profit of Sinoma International increased by 2.4% to RMB3,992.7 million in 2019 from RMB3,898.3 million in 2018. Gross profit margin of Sinoma International decreased to 16.5% in 2019 from 18.2% in 2018, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma International increased by 15.3% to RMB1,683.2 million in 2019 from RMB1,459.8 million in 2018. Operating profit margin of Sinoma International increased to 6.9% in 2019 from 6.8% in 2018, mainly attributable to the decrease in allowances for impairment of accounts receivable and the increase in government grants, partially offset by the decrease in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment *(continued)*

China Triumph

Revenue

Revenue of China Triumph increased by 23.3% to RMB12,609.1 million in 2019 from RMB10,225.0 million in 2018, mainly attributable to the increase in volume of completed engineering services in the year.

Cost of sales

Cost of sales of China Triumph increased by 27.6% to RMB9,646.9 million in 2019 from RMB7,558.7 million in 2018, mainly attributable to the increase in volume of completed engineering services in the year.

Gross profit and gross profit margin

Gross profit of China Triumph increased by 11.1% to RMB2,962.1 million in 2019 from RMB2,666.3 million in 2018. Gross profit margin of China Triumph decreased to 23.5% in 2019 from 26.1% in 2018, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of China Triumph increased by 11.5% to RMB1,311.3 million in 2019 from RMB1,176.0 million in 2018. Operating profit margin of China Triumph decreased to 10.4% in 2019 from 11.5% in 2018, mainly attributable to the decrease in gross profit margin, partially offset by the increase in government grants.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment *(continued)*

Sinoma Mining

Revenue

Revenue of Sinoma Mining increased by 41.3% to RMB4,010.9 million in 2019 from RMB2,839.4 million in 2018, mainly attributable to the increase in volume of completed engineering services in the year and the increase in the price and sales volume of aggregate.

Cost of sales

Cost of sales of Sinoma Mining increased by 40.2% to RMB3,201.4 million in 2019 from RMB2,283.5 million in 2018, mainly attributable to the increase in volume of completed engineering services in the year and the increase in the sales volume of aggregate.

Gross profit and gross profit margin

Gross profit of Sinoma Mining increased by 45.6% to RMB809.5 million in 2019 from RMB555.9 million in 2018. Gross profit margin of Sinoma Mining increased to 20.2% in 2019 from 19.6% in 2018, mainly attributable to the increase in gross profit margin of EPC projects and the increase in the price of aggregate.

Operating profit

Operating profit of Sinoma Mining increased by 78.9% to RMB513.0 million in 2019 from RMB286.7 million in 2018. Operating profit margin of Sinoma Mining increased to 12.8% in 2019 from 10.1% in 2018. The increase in operating profit margin was mainly attributable to the increase in gross profit margin and government grants, partially offset by the increase in R&D expenses.

Liquidity and financial resources

As at 31 December 2019, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB257,200.0 million in total. The table below sets out our borrowings as at the dates shown below:

	As at 31 December	
	2019	2018 (restated)
	(RMB in millions)	
Bank loans	**110,146.4**	109,546.0
Bonds	**74,809.6**	88,443.9
Borrowings from non-financial institutions	**1,276.8**	1,074.9
Total	**186,232.8**	199,064.8

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	
	2019	2018 (restated)
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**97,737.2**	121,531.8
Between one and two years	**28,471.1**	21,851.4
Between two and three years	**39,380.7**	28,127.0
Between three and five years (inclusive of both years)	**15,522.4**	22,456.1
Over five years	**5,121.4**	5,098.5
Total	**186,232.8**	199,064.8

As at 31 December 2019, bank loans in the amount of RMB2,910.3 million were secured by assets of the Group with a total carrying value of RMB9,190.0 million.

As at 31 December 2019 and 31 December 2018, the debt to assets ratio of the Group, calculated by dividing total borrowings by total assets of the Group, were 41.7% and 45.6%, 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.

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.

FINANCIAL REVIEW *(CONTINUED)*

Capital Commitments

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

	As at 31 December	
	2019	2018 (restated)
	(RMB in millions)	
Capital expenditure of the Group in respect of acquisition of property, plant and equipment (contracted but not provided for)	**201.1**	0.5

Capital Expenditures

The following table sets out the capital expenditures of the Group for the year ended 31 December 2019 by segments:

	For the year ended 31 December 2019	
	(RMB in millions)	*% of total*
Cement	**18,153.0**	66.8
Commercial concrete	**1,684.4**	6.2
New materials	**5,854.2**	21.6
Engineering services	**1,000.1**	3.7
Others	**467.4**	1.7
Total	**27,159.1**	100.0

CASH FLOW FROM OPERATING ACTIVITIES

For the year 2019, our net cash inflow generated from operating activities was RMB63,347.7 million. Such net cash inflow was primarily due to RMB60,295.7 million of cash flow from operating activities before the change in working capital, while trade and other payables increased by RMB5,740.6 million.

CASH FLOW FROM INVESTING ACTIVITIES

For the year 2019, our net cash outflow to investing activities was RMB26,580.3 million, which was primarily due to the purchase of property, plant and equipment amounting to RMB22,465.6 million in total and purchase of intangible assets amounting to RMB4,023.4 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the year 2019, we had a net cash outflow to financing activities amounting to RMB33,510.5 million, primarily attributable to the repayment of borrowings amounting to RMB191,884.9 million, payment of interest amounting to RMB8,329.4 million and repayment of lease liabilities amounting to RMB7,309.8 million, which was partially offset by a total of RMB178,594.3 million for new borrowings.

OUTLOOK FOR 2020

Since early 2020, the COVID-19 outbreak has produced a greater impact on the global economy. The Chinese government spared no efforts to reduce the impact of the epidemic by adopting further easing in its fiscal, monetary and industrial policies and focusing on countercyclical adjustments. The epidemic is expected to have a greater impact on the building materials industry for the first quarter. With the gradual implementation of the above-mentioned national policies after the end of the epidemic, the demand in the industry will show recovery growth and remain basically stable throughout the year.

Since the outbreak of COVID-19, the Group has actively participated in the supply of building materials and other materials required for the construction of projects against the epidemic in Hubei Province and other places, orderly promoted the resumption of work and production to prepare for market launch after the epidemic, and made full use of our national financial policy during the epidemic to issue the bonds for epidemic prevention and control at lower interest rate, so as to effectively satisfy the capital needs of production and operation during the fight against the epidemic.

In 2020, by closely focusing on the strategic goals of "developing into a world-class comprehensive building materials and new materials industry group with global competitiveness", 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 optimization, promoting reforms, and enhancing Party building" and the management principles of "adhering to priority of efficiency and profit, adhering to the main highlight of specialization, adhering to the meticulousity, refinement and solidity, insisting on the operating ideology of "PCP", adhering to the integration and optimization, adhering to the digitization", following the management measures of "price stabilisation, cost reduction, quantity guarantee, inventory control and optimization". We focus on the following work:

1. In terms of operation: the Group protected healthy development of the industry based on the ideology of "PCP". The Group will implement peak shifting production, environmental protection, production restriction and restriction of additions, propel the elimination of production capacity and the improvement of replacement policies.

OUTLOOK FOR 2020 *(CONTINUED)*

2. In terms of management: The Group followed the principle of meticulousity, refinement and solidity for reducing costs and saving expenses. The Group would adhere to the principle of "management of three delicacies", namely improving operating efficiency, enhancing refined management level and streamlining the organizational structure.

3. In terms of development: The Group enhanced its competitiveness based on the strategy of "+". In terms of cement segment, the Group optimized and upgraded its cement business, spared no efforts to advance the strategy of "Cement+" to further consolidate and improve the cement industry system. In terms of new materials segment, the Group adhered to the guidance of industrialization to expand and build a group of advanced manufacturing clusters with international competitiveness. In terms of engineering services segment, the Group strengthened cooperation among different sectors increase efforts to conduct "localized operation" and constantly carry out the moderately diversified business of "engineering +".

4. In terms of innovation: The Group developed intelligent manufacturing with the aim of reaching the first-class standard. The Group promoted its transformation and upgrading to achieve enhancement of both efficiency and benefit, and solidly push forward the integration of business segments.

5. In terms of finance: The Group optimized its assets and liabilities, reduced its debt and shrank its balance sheet, so as to further reduce its net debt ratio based on the principle of steadiness.

The Company has always adhered to the concept of operating in accordance with laws and regulations, followed the development of rules in a timely manner, closely integrated the Company's development process, improved various internal systems, optimized the division of responsibilities of the department, and constantly consolidated the Company's standardized and process-oriented internal risk management control system. Under the guidance of the Articles of Association of the Company, the Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of the Board of Directors, and the Rules of Procedure of the Supervisory Committee, the general meeting of Shareholders, the Board of Directors, the Supervisory Committee and the management perform their duties and balance each other to ensure the Company's steady and compliant operations, and enhance the Company's current and long-term value.

Except for Code Provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code"), the Company complied with the code provisions of the Code for the year from 1 January 2019 to 31 December 2019. All the Directors of the current session of the Board elected on 27 May 2016 were subject to retirement by rotation by 27 May 2019, according to Code Provision A.4.2 which states that every Director should be subject to retirement by rotation at least once every three years. However, as it affects the entire Board of Directors, many factors must be considered to ensure the smooth continuation of the senior management of the Company. Therefore, with the exception of the following Directors, the remaining Directors of the current session of the Board have not retired by rotation.

The former Directors, Mr. Song Zhiping and Mr. Guo Chaomin resigned and Mr. Chang Zhangli was re-designated from an executive Director to a non-executive Director. Shareholders elected Mr. Peng Jianxin as an executive Director, and Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan as non-executive Directors at the 2017 Annual General Meeting held on 13 June 2018. Mr. Peng Jianxin resigned as the Vice Chairman of the Company and executive Director due to retirement. The resignation took effect on 30 July 2019. Ms. Xu Weibing resigned as a non-executive Director due to retirement. The resignation was effective from the approval of the Shareholders at the Extraordinary General Meeting held on 9 December 2019 of the appointment of Ms. Zhan Yanjing as a non-executive Director. Mr. Qian Fengsheng resigned as an independent non-executive Director for personal reasons. The resignation will take effect upon the approval of the Shareholders at a general meeting of the appointment of a new independent non-executive Director replacing Mr. Qian Fengsheng.

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 securities transactions by Directors. 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 2019, the Board of the Company held 11 plenary Board meetings to consider and determine various matters including overall 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 2019 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)*	11/11	1/1	3/3	2/2	–	2/2
Peng Shou	11/11	1/1	–	–	–	2/2
Cui Xingtai	11/11	–	–	–	–	2/2
Non-executive Directors						
Zhan Yanjing[1]	1/1	–	–	–	–	0/0
Chang Zhangli	11/11	–	–	–	–	2/2
Tao Zheng	11/11	–	–	–	–	2/2
Chen Yongxin	11/11	–	–	–	–	2/2
Shen Yungang	11/11	–	–	–	–	2/2
Fan Xiaoyan	11/11	–	–	–	–	2/2
Independent Non-executive Directors						
Sun Yanjun	11/11	–	3/3	2/2	–	2/2
Liu Jianwen	11/11	–	3/3	–	2/2	2/2
Zhou Fangsheng	11/11	1/1	–	2/2	–	2/2
Qian Fengsheng[2]	11/11	–	–	–	2/2	2/2
Xia Xue	11/11	–	–	–	2/2	2/2
Former Directors[3]						
Peng Jianxin	4/4	–	–	–	–	1/1
Xu Weibing	10/10	–	–	–	–	2/2

II. THE BOARD *(CONTINUED)*

Note:

1. Ms. Zhan Yanjing was appointed as a non-executive Director at the Extraordinary General Meeting held on 9 December 2019. During her term of office until 31 December 2019, the Board held one Board meeting and no general meeting was held.

2. Mr. Qian Fengsheng resigned as an independent non-executive Director and the Chairman of the Audit Committee of the Company on 9 December 2019 for personal reasons. As Mr. Qian's resignation would result in the Company not being able to meet the minimum number of independent non-executive directors required under the Listing Rules, his resignation will take effect upon the approval of the Shareholders at a Shareholders' meeting of the appointment of a new independent non-executive director replacing Mr. Qian.

3. Mr. Peng Jianxin has ceased to serve as the Vice Chairman of the Company and executive Director since 30 July 2019, and Ms. Xu Weibing has ceased to serve as a non-executive Director since 9 December 2019.

There is no financial, 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 and receive regular reports on the progress of the Company, ensures the Company's effective operation through making well-informed and sound decisions and improving the governance of the Company.

The Board makes decisions on certain significant matters in the operation of the Company, including convening general meetings, implementing their resolutions and reporting to the general meeting; 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 plans of the Company (including final dividends distribution plans) 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 issuance 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 system including the financial management system and personnel management system; 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 Articles of Association of the Company, 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, 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. Under the leadership of the president, the management is responsible for specific matters related to daily operation of the Company, making and implementing operation decisions, conducting periodic reviews and providing timely feedback 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 Board received a written resignation from Mr. Qian Fengsheng who tendered his resignation from his positions as an independent non-executive Director and the Chairman of the Audit Committee of the Company for personal reasons on 9 December 2019. As Mr. Qian Fengsheng's resignation would result in the Company not being able to meet the minimum number of independent non-executive directors required under the Listing Rules, his resignation will take effect upon the approval of the Shareholders at a Shareholders' meeting of the appointment of a new independent non-executive Director replacing Mr. Qian Fengsheng. 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, and 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. The five independent non-executive Directors do not hold other positions in the Company. In accordance with the Articles of Association of the Company and the requirements of relevant laws and regulations, the independent non-executive Directors evaluate and supervise the achievement of the Company's goals in terms of strategies, policies, investments, major appointments and other matters, provide the Board with independent professional suggestions, and contribute to the further structural balance and high-quality decision-making 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, special reports.

The Company particularly prepared the reporting materials for Directors in relation to Market Analysis of the Cement Industry in the PRC in 2018 and Outlook for Trend in 2019 at the beginning of 2019, 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 2019, 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 with feedbacks on the latest situation of macro-economy and capital market, so 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 sent 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 disclosure, stock price performance of the Company and analysis on the Company's results conducted by analysts, etc. All Directors (including the existing Directors, namely Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, Mr. Shen Yungang, Ms. Fan Xiaoyan, Ms. Zhan Yanjing, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue, and the resigned Directors, namely Mr. Peng Jianxin and Ms. Xu Weibing) have obtained the aforementioned relevant information for the corresponding period during their tenure.

The Company organized the construction of the rule of law and legal training conference in April 2019, covering connected transactions, anti-monopoly, commercial arbitration, etc., and exchanged experiences with subsidiaries on contract management, risk control, etc. In June 2019, the Company and the Parent organized the third phase of training about the standardized operations of listed companies, which covered analysis of related laws and regulations, a review of A-share market rules and regulations, design and selection of reorganization plan, etc. 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. The existing Directors, namely Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, and the resigned Directors, namely Mr. Peng Jianxin and Ms. Xu Weibing attended the aforementioned trainings.

IV. DIRECTOR'S CONTINUOUS TRAINING AND DEVELOPMENT *(CONTINUED)*

From 22 July 2019 to 28 July 2019, the Company organized Directors to make field researches on Xinjiang Tianshan Cement Co., Ltd., Yili Tianshan Cement Co.,Ltd. and Buerjin Tianshan Cement Co., Ltd. (布爾津天山水泥有限責任公司) to allow the Directors to have more in-depth understanding of grassroots enterprises and give reasonable advice in relation to the development of the three companies after in-depth communication with employees of junior level. All the independent non-executive Directors, namely Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue participated in the aforementioned field researches.

The continuous and effective trainings helped enhance the Directors' understanding of their duties so that they could 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. The trainings further develop knowledge and skills of the Directors, leading to more constructive and professional opinions from the Directors and therefore ensuring that their contribution to the Board remains adequate and appropriate.

V. CHAIRMAN AND THE PRESIDENT

Mr. Cao Jianglin is the Chairman, and Mr. Peng Shou is the President of the Company. Pursuant to the Articles of Association of the Company, the main responsibilities of the chairman are chairing the general meetings, convening and presiding over Board meetings, 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 powers authorized by the Articles of Association of the Company and the Board. The main 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 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, formulating 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 Articles of Association of the Company, the Directors including the non-executive Directors shall be elected by the general meeting and serve a term of three years. Each of the current non-executive Directors will perform his/her duties until the end of the term of the current session of the Board. The Directors may be re-elected and re-appointed upon the expiry of their terms of office.

VII. SPECIAL COMMITTEES OF 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 each of them has corresponding scope of responsibilities. The terms of reference for the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee are prepared with reference to 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. 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.

Duties and Summary of 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 planning, 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 plan under the authorization of the Board; and making recommendations to the Board. As for the details of meetings convened and the attendance in 2019, please refer to the table of attendance of the Directors at Board meetings during 2019 at page 66.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2019:

The fourth 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 2018 and work arrangements for the year 2019.

The Nomination Committee

Members

The Nomination Committee of the Company comprises three Directors, including one executive Director and two independent non-executive Directors. 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, which is in compliance with the requirements in 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 OF 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 reporting relevant matters to the Board.

After the Code provision in relation to the board diversity policy became effective on 1 September 2013, the Company formulated its board diversity policy, and the policy was duly adopted by the Nomination Committee on 29 November 2013 so as to improve corporate governance. On 26 December 2018, the Company made further amendments to the board diversity policy. The Company insists on the principle of hiring employees based on their competence, which is selecting members of the Board by objective standards, corporate business model and special needs from time to time and other factors, taking into account multiple factors such as skills, professional and industry experience, cultural and educational background, nationality, the term of service, gender and age. Pursuant to that policy, current members of the Board possess different professional backgrounds. 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 the Board with diversified perspectives to make decisions, and providing the Company with professional opinions for formulating operation policies. 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 is considering setting measurable objectives to implement the board diversity policy and review such objectives from time to time to ensure their appropriateness and to ascertain the progress made towards achieving those objectives. At present, the Nomination Committee considers 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 OF THE BOARD *(CONTINUED)*

The Nomination Committee *(continued)*

Duties and Summary of the Work *(continued)*

The Company has adopted directors nomination policy, together with the terms and regulations regarding the procedures of directors nomination in the Terms of Reference of the Nomination Committee of the Company, to ensure the Board members have necessary skills, experience and diversification requirements catering for the Company's businesses. The selection and appointment procedures for the 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 directors 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 to 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 examine the qualifications 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 undertake other follow-up work in accordance with the decisions and feedback of the Board. In selecting directors, 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 diversification, any potential contributions the candidates can bring to the Board in terms of diversification, willingness and ability to devote adequate time and relevant interest to perform their duties 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 the convening of and the attendance of meetings of the Nomination Committee in 2019, please refer to the table of the attendance of Directors in 2019 on page 66. Set out below is a summary of work of the Nomination Committee of the Company during 2019:

The fifth meeting of the fourth session of the Nomination Committee of the Board considered and approved the proposal on the Board structure and the independence of the independent non-executive Directors, and the proposal on the adjustment to the Directors and Supervisors of subsidiaries. The sixth meeting of the fourth session of the Nomination Committee of the Board considered and approved the proposal on the nomination of candidates of Directors and Supervisors to China Jushi. The seventh meeting of the fourth session of the Nomination Committee of the Board considered and approved two proposals on the adjustment to the Directors of the fourth session of the Board.

VII. SPECIAL COMMITTEES OF 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. 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, which is in compliance with the requirements in 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 Work

The Remuneration and Performance Appraisal Committee of the Company is mainly 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 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. The remuneration of the Directors shall be submitted to the general meeting of Shareholders for approval after being considered and approved by the Board. The remuneration of the senior management members shall be considered and approved by the Board. The annual remuneration of the senior management members comprises four components including basic salary, performance salary, special rewards and stock appreciation rights. The basic salary is mainly determined by position, 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 or in certain material aspects. The stock appreciation rights are implemented according to Share Appreciation Rights Proposal. As for the convening of and the attendance of meetings of the Committee in 2019, please refer to the table of the attendance of Directors in 2019 on page 66.

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

Remuneration and Performance Appraisal Committee *(continued)*

Duties and Summary of Work *(continued)*

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2019:

Both the fifth and sixth meetings of the fourth session of the Remuneration and Performance Appraisal Committee of the Board considered and approved the proposal on the remuneration of senior management members of the Company and other matters.

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 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 (the Board received a written resignation from Mr. Qian Fengsheng who tendered his resignation from his positions as an independent non-executive Director and the Chairman of the Audit Committee of the Company for personal reasons on 9 December 2019. As Mr. Qian Fengsheng's resignation would result in the Company not being able to meet the minimum number of independent non-executive directors required under the Listing Rules, his resignation will take effect upon the approval of the Shareholders at a Shareholders' meeting of the appointment of a new independent non-executive Director replacing Mr. Qian Fengsheng.) 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 of the Listing Rules. The main duties of the Audit Committee include supervision of the financial reporting procedures of the Company, internal regulation and control as well as risk management work. During the Reporting Period, the Audit Committee has commenced work in accordance with the requirements of Chapter 14 of the Listing Rules. The Audit Committee has reviewed the financial report and results of the Group for the year ended 31 December 2019.

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

The Audit Committee *(continued)*

Duties and Summary of Work

The specific duties of the Audit Committee include making recommendations on 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 the results; reviewing the operation, financial and accounting policies and practice of the Company; formulating and reviewing the corporate governance policy and practice of the Company, reviewing the Company's compliance with the Code and its disclosures in the Corporate Governance Report; reviewing and supervising the compliance of the Company and its Directors and senior management with laws and regulations; reviewing and supervising the professional ethics, trainings and continuous professional development of the Directors and senior management. As for the convening of and the attendance of meetings of the Committee in 2019, please refer to the table of the attendance of Directors in 2019 on page 66. The recommendations of the Audit Committee have been presented to the Board for review and action.

Set out below is a summary of work of the Audit Committee during 2019:

During the Reporting Period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued review opinions on the Company's 2018 annual financial report and 2019 interim financial report, etc in performing its responsibilities of issuing interim and annual results and reviewing the financial control system, the internal control system and other responsibilities set out in the Code. 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 the risk of operation management and business development is under control. It performed the duties of corporate governance pursuant to the Terms of Reference of the Audit Committee to provide 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 2019.

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 and integrated the macroeconomic situation and the development of the industry, to make an objective and balanced evaluation and decisions on the interim and annual financial performance, and significant investment and financing plans. It also has supervised and directed the management to implement specific plans, strived to broaden the channels for the Company's development and endeavored 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 of the Company and the Terms of Reference of the Nomination Committee, the election and 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 qualifications after seeking consent from the candidates. The Committee shall make recommendations and submit 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 with 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 shall be approved by the representatives of the Shareholders holding more than half of the total voting shares present at the general meeting.

Mr. Peng Jianxin will no longer serve as the deputy Chairman of the Company and executive Director due to his retirement and Ms. Xu Weibing will no longer serve as a non-executive Director due to her retirement. Ms. Zhan Yanjing was nominated by the Parent as a candidate for non-executive Director of the Company. After being approved by the Nomination Committee, it is considered that Ms. Zhan Yanjing has met the standard and requirements for directorship. The nomination was considered and approved at the seventeenth Extraordinary Meeting of the fourth session of the Board held on 18 October 2019. The resolution on the appointment of Ms. Zhan Yanjing as a non-executive Director was considered and approved at the 2019 first Extraordinary General Meeting held on 9 December 2019.

IX. AUDITORS' REMUNERATION

At the ninth meeting of the fourth session of the Board of the Company convened on 22 March 2019, the Directors proposed to the General Meeting the appointment of Baker Tilly HK and Baker Tilly China as the overseas and domestic auditors of the Company for 2019 respectively. The Board was authorized by the Annual General Meeting convened on 24 May 2019 to deal with the appointment of overseas and domestic auditors and to determine their remunerations. During the year, an aggregate of RMB11.90 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. Lee Mei Yi of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. Ms. Lo Yee Har Susan ceased to serve as a joint company secretary of the Company and an agent for the service of process and notices on behalf of the Company in Hong Kong (the "Process Agent") under the Rule 19A.13.(2) of the Listing Rules with effect from 1 January 2020. Details of the waiver granted to the Company by the Stock Exchange from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules in relation to Mr. Yu Kaijun's eligibility to act as a joint company secretary of the Company, please refer to the announcement of the Company dated 27 December 2019. The primary contact person of the Company with Ms. Lee Mei Yi is Mr. Yu Kaijun, a 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 holding 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 voting shares of the total number of shares 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 responsibilities of the general meeting. When a Shareholder or Shareholders propose(s) a new proposal to the Company, he/she (or they) can contact the Company according to the contact information stated in "XIV. INVESTOR RELATIONS" of the Corporate Governance Report of this annual report. 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 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 further details. 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.

XI. SHAREHOLDERS' MEETINGS *(CONTINUED)*

At the Annual General Meeting of 2018 held on 24 May 2019, six ordinary resolutions and a total of two special resolutions in relation to, among other things, the granting of a mandate to the Board to issue new shares and amendments to the Articles of Association of the Company which it deems appropriate and the issue of debt financing instruments were considered and approved.

At the 2019 first Extraordinary General Meeting held on 9 December 2019, two ordinary resolutions in relation to the adjustment of non-executive Directors of the fourth session of the Board and the entering into financial service framework agreement with China National Building Material Group Finance Co., Ltd. were considered and approved.

According to the Articles of Association of the Company, 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. The Company held two Shareholders' general meetings in 2019 (including one Annual General Meeting and one Extraordinary General Meeting). Please refer to the table of attendance of Directors at Shareholders' meetings in 2019 on page 66 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 Articles of Association of the Company, 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 properly. 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 in the Listing Rules, strengthen the Company's risk management and internal control management, monitor and safeguard the achievement of operation 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)*

The construction of risk management and internal control system has three parts. The first one is daily risk management, including business and strategic risk management. As the first defensive line of daily risk management, each department has management and internal control functions and develops procedures at the forefront to identify, confirm, manage and report risks. The Company has established a business process-oriented management system covering the management personnel and each of the departments, and has further improved the efficiency and performance of various operations as a result of its efforts on standardizing the design of relevant procedures and key control areas. During the Reporting Period, the Company revised and improved the internal system, and optimized the division of authority and responsibility of departments, thus launching stricter control on risks relating to decision-making in terms of institutional settings of the Company and mechanism construction. Secondly, the Company continues to perform risk monitoring and control. Specialized departments (including legal affairs department), as the second defensive line of risk management, provide support to various departments within the organizational governance structure to ensure that the management of existing risk is carried out based on cost-effectiveness and the risk is controlled to the acceptable extent. Meanwhile, specialized departments would sort out all the information disclosure requirements the Company confronted, and integrate different information disclosure targets and important level of information to develop corresponding disclosure procedures, constantly introspect and improve the reporting line and function of the management to the Board, and regularly carry out benchmark management practice and gap analysis to further optimize reporting functions and organizational structures. By preparing 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 part is independent internal review. Audit Committee regularly listens to the comments from professional auditors and internal auditors, and independently carries out assessment and supervision on the operation management, business development and financial positions, and reviews the effective introduction and implementation of high-level to further enhance the standard of the internal control, financial control and risk management.

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

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

The Board has implemented procedures and internal controls for handling and releasing inside information. During the Reporting Period, the Company's internal departments would review material transactions, 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, relevant information would be published 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. By establishing and constantly improving the management system of investor relations, the Company has clarified the duties of investor relations management and established 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 summits, receiving investors' visits, arranging telephone conferences and conducting on-site surveys etc. Information disclosures were made as appropriate and a fair and transparent communication 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.

There were no amendments to the Articles of Association of the Company during the Reporting Period.

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

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

Environmental, Social And Governance Report

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 in the area of sustainable development in 2019. For the full version of the ESG Report, please refer to the 2019 Environmental, Social and Governance Report of China National Building Material Company Limited which will be published separately in June 2020.

2019 is the 70th anniversary of the founding of the PRC. The Group upholds the philosophy of "Green Development and Realizing Green Transformation", continually contributes its effort to the PRC's green development by cultivating development of novel low-carbon industries, researching and developing environmentally friendly materials, supporting for clean energy, and exploring new governance model on ecological management and continuously contributing building-blocks for China's development initiatives. With the ongoing upgrading of production techniques and enhancing technological innovation, the Group continually complies with the environmental protection regulations in the PRC, the countries and regions of its operation sites, including the Environmental Protection Law of the PRC, the Environmental Protection Tax Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the 13th Five-Year Plan for the Protection of Ecological Environment, the Reform Program of the Ecological Environmental Damage Compensation System, 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), the Standard for Pollution Control on Co-processing of Solid Wastes in Cement Kiln and the Construction Specifications of Cement Limestone Green Mine (DZ/T 0318–2018), among others. The Group closely follows the key development trend in the PRC, the countries and regions of its operation sites, and seizes opportunities for development.

The Group's development is flourishing. Taking the path of sustainable development is the development direction that the Group always adheres to. In 2019, the Group has continued to enhance its established Environmental, Safety and Health Management System (ESHMS), including the implementation of the Measures for the Administration of Emergency Environmental Accidents, the Plan for Green Mine Construction of Limestone, the Emergency Plan for Production Safety Accidents, the Measures for Occupational Health Supervision and Management in Workplaces, etc. With improving information disclosure as the starting point, the Group further optimizes the various processes in the ESHMS, including the pre-incident identification and evaluation, the in-process inspection and review, and the post-event evaluation. The Group's sustainable development is ensured with strengthening of management efficiency and controlling risks from source. In 2019, CNBM won the title of "2019 Outstanding Issuer of Corporate Bonds of the Shanghai Stock Exchange", which is the third consecutive year that CNBM has won this honor. In addition, in 2019, enterprises of the Group won honorary titles such as "National Intellectual Property Advantage Enterprise in 2019" and "Model Pilot Enterprise of Integrated Development of Building Materials Manufacturing and the Internet in 2019". In the future, the Group will continue to advance towards the goals of high-quality development and realize the leap from being excellent to outstanding, from surpassing world-class enterprises to becoming a well-thought-of enterprise of the globe.

GREEN DEVELOPMENT

The Group adheres to the value hierarchy of "Environment, Safety, Quality, Technology, and Cost", implements the Three-Year Action Plan to Win the Blue Sky Defence War, strictly implements peak averting production and production optimization for environmental protection, promotes policies in the elimination of outdated production capacity and old equipment replacement with better efficiencies, attaches equal importance to cutting overcapacity and output, and maintains a healthy operating environment for the industry. The Group has taken various initiatives proactively to address the issues on climate change and overcapacity in contributing to the industry in moving towards a green and low-carbon circular economy. In 2019, the Group vigorously continued its emissions reduction and technological upgrade by promoting energy conservation, emission reduction, pollution reduction, ecological protection, circular economy and other key areas. The Group actively responds to the calls from the national and local governments, develops co-disposal projects of cement kiln for disposing municipal refuse, sludge, sewage and hazardous wastes, and contributes to the building of harmonious relationship between human and the nature. The Group advocates the concept of circular economy and actively utilises industrial waste and urban construction waste as raw materials in the production processes. In 2019, the Group utilized more than 69.15 million tonnes of industrial waste. In addition, the Group is committed to reducing the discharge of wastewater and emissions of 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 production stage, and actively advocates the industry to rationally conserve the use of energy, curtail production, and reduce emission diligently. In terms of products, the Group pays great attention to the products' life cycle performances, and is committed to providing high-quality, safe and healthy, green and environmentally friendly building materials.

EMPLOYEE CARE

The Group upholds the philosophy of "People-oriented Development" and regards employees as the most valuable asset. As of 31 December 2019, the Group had a total of 155,606 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, employees' welfare, vocational training, and leisure activities, the Group strengthens its employees' cohesion and sense of belonging to create a solid foundation in human resources for the sustainable development of the Group. The Group respects and upholds the international treaties on human rights, the Labor Law of the PRC and other laws and regulations, resolutely bans the employment of child and forced labour, and opposes any forms of discrimination in its recruitment and employment.

It is the Group's responsibility to safeguard its employees' health and safety at work. Through in-depth research and analysis on the characteristics of building materials production industry, 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.

HARMONIOUS CO-DEVELOPMENT

Without the clients' support and trust in the quality of the Group's products and services, the Group won't be able to achieve its goals in sustainable development through the years. In accordance with the principle of refocusing, the Group makes every effort to promote the orderly integration and optimization of various business segments, which help to realize resource sharing, complement each business segment's advantages, and give full use of synergies, thus providing a reliable guarantee for ensuring the quality of products and services. Besides, the Group adheres to the philosophy that the industry's interest is more important than the interest of corporates. The Group strives to promote the structural optimization, transformation and upgrading of the industry, in order to achieve mutual development and a win-win situation for the industry and peers in the same industrial chain. In terms of supply chain management, the Group regularly communicates with its suppliers and business partners on major safety and environmental protection issues. Regarding selection of new suppliers and business partners, the Group gives priority to suppliers and business partners with reliable quality, with well operation and reputation, that they are environmentally friendly and with scientific management.

In addition, the Group also attaches great importance to the safety and occupational health management of its suppliers and business partners. The Group includes the terms and conditions 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.

CORPORATE CITIZENSHIP

As a responsible corporate citizen, the Group has been paying close attention to the development of the surrounding communities and local societies of its operation sites in the PRC and abroad. The Group adheres to good neighborliness, promotes mutual assistance, and actively provides supports to the development of public welfare. The Group attaches importance to supporting various poverty alleviation work. In accordance with the unified public welfare policy of the Parent, the Group has established a sound emergency response mechanism to provide immediate supports for disaster relief, civil defence and security, and other public matters. In 2019, the Group's total donations amounted more than RMB109.71 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 "teach a man to fish, and you feed him for a lifetime", the Group launched the poverty alleviation new model, "Internet+". The Group facilitates poverty alleviation in the PRC from different angles including assigning talents, selecting target groups, establishing projects, and utilizing funds with the aim to support communities' basic needs to truly benefit them from the poverty alleviation initiatives.

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 personnel organization, work mechanism, time resources, financial support, and communication and liaison, etc. Under the voluntary service system with the Communist Youth League at the core, the Group and its subsidiaries have established several voluntary teams for organizing various voluntary activities. Through participating in the activities, employees not only have shared their love 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 2019 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 21 and Note 22 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 RMB2,952,169,731.70 in total (tax inclusive) for the period from 1 January 2019 to 31 December 2019 (2018: RMB1,518,258,719.16 in total (tax inclusive)) for Shareholders whose names appear on the Company's register of members on Tuesday, 2 June 2020, representing RMB0.350 per share (tax inclusive) (2018: RMB0.180 per share (tax inclusive)) based on the issued shares of the Company of 8,434,770,662 shares as at 23 March 2020. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 2 June 2020.

The Company established and carried out the dividend policy in 2019: The Company should maintain sufficient cash reserves to meet the demand for funds, future growth and its equity value when recommending or declaring dividends. In addition to the declaration of dividends, the Board should also take into account of the financial performance, cash flow position, business status and strategy, future operation and income, capital demand and expense plan, Shareholders' benefits, limits on the dividend declaration and any other factors the Board may consider to be relevant. 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 and dividends on Unlisted Foreign Shares and H Shares will be paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Shanghai-Hong Kong Stock Exchanges Connectivity Mechanism (the "Shanghai-Hong Kong Stock Connect") as well as the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (the "Shenzhen-Hong Kong Stock Connect"), whose dividend will be paid in RMB). The pre-tax dividend in Hong Kong dollars on each Unlisted Foreign Shares and H share will be determined by applying the relevant exchange rate to the pre-tax dividend per share of RMB0.350 and rounding the result to the nearest HK$0.0001. 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, 22 May 2020.

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 2019 to 31 December 2019 (the "2019 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, 2 June 2020.

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 2019 Final Dividend to the domestic corporate investors as the holders of H Shares whose names appear on the register of Shareholders of the Company on Tuesday, 2 June 2020 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 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 2019 Final Dividend to the domestic Individual H Shareholders (including domestic securities investment funds) whose names appear on the register of Shareholders of the Company on Tuesday, 2 June 2020 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 who hold 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 treaties 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, 2 June 2020 (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 relevant shareholder shall proactively submit to the Company the information required under the "Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Treaties" (Circular of State Taxation Admiration No. 35 of 2019) 《(非居民納税人享受協定待遇管理辦法》國家税務總局公告2019年第35號) (the "Measures on Tax Treaties") on or before Wednesday, 3 June 2020, requesting for enjoying the preferential treatment under the treaties and keeping the relevant information for record and further review. If the information submitted is complete, the Company will withhold and pay individual income tax pursuant to the relevant provisions in tax laws of the PRC and the tax treaties. If the relevant Individual H Shareholder does not provide the information or the information submitted is incomplete, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders.

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, 3 June 2020. 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 and paying 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.

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, 22 April 2020 to Friday, 22 May 2020 (both days inclusive), during such period no transfer of shares in the Company will be registered. To be eligible to attend and vote at the forthcoming Annual General Meeting, holders of H Shares 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 21 April 2020 for share registration.

Shareholders whose names appear on the register of members on Tuesday, 2 June 2020 will be eligible for the final dividend. The register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 27 May 2020 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Friday, 26 June 2020 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 2 June 2020.

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 64 of this report.

2. A description of the principal risks and uncertainties facing the group
   Pages 35 to 39 and pages 44 to 62 of this report.

3. Particulars of important events affecting the group that have occurred since the end of the reporting date
   Pages 123 to 128 of this report.

4. An indication of likely development in the group's business
   Pages 63 to 64 of this report.

5. An analysis using financial key performance indicators
   Pages 44 to 62 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 2019, 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 monthly basis, organized the staff of the Group to participate in relevant trainings in respect of domestic and offshore compliance operation, 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, internal control, safe production 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 RMB173,141.12 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 2019, net carrying amount of fixed assets amounting to RMB2,288.51 million, monetary capital amounting to RMB5,127.11 million and net carrying amount of accounts receivable and other assets amounting to RMB1,774.38 million have been pledged, being the condition as the grant of financing by banks. As at 31 December 2019, the pledged assets of the Company amount to RMB9,190.00 million in total.

SUBSIDIARIES AND ASSOCIATES

Details of each of the principal subsidiaries and associates of the Company are set out in Notes 21 and 22 to the consolidated financial statements.

The Company had no material acquisitions and disposals of the relevant subsidiaries, associates and joint ventures during the Reporting Period.

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 2019)

	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 2019)

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	0.01
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 2019, 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			
	Domestic Shares	Long	Other	227,719,530	4		
				1,713,286,486	2	38.46	20.31
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	5	5.91	3.12
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	5	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	264,075,529	6	6.82	3.13
Citigroup Inc.	H Shares	Long	Interest of controlled corporations	3,892,760			
	H Shares	Long	Approved lending agent	232,107,518			
				236,000,278	7	6.10	2.79
	H Shares	Short	Interest of controlled corporations	1,083,600	7	0.02	0.01
	H Shares	Lending Pool	–	232,107,518	7	5.99	2.75
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 SFO *(Continued)*

Notes:

1. As at 31 December 2019, 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. BNBMG is taken to have an interest in such Shares as it is entitled to control the exercise of a right conferred by the holding of such Shares.

5. 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.

6. BlackRock, Inc. was deemed to hold interests in a total of 264,075,529 H Shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

   6.1 BlackRock Investment Management, LLC held 2,082,536 H Shares (long position) in the Company. BlackRock Investment Management, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..

   6.2 BlackRock Financial Management, Inc. held 6,692,000 H Shares (long position) in the Company. BlackRock Financial Management, Inc. was an indirect wholly-owned subsidiary of BlackRock, Inc..

   6.3 BlackRock Institutional Trust Company, National Association held 53,574,479 H Shares (long 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..

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 SFO *(Continued)*

Notes: (Continued)

6.4 BlackRock Fund Advisors held 68,560,850 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..

6.5 BlackRock Advisors, LLC held 38,000 H Shares (long position) in the Company. BlackRock Advisors, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..

6.6 BlackRock Japan Co., Ltd. held 30,734,295 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..

6.7 BlackRock Asset Management Canada Limited held 2,122,000 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..

6.8 BlackRock Investment Management (Australia) Limited held 2,193,750 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..

6.9 BlackRock Asset Management North Asia Limited held 2,521,228 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..

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 SFO *(Continued)*

Notes: (Continued)

6.10 BlackRock (Netherlands) B.V. held 546,000 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..

6.11 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..

6.12 BlackRock International Limited held 414,000 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..

6.13 BlackRock Asset Management Ireland Limited held 22,727,727 H Shares (long 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..

6.14 BLACKROCK (Luxembourg) S.A. held 484,000 H Shares (long 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..

6.15 BlackRock Investment Management (UK) Limited held 23,592,001 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..

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 SFO *(Continued)*

Notes: (Continued)

6.16 BlackRock Fund Managers Limited held 28,473,250 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..

6.17 BlackRock Life Limited held 18,387,413 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..

6.18 BlackRock (Singapore) Limited held 684,000 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..

6.19 BlackRock Asset Management (Schweiz) AG held 32,000 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 350,000 H Shares (long position) of BlackRock, Inc. in the Company were held through derivatives as follows:

350,000 H Shares (long 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 SFO *(Continued)*

Notes: (Continued)

7. Citigroup Inc. was deemed to hold interests in a total of 236,000,278 H Shares (long position) and 1,083,600 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

7.1 Citibank, N.A. held 232,521,518 H Shares (long position) and 414,000 H Shares (short position) in the Company. Citibank, N.A. was an indirect wholly-owned subsidiary of Citigroup Inc..

7.2 Citigroup Global Markets Hong Kong Limited held 309,000 H Shares (long position) and 198,400 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup Inc..

7.3 Citigroup Global Markets Inc. held 750 H Shares (long position) in the Company. Citigroup Global Markets Inc. was an indirect wholly-owned subsidiary of Citigroup Inc..

7.4 Citigroup Global Markets Limited held 3,169,010 H Shares (long position) and 471,200 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 232,107,518 H Shares. Besides, 700,750 H Shares (long position) and 1,083,600 H Shares (short position) of Citigroup Inc. in the Company were held through derivatives as follows:

750 H Shares (long position)	–	through physically settled listed derivatives
700,000 H Shares (long position) and 612,400 H Shares (short position)	–	through physically settled unlisted derivatives
471,200 H Shares (short position)	–	through cash settled unlisted derivatives

Save as disclosed above, as at 31 December 2019, 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 2019, 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 2.00% of the Group's total purchases for the year.

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

For the year ended 31 December 2019, the Company has publicly bought back the "16 Sinoma 01" bonds in the Shanghai Stock Exchange. The repurchase price is the face value of the bond (RMB100 each bond), the cancellation amount is RMB2,836,210,000, and the remaining amount is RMB164,000,000; the Company has bought back the "17 Sinoma 01" bonds in the Shanghai Stock Exchange. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB1,500,000,000, the bond has been fully repurchased.

Except for the aforementioned listed securities (have the meanings ascribed by the Listing Rules), for the year ended 31 December 2019, the Company and its subsidiaries had no other purchase, sale or redemption of listed securities of the Company.

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2019, 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 2019 were RMB7,734.8 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 155,606 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, 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 OF SINOMA INTERNATIONAL

Sinoma International Engineering Company Limited convened the Extraordinary General Meeting (whose A shares are traded on the Shanghai Stock Exchange (stock code: 600970)) on 6 December 2017 and reviewed and approved a share option incentive plan (the "Equity Incentive Plan") of Sinoma International.

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 directors, senior management, key technical and managerial personnel and etc. of Sinoma International and its subsidiaries' (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.

On 7 December 2017, the share options ("Sinoma International Share Option") for a total of 17,424,500 ordinary A-shares of Sinoma International ("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 489 grantees under the Equity Incentive Plan. The participants who were granted Sinoma International Share Option were (i) a total of 3 Sinoma International directors, Song Shoushun, Xia Zhiyun and Jiang Zhongwen, to whom 320,000, 320,000 and 290,000 Sinoma International Share Options were granted, respectively, (ii) a total of 7 Sinoma International senior management, to whom 1,690,000 Sinoma International Share Options were granted in total, and (iii) a total of 479 key technical and management personnel, to whom 14,804,500 Sinoma International Share Options were granted in total.

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.

As at 1 January 2019, there was 17,424,500 outstanding Sinoma International Share Options and the number remained unchanged as of 31 December 2019.

Given the two distributions of profit in May 2018 and June 2019 respectively, in accordance with the relevant provisions for adjustment of the exercise price, Sinoma International approved that the exercise price changed to RMB8.837/share in the ninth meeting of the Sixth session of the Board of Directors held on 20 March 2020. At the same time, due to the resignation, layoffs, retirement, death and other reasons, 26 people no longer meet the equity incentive conditions. The 654,280 options granted have been become invalid and recovered and cancelled by Sinoma International for free. After the adjustment, the number of the participants who were granted the Sinoma International Share Options was changed from 489 to 463, and the number of share option granted was changed from 17,424,500 to 16,770,220. 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.

SHARE EQUITY INCENTIVE PLAN OF SINOMA INTERNATIONAL *(CONTINUED)*

As at the date of this report, the exercise period of 16,770,220 outstanding Sinoma International Share Options and their exercise period arrangement were as follows:

Exercise arrangement	Exercise period	exercisable percentage
The first exercise period	Commencing from the first trading day after the expiry of the 24th month from the date of grant, and ending on the last trading day of the 36th month from the date of grant	1/3
The second exercise period	Commencing from the first trading day after the expiry of the 36th month from the date of grant, and ending on the last trading day of the 48th month from the date of grant	1/3
The third exercise period	Commencing from the first trading day after the expiry of the 48th month from the date of grant, and ending on the last trading day of the 60th month from the date of grant	1/3

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

Executive Directors

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

Non-executive Directors

Zhan Yanjing	(appointed on 9 December 2019)
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) *(Note)*
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)

Note: The Company received a written resignation from Mr. Qian Fengsheng on 9 December 2019, but as Mr. Qian's resignation would result in the Company not being able to meet the minimum number of independent non-executive directors required under the Listing Rules, his resignation will take effect upon the approval of the Shareholders at a Shareholders' meeting of the appointment of a new independent non-executive director replacing Mr. Qian.

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, if any, at the forthcoming annual general meeting.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

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, saved as disclosed in the "CONNECTED TRANSACTIONS" of the Directors' Report and Note 52 to the financial statements, there were no contracts, transactions or arrangements 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 (excluding those concurrently serving as Directors) of the Company during the year is disclosed by band as follows:

Remuneration Band	No. of individuals
RMB1,500,000–RMB2,000,000	9
RMB2,000,000–RMB2,500,000	5

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

As at the date of this report, the Board comprised 14 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

Mr. Peng Jianxin has ceased to hold the positions of the Vice Chairman of the Company and executive Director due to his retirement since 30 July 2019, and Ms. Xu Weibing has ceased to hold the position of a non-executive Director due to her retirement since 9 December 2019. At the Extraordinary General Meeting of the Company held on 9 December 2019, Ms. Zhan Yanjing was considered and approved as a non-executive Director. Ms. Zhan Yanjing's term of office, commencing upon the approval of the Shareholders at the aforementioned Extraordinary General Meeting, is the same as the fourth session of the Board.

It was announced at the twentieth Extraordinary Meeting of the fourth session of the Board held on 27 December 2019 that Ms. Lo Yee Har Susan had ceased to serve as a joint company secretary of the Company and the Process Agent with effect from 1 January 2020. Following the cessation of Ms. Lo Yee Har Susan, Ms. Lee Mei Yi was appointed as a joint company secretary of the Company and the Process Agent on 1 January 2020.

Mr. Qian Fengsheng resigned as an independent non-executive Director and the Chairman of the Audit Committee of the Company, for personal reasons, on 9 December 2019. As Mr. Qian Fengsheng's resignation would result in the Company not being able to meet the minimum number of independent non-executive Directors under the Listing Rules, his resignation will take effect upon the approval of the Shareholders at a Shareholders' meeting of the appointment of a new independent non-executive Director replacing Mr. Qian Fengsheng.

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. Sun Yanjun, an independent non-executive Director, has ceased to be a non-executive director of Phoenix Media Investment (Holdings) Limited (鳳凰衛視投資(控股)有限公司) since September 2019; Mr. Liu Jianwen, an independent non-executive director, has been serving as an independent director of Beijing Aosaikang Pharmaceutical Co., Ltd. (北京奧賽康藥業股份有限公司) since February 2019 and an independent director of Shandong Hongchuang Aluminum Industry Holding Company Limited (山東宏創鋁業控股股份有限公司) since December 2019; Mr. Qian Fengsheng, an independent non-executive Director, ceased to be an independent director of Shenwu Energy Saving Co., Ltd. (神霧節能股份有限公司) since February 2019, served as an independent director of Shanghai Tongji Science & Technology Co., Ltd. (上海同濟科技實業股份有限公司) from June 2019 to January 2020, ceased to be an associate professor and a teacher of the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院) since December 2019, ceased to be an independent director of Shanghai Hanbell Precise Machinery Co., Ltd. (上海漢鐘精機股份有限公司) since January 2020, and ceased to serve as an independent director of Shanghai Tofflon Science and Technology Co., Ltd. (上海東富龍科技股份有限公司) since February 2020; Ms. Xia Xue, an independent non-executive Director, has been serving as a senior partner of Zhihe Partners since December 2019, and has ceased to be the vice president of Shanghai Shipping Freight Exchange Co , Ltd. (上海航運運價交易有限公司) since December 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 (including, in respect of persons who were Director of the Company during the Reporting Period and during their term of office as Director of the Company), Supervisors and the senior management arising from their positions.

CONNECTED TRANSACTIONS

Save as disclosed in this section, there are no other related party transactions or continuing related party transactions as set out in Note 52 to the financial statements that are discloseable connected transactions and continuing connected transactions that are not compliant with the annual reporting requirements under the Listing Rules. 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 the 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 year ended 31 December 2019.

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 members of the Parent Group constitutes a connected person of the Company under the Listing Rules.

The transactions contemplated under each of (1) Master Agreement on Purchase of Mineral; (2) Master Agreement on Mutual Provision of Products and Services; (3) Master Agreement on Purchase of Equipment; (4) Master Agreement on Provision of Engineering Services; (5) Master Agreement on Housing Leasing and (6) Financial Services Framework Agreement, a summary of each of which is 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 Agreement on Purchase of Mineral

   On 18 January 2017, the Company entered into a master agreement on purchase of mineral 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 ores (limestone ore and clay ore required for the production of cement, including limestone, clastic limestone and clay) for the Company and its subsidiaries, to ensure the 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 favourable than those sold by Independent Third Parties to the Group or sold by the Parent Group to independent third parties.

   The annual cap for transactions conducted under the Master Agreement on Purchase of Mineral for the year ended 31 December 2019 (the "2019 annual cap") is RMB426.553 million. The Group recorded expenses of RMB48.71 million incurred in the purchase of mineral from the Parent under the Master Agreement on Purchase of Mineral.

   As the Master Agreement on Purchase of Mineral expired on 31 December 2019, the Company entered into a new master agreement on purchase of mineral (the "New Master Agreement on Purchase of Mineral") with the Parent on 30 September 2019, with a term of three years from 1 January 2020. The terms (including pricing principle) are approximately the same as the Master Agreement on Purchase of Mineral (except for the annual cap). The annual caps under the New Master Agreement on Purchase of Mineral for the three years ended 31 December 2020, 2021 and 2022 are RMB520.36 million, RMB531.97 million and RMB544.96 million, respectively. Details of the New Master Agreement on Purchase of Mineral are set out in the Company's announcement dated 30 September 2019.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

2. Master Agreement on Mutual Provision of Products and Services

   On 18 January 2017, the Company entered into a master agreement on mutual provision of products and services with the Parent for a term of three years commencing from 1 January 2017, pursuant to which:

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

   - Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials, etc.); and
   - Services: equipment repair, design and installation, property management services; technology services and other services;

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

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

   The pricing of products and services provided pursuant to the Master Agreement on Mutual Provision of Products and Services shall be in accordance with 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

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

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

   (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 reasonable profit margin with reference to the general range of profit in the industry.

   The 16th Extraordinary General Meeting of the fourth session of the Board held by the Company on 27 September 2019, resolved to amend the annual cap for the Group's purchase of products and services from the Parent for the year ended 31 December 2019. The details of the amendments in annual cap are set out in the Company's announcement dated 30 September 2019.

   According to the Master Agreement on Mutual Provision of Products and Services (i) the 2019 annual cap for the purchase of products and services from the Parent is RMB1,399.966 million; and (ii) the 2019 annual cap for the provision of products and services to the Parent is RMB925.615 million. During the year ended 31 December 2019, the Group (i) incurred expenses of RMB1,035.21 million from the purchase of products and services from the Parent; and (ii) recorded revenues of RMB512.62 million from the provision of products and services to the Parent under the Master Agreement on Mutual Provision of Products and Services.

   As the Master Agreement on Mutual Provision of Products and Services expired on 31 December 2019, the Company entered into a new master agreement on mutual provision of products and services (the "New Master Mutual Provision of Products and Services Agreement") with the Parent on 30 September 2019 (the "New Master Agreement on Mutual Provision of Products and Services"), with a term of three years from 1 January 2020. The terms (including pricing principle) are approximately the same as the Master Agreement on Mutual Provision of Products and Services (except for the annual cap). For the three years ended 31 December 2020, 2021 and 2022, (i) the annual caps for the purchase of products and services from the Parent are RMB2,592.96 million, RMB2,601.97 million and RMB2,603.31 million respectively, and (ii) the annual caps for the provision of products and services to the Parent are RMB1,149.23 million, RMB1,426.52 million and RMB1,569.95 million respectively under the New Master Agreement on Mutual Provision of Products and Services. Details of the New Master Agreement on Mutual Provision of Products and Services are set out in the Company's announcement dated 30 September 2019.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

3. Master Agreement on Purchase of Equipment

On 18 January 2017, the Company entered into a master agreement on purchase of equipment (the "Master Agreement on Purchase of Equipment") with the Parent for a term of three years commencing from 1 January 2017, whereby the Parent agreed to supply, or procure its subsidiaries to supply, roller presses, waste heat 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 and its subsidiaries shall supply to the Company and its subsidiaries equipment at the following 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.

The 16th Extraordinary Meeting of the fourth session of the Board held by the Company on 27 September 2019, resolved to amend the annual cap for the Group's purchase of equipment from the Parent for the year ended 31 December 2019. The details of the amendments in annual cap are set out in the Company's announcement dated 30 September 2019.

According to the Master Agreement on Purchase of Equipment, the 2019 annual cap for purchase of equipment from the Parent is RMB1,579.486 million. The Group incurred expenses of RMB1,261.57 million from the purchase of equipment from the Parent for the year ended 31 December 2019.

As the Master Purchase of Equipment Agreement expired on 31 December 2019, the Company entered into a new master agreement on purchase of equipment with the Parent on 30 September 2019 (the "New Master Agreement on Purchase of Equipment"), with a term of three years from 1 January 2020. The terms (including pricing principle) are approximately the same as the Master Agreement on Purchase of Equipment (except for the annual cap). For the three years ended 31 December 2020, 2021 and 2022, the annual caps under the New Master Agreement on Purchase of Equipment are RMB1,432.67 million, RMB1,388.57 million and RMB1,383.03 million respectively. Details of the New Master Agreement on Purchase of Equipment are set out in the Company's announcement dated 30 September 2019.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

4. Master Agreement on Provision of Engineering Services

On 18 January 2017, the Company entered into a master agreement on provision of engineering services (the "Master Agreement on Provision of Engineering Services") with the Parent, for a term of three years commencing from 1 January 2017, whereby in order to meet the operating needs of the Parent and its subsidiaries the Company agreed to supply, or procure its subsidiaries to supply engineering design, construction and supervisory and other services to the Parent.

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

(a) the relevant guided prices issued by the PRC government (i.e. the price falls within the ranges permitted by applicable laws and regulations of the PRC and agreed between 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.

The 16th Extraordinary Meeting of the fourth session of the Board held by the Company on 27 September 2019, resolved to amend the annual cap for the Group's provision of engineering services to the Parent for the year ended 31 December 2019. The details of the amendments in annual cap are set out in the Company's announcement dated 30 September 2019.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

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

According to the Master Agreement on Provision of Engineering Services, the 2019 annual cap for provision of engineering services to the Parent is RMB1,548.885 million. The Group recorded revenue of RMB519.87 million from provision of engineering services to the Parent for the year ended 31 December 2019.

As the Master Agreement on Provision of Engineering Services expired on 31 December 2019, the Company entered into a new master agreement on provision of engineering services with the Parent on 30 September 2019 (the "New Master Agreement on Provision of Engineering Services"), with a term of three years from 1 January 2020. The terms (including pricing principle) are approximately the same as the Master Agreement on Provision of Engineering Services (except for the annual cap). For the three years ended 31 December, 2020, 2021 and 2022, the annual caps under the New Master Agreement on Provision of Engineering Services are RMB2,001.8 million, RMB1,904.2 million and RMB1,692.05 million respectively. Details of the New Master Agreement on Provision of Engineering Services are set out in the Company's announcement dated 30 September 2019.

5. Master Agreement on Housing Leasing

Taking into account the implementation of IFRS 16 Leasing Standards and the Stock Exchange's requirement for annual caps of related continuing connected transactions after the implementation of the new lease standards, in order to better regulate continuing connected transactions, on 30 September 2019, the Company entered into a master agreement on housing leasing (the "Master Agreement on Housing Leasing") with the Parent. The Group and the Parent will provide housing leasing services to each other to meet the production and operation needs of the Company and its subsidiaries. Such transactions between 1 January 2017 and 31 December 2019 were included in the Master Agreement on Mutual Provision of Products and Services (for details, please refer to "2. Master Agreement on Mutual Provision of Products and Services" above).

During the year ended 31 December 2019, the Group (i) paid rental of RMB1.07 million for leasing property from the Parent (this historical transaction amount has been included in the corresponding annual amount of the purchase of products and services from the Parent under Master Agreement on Mutual Provision of Products and Services); and (ii) recorded a revenue of RMB66.08 million from leasing property to the Parent (this historical transaction amount has been included in the corresponding annual amount of the provision of products and services to the Parent under the Master Agreement on Mutual Provision of Products and Services).

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

5. Master Agreement on Housing Leasing *(continued)*

The terms of the agreement is three years starting from 1 January 2020. The rents of the property lease or leased by the Group under the Master Agreement on Housing Leasing will be determined according to the following priority principle:

(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.

a.1 While leasing houses from the Parent Group, we will take into consideration the following factors: (i) prevailing market rent of similar properties in the vicinity that are used for similar purposes; (ii) rent recently negotiated by the Company on arm's length basis with Independent Third Party owners of similar properties in the vicinity; and (iii) the conditions of the properties, including but not limited to their locations and ancillary facilities.

a.2 While leasing houses to the Parent Group, we will take into consideration the following factors: (i) prevailing market rent of similar properties in the vicinity that are used for similar purposes; (ii) rent recently negotiated by the Company on arm's length basis with Independent Third Party tenants of similar properties in the vicinity; and (iii) the conditions of the properties, including but not limited to their locations and ancillary facilities.

(b) if the price mentioned in (a) above is not available, the price should be based on the actual costs of house depreciation in a stipulated period of time plus a reasonable profit, and will be determined on terms no less favourable than those provided by Independent Third Parties to the Group or provided by the Parent Group to Independent Third Parties.

For the three years ended 31 December 2020, 2021 and 2022, (i) the annual cap for leasing property from the Parent is RMB842.61 million; and (ii) the annual cap for leasing property to the Parent is RMB80 million. Details of the Master Agreement on Housing Leasing are set out in the Company's announcement dated 30 September 2019.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

6. Financial Services Framework Agreement

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

According to the Financial Services 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 Finance Company and:

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

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

Pursuant to the Financial Services Framework Agreement, Finance Company 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 Finance Company will comply with the People's Bank of China ("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 Finance Company for deposits of the same type placed by members of the Parent Group with Finance Company 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

6. Financial Services Framework Agreement *(continued)*

   b) Loan services: The interest rate for loans granted to the Group by Finance Company 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 Finance Company 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.

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

   c) Other financial services: The services fees charged by Finance Company for provision of other financial services to the Group will be in accordance with the standard of fees set by the PBOC or the CBIRC (if applicable) and, will not be higher than: (i) the fees charged by Finance Company to other members of the Parent Group excluding the Group for providing financial 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 Finance Company 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 Financial Services Framework Agreement exceed(s) 25%, the deposit services constitute 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 Financial Services Framework Agreement and the provision of deposit services contemplated and the cap of the deposit services thereunder were approved by Independent Shareholders at the Annual General Meeting of the Company held on 13 June 2018. The loan services under the Financial Services 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 Financial Services 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

6. Financial Services Framework Agreement *(continued)*

For the year ended 31 December 2019, the maximum daily deposit balance of the deposit service of the Group under the Financial Services Framework Agreement is capped at RMB16,500 million with the actual maximum daily balance of deposit of RMB5,990 million. The cap on the fees of financial services provided by Finance Company under the Financial Services Framework Agreement is RMB500 million with the actual expenses incurred of RMB64,600.

As the Financial Services Framework Agreement expired on 31 December 2019, the Company entered into a new financial services framework agreement with the Finance Company on 30 September 2019 (the "New Financial Services Framework Agreement"), for a term of three years commencing from 1 January 2020, the terms of which are substantially the same with that of Financial Services Framework Agreement (except for the annual cap). Under the New Financial Services Framework Agreement for the three years ended 31 December 2020, 2021 and 2022 (i) the maximum daily deposit balances (including accrued interests) are RMB16,800 million, RMB17,800 million and RMB18,800 million, respectively; and (ii) the annual caps on total fees for other financial services are RMB300 million, RMB300 million and RMB300 million, respectively. Details of the New Financial Services Framework Agreement are set out in the announcements of the Company dated 30 September 2019 and 9 December 2019 and the circular of the Company dated 23 October 2019.

Transactions with Jingang Group

As Jingang Group holds a 21.4% (21.25% when signing the agreement) equity interest with voting rights 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.

Jingang Master Agreement

On 18 January 2017, North Cement, entered into a master agreement on sale of products ("Jingang Master Agreement") with Jingang Group, for a term of three years commencing from 1 January 2017. 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:

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(continued)*

Transactions with Jingang Group *(continued)*

(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.

If the relevant transaction price is determined by the market price provided to Independent Third Parties according to the pricing basis in the Jingang Master Agreement, North Cement will obtain quotations from two or more comparable Independent Third Parties (where possible) to determine whether the terms and conditions (including prices) provided by the Jingang Group are equal to or more favorable than those provided by 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 agreements, and the equity interests in 19 subsidiaries ("Targets") of MNC. Details of the acquisition were 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. For the year ended 31 December 2019, the Group did not conduct any continuing connected transactions under the Jingang Master Agreement.

Annual Review of Continuing Connected Transactions

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 Company's auditors have reviewed the continuing connected transactions conducted by the Group in accordance with Master Agreement on Purchase of Mineral, Master Agreement on Mutual Provision of Products and Services, Master Agreement on Purchase of Equipment, Master Agreement on Provision of Engineering Services and Financial Services Framework Agreement during 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 between the Group and its connected persons which were subject to annual caps have exceeded their respective annual caps.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions conducted in the Reporting Period under Master Agreement on Purchase of Mineral, Master Agreement on Mutual Provision of Products and Services, Master Agreement on Purchase of Equipment, Master Agreement on Provision of Engineering Services and Financial Services Framework Agreement respectively, and have considered the procedures performed by the auditors of the Company in reviewing the continuing connected transactions and confirmed that the continuing connected transactions have been conducted:

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

(ii) either on normal commercial terms, 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.

The Company confirms that the signing and execution of the specific agreements under the above-mentioned continuing connected transactions for the year ended 31 December 2019 have followed the pricing principles of these continuing connected transactions.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions

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

Acquisition of Beijing FRP Institute

On 31 July 2019, Sinoma Science & Technology, a direct non-wholly owned subsidiary of the Company, and CNBM Assets Management, a wholly-owned subsidiary of the Parent, entered into an agreement, pursuant to which Sinoma Science & Technology has agreed to purchase, and CNBM Assets Management has agreed to sell, the 100% equity interest in Beijing FRP Research and Design Institute Co., Ltd. (北京玻璃鋼研究設計院有限公司) ("Beijing FRP Institute", a wholly-owned subsidiary of CNBM Assets Management). Upon the completion of the Acquisition, Beijing FRP Institute will become a wholly-owned subsidiary of Sinoma Science & Technology, and in turn become an indirect subsidiary of the Company. The consideration payable by Sinoma Science & Technology to CNBM Assets Management for the Acquisition is RMB83,028.3 thousand. Within three working days after receiving the consideration, CNBM Assets Management shall pay RMB82,421.3 thousand to Beijing FRP Institute as the employee resettlement fee.

Details of the acquisition by Sinoma Science & Technology of Beijing FRP Institute have been disclosed in the Company's announcement on 31 July 2019. As of the date of this report, the transaction has been completed.

Consolidation of Testing Business

On 8 November 2019, Suzhou Concrete Cement Products Academy Co., Ltd. (蘇州混凝土水泥製品研究院有限公司) ("Suzhou Academy"), Tianshan Zhuyou Cement Co., Ltd.(新疆天山築友混凝土有限責任公司) ("Tianshan Zhuyou"), NRDI, Beijing FRP Institute, Industrial Ceramics Institute and Beijing Synthetic Institute (all being indirect subsidiaries of the Company, collectively "Testing Business Sellers") respectively entered into agreements (collectively, "Testing Business Agreements") with China Building Material Test & Certification Group Co., Ltd (中國建材檢驗認證集團股份有限公司) ("China Certification Group") (an indirect subsidiary of the Parent), pursuant to which the Testing Business Sellers have agreed to consolidate their testing business with China Certification Group by way of asset transfer, equity transfer or establishment of joint ventures.

CONNECTED TRANSACTIONS *(CONTINUED)*

Consolidation of Testing Business *(continued)*

Suzhou Academy Transaction

Pursuant to the agreement entered into between Suzhou Academy and China Certification Group, China Certification Group has agreed to purchase, and Suzhou Academy has agreed to sell 65% equity interest in Suzhou Concrete and Cement Products Research Institute Test Center Co. Ltd. (蘇州混凝土水泥製品研究院有限公司) ("Suzhou Test Center"), at the consideration of RMB31.317 million. Upon the completion of the Suzhou Academy Transaction (as defined in the Company's announcement dated 8 November 2019), China Certification Group will hold 65% equity interest in Suzhou Test Center, and Suzhou Academy will hold 35% equity interest in Suzhou Test Center. Suzhou Test Center will cease to be a subsidiary of Suzhou Academy.

Tianshan Transaction

Pursuant to the agreement entered into between Tianshan Zhuyou and China Certification Group, Tianshan Zhuyou has agreed to sell 51% equity interest in Xinjiang Tianshan Building Materials Inspection & Testing Co., Ltd.* (新疆天山建築材料檢測有限公司) ("Tianshan Testing") to China Certification Group and 49% equity interest in Tianshan Testing to Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司) ("Tianshan Cement"), at the consideration of RMB1.8513 million. Upon the completion of the Tianshan Transaction (as defined in the Company's announcement dated 8 November 2019), China Certification Group will hold 51% equity interest in Tianshan Testing, and Tianshan Cement will hold 49% equity interest in Tianshan Testing. Tianshan Testing will cease to be a subsidiary of Tianshan Cement.

NRDI Transaction, Beijing FRP Institute Transaction and Industrial Ceramics Institute Transaction

Each of NRDI, Beijing FRP Institute and Industrial Ceramics Institute (all being indirect subsidiaries of the Company) and China Certification Group have respectively entered into a joint venture agreement, pursuant to which the relevant joint venture parties have agreed to subscribe capital contribution by monetary funds to establish the following joint ventures respectively in the shareholding ratios as follows: NRDI and China Certification Group invested in the establishment of China Building Material Test & Certification Group Nanjing Co., Ltd., of which NRDI contributed RMB66.64 million and held 49% of the equity, and China Certification Group contributed RMB69.36 million and held 51% of the equity. Beijing FRP Institute and China Certification Group invested in the establishment of Beijing FRP Research and Design Institute Testing Technology Co., Ltd., of which Beijing FRP Institute contributed RMB23.422 million and held 49% of the equity, and China Certification Group contributed RMB24.378 million and held 51% of the equity. Industrial Ceramics Institute and China Certification Group invested in the establishment of China Building Material Test & Certification Group Zibo Co., Ltd., of which Industrial Ceramics Institute contributed RMB5.39 million and held 49% of the equity, and China Certification Group contributed RMB5.61 million and held 51% of the equity.

After the establishment of the relevant new companies, it is contemplated that NRDI, Beijing FRP Institute and Industrial Ceramics Institute will transfer their respective assets and liabilities in relation to their testing business to their corresponding new joint ventures. The transaction considerations are RMB136 million, RMB47.6652 million respectively, based on the amount of RMB4.9071 million as adjusted on the closing date, and the final transfer price will not exceed RMB6 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Consolidation of Testing Business *(continued)*

Beijing Synthetic Crystals Transaction

China Certification Group has agreed to purchase, and Beijing Synthetic Crystals has agreed to sell its assets and liabilities in relation to the testing business. The transaction consideration is RMB6.1021 million.

Details of the above-mentioned transactions under the consolidation of testing business have been disclosed in the Company's announcement dated 8 November 2019. As of the date of this report, except for the NRDI Transaction (as defined in the Company's announcement dated 8 November 2019), the above transactions have been completed.

Acquisition of Waste Heat Power Generation Asset

On 27 November 2019, Kuqa Tianshan Cement Co. Ltd. (庫車天山水泥有限責任公司), Fuyun Tianshan Cement Co., Ltd.(富蘊天山水泥有限責任公司), Ruoqiang Tianshan Cement Co., Ltd.(若羌天山水泥有限責任公司), Kizilsu Tianshan Cement Co., Ltd. (克州天山水泥有限責任公司), Turpan Tianshan Cement Co., Ltd. (吐魯番天山水泥有限責任公司) (all being indirect subsidiaries of the Company, collectively, "Buyers") respectively entered into agreements with Sinoma Energy Conservation Ltd. (subsidiary of the Parent, collectively, "Sellers") and its corresponding subsidiaries holding the relevant target assets, pursuant to which the parties have agreed to terminate the previous investment agreements and co-operation agreements and the corresponding Sellers will transfer the target waste heat power generation assets to the corresponding Buyers by way of asset transfer.

The considerations of Kuqa Transaction, the Fuyun Transaction, the Ruoqiang Transaction, the Kizilsu Transaction and the Turpan Transaction (as defined in the Company's announcement dated 27 November 2019) were RMB49.1745 million, RMB36.9701 million, RMB3.225 million, RMB5.5888 million and RMB3.6503 million respectively. The total consideration to be paid by the Buyers to the Sellers was RMB98.6087 million in cash.

Details of the acquisition of waste heat power generation asset have been disclosed in the Company's announcement dated 27 November 2019. As of the date of this report, except for the Kuqa Transaction, none of the above transactions have been completed.

Capital Increase and Share Expansion of Finance Company

On 29 November 2019, the shareholders of Finance Company (a subsidiary of the Parent), Sinoma Cement (a wholly-owned subsidiary of the Company) and the Parent, entered into the Capital Increase Agreement, pursuant to which they agreed to each make a capital increase to Finance Company in cash according to their respective shareholding on a pro rata basis. The registered capital of Finance Company will increase from RMB500,000,000 to RMB1,000,000,000, of which Sinoma Cement and the Parent will make a capital contribution of RMB150,000,000 and RMB350,000,000, respectively. The equity interest of each of Sinoma Cement and the Parent in Finance Company will remain unchanged before and after the said capital increase.

Details of the capital contribution have been disclosed in the Company's announcement dated 29 November 2019. As of the date of this report, the above transactions have been 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 holds any interests 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 2019, the Group did not place any designated deposits with any financial institution in the PRC, nor did it fail 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 preemptive 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 22 March 2019, pursuant to the authorisation granted at the 2018 Annual General Meeting held on 24 May 2019, the Board determined to continue to appoint Baker Tilly HK and Baker Tilly China as international and domestic auditors of the Company respectively, and they would hold office until the date of convening the 2019 annual general meeting. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

The Company confirms that the Company has not changed its auditors in the preceding three years.

DONATIONS

Donations for charitable or other purposes made by the Group during the Reporting Period amounted to RMB103,579,063.17.

ISSUE OF DEBENTURES

During the Reporting Period, the Company issued the following debentures in an aggregate principal amount of RMB21.4 billion to expand its financing channels, meet capital requirements, optimise its debt structure, fully utilize the financing function of the debt market and reduce its financing cost.

During the Reporting Period, the Company completed issuance of one tranche of renewable corporate bonds for cash in an aggregate principal amount of RMB1.5 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 RMB8.3 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of seven tranches of the super short-term commercial paper for cash in an aggregate principal amount of RMB11.6 billion, par value of RMB100.

By order of the Board
Cao Jianglin
Chairman of the Board

Beijing, the PRC
23 March 2020

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 were any of the directors, supervisors and senior management of the Group involved in any material litigation.

Litigation about the gypsum board in the United States

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, the 2018 annual report, the announcement dated 19 March 2019 and 30 July 2019 and 2019 interim report setting out information on the subsequent development of the gypsum board litigation in the United States.

Having fully considered factors including costs of litigation and potential impact on other gypsum board litigations by BNBM, Taishan Gypsum and/or Taian 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"), Taishan reached settlement with no more than 498 plaintiffs (the "Plaintiffs") from the case 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) in March 2019 and entered into a settlement and waiver of liability agreement (the "Amorin Settlement Agreement") with the Plaintiffs. The maximum aggregate settlement amount payable by Taishan under the Amorin Settlement Agreement (and its amendment agreement and other adjustments of plaintiff's data) is US$27,905,515.82 (subject to upward adjustment in the event of, in summary, Taishan entering into any further Amorin 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 Amorin 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 Amorin Settlement Agreement (the "Possible Adjustment")). According to the terms of the Settlement Agreement, each Plaintiff shall discharge and release any and all claims against Taishan and certain of its related parties upon receiving the settlement amount in full irrevocably and unconditionally.

I. MATERIAL LITIGATION AND ARBITRATION *(Continued)*

Litigation about the gypsum board in the United States *(continued)*

In August 2019, Taishan entered into a class settlement agreement (the "Settlement Agreement") with the counsel acting for the Settlement Class. According to the Settlement Agreement, the Settlement Class, agrees to, as of the Effective Date (as defined below) of the Settlement Agreement, fully, finally and forever release and discharge any and all Released Claims for Taishan and Additional Released Parties, and covenants not to bring any lawsuit against Taishan and Additional Released Parties for any and all Released Claims (the "Settlement"). The "Released Claims" means claims and other losses of a Class Member against Taishan or the Additional Released Parties pertaining to the Chinese gypsum board. The "Additional Released Parties" include without limitation to the Company and BNBM. In consideration of the Settlement, Taishan proposes to agree to pay a total settlement amount of USD248 million (including legal fees of the plaintiffs' litigation lawyers and Mailing Cost, but excluding cost of publishing class action notice for Unknown Class Members) as stipulated in the Settlement Agreement.

The Company, BNBM and Taishan have invested a lot of manpower and resources since participating and defending in the gypsum board litigation in the US. The Settlement will resolve the above-mentioned class action and risk of the material litigation, which will significantly reduce litigation costs and save manpower, material resources, time and energy, and will help the Company, BNBM and Taishan concentrate on carrying out production and operation activities. The Company does not consider that the payment of the above Settlement Amount will have any material adverse impact on the ordinary operations of the Company, BNBM or Taishan.

As the Settlement triggers the clause relating to the Possible Adjustment in the "Amorin Settlement Agreement"entered into by Taishan in March 2019, Taishan is required to pay Amorin Settlors an amount of adjustment as provided under the "Amorin Settlement Agreement" (in respect of the 495 plaintiffs who signed an amendment agreement, the amount is further reduced to no more than USD12,866,528.89 due to the amendment agreement, the earliest payment shall be made no later than 21 October 2019).

The Settlement Amount proposed to be payable by Taishan under the amendments to the Settlement Agreement and the "Amorin Settlement Agreement", and according to the relevant rules of the applicable accounting principles, will be recognized as estimated liabilities in a single one-off amount (despite that the payment is made in instalments) in the financial accounts of Taishan Gypsum for the six months ended 30 June 2019, and has adversely affected the net profits of Taishan Gypsum and BNBM (on BNBM's consolidated financial accounts) for the financial period of January to December 2019 by approximately RMB1,829,354,132.12.

As of the date of this report, Taishan has paid a total of USD40,772,044.71 under the Amorin Settlement Agreement (and its amendment agreements and other adjustments of plaintiff's data) and a total settlement amount of USD248 million under the Settlement Agreement. The US court has made a final order and judgment approving the class settlement, and the Settlement Agreement has become effective. Ninety plaintiffs under the Settlement Agreement opted out from the class settlement, so the litigation of these plaintiffs will continue. The US court has issued a judgment exempting Taishan from contempt of court, and neither Taishan nor any of its affiliates or subsidiaries will face any further proceedings in the contempt court order.

I. MATERIAL LITIGATION AND ARBITRATION *(CONTINUED)*

Litigation about the gypsum board in the United States *(Continued)*

The case of The Mitchell Co., Inc. against Knauf Gips KG and the litigation brought by the 90 plaintiffs among the Class Members who have elected to exercise their opt-out rights under the "Settlement Agreement" will continue to proceed. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further announcements if and when necessary or appropriate.

II. MATERIAL TRANSACTIONS

Establish a Joint Venture with Henan Investment Group

On 27 September 2019, China United Cement, a wholly-owned subsidiary of the Company, entered into a shareholders agreement (the "Shareholders Agreement") with Henan Investment Group Co., Ltd. ("Henan Investment Group"), pursuant to which the parties agreed to establish a joint venture ("Joint Venture") in the PRC. The Joint Venture will be a subsidiary of China United Cement. The registered capital of the Joint Venture is RMB9,225.3358 million, of which RMB5,535.2015 million (representing 60% of the registered capital of the Joint Venture) will be contributed by China United Cement in cash and RMB3,690.1343 million (representing 40% of the registered capital of the Joint Venture) will be contributed by Henan Investment Group through injecting 10 subsidiaries (these company are mainly engaged in cement manufacturing business) and trademarks under the "Tongli" series owned by it as Injected Assets. The transactions under the Shareholders Agreement constitute an establishment of a joint venture and an acquisition (through contribution in kind) under the Listing Rules, therefore constitutes a disclosable transaction of the Company.

On 27 December 2019, China United Cement and Henan Investment Group entered into a supplemental agreement to amend the Shareholders Agreement, pursuant to which the registered capital of the Joint Venture will increase to RMB10,000 million, and the two parties will make pro-rata contribution to the registered capital.

The Company expects the transactions would strengthen China United Cement's position in Henan Province and to consolidate resources of both parties, primarily in the form of reduced production costs, further utilized advantages of the enterprise and supporting the Group's development of "Cement+" strategy and building a large construction industry group in Henan Province that manufactures cement, commercial concretes, sand aggregate and cement products.

Details of the aforesaid establishment of the joint venture and the acquisition through contribution in kind have been disclosed in the announcements of the Company dated 27 September 2019 and 27 December 2019. As at the reporting date, such transaction has not yet completed.

II. MATERIAL TRANSACTIONS *(Continued)*

New Financial Services Framework Agreement

On 23 March 2018, the Company and Finance Company entered into the Financial Services Framework Agreement (defined according to the section "CONNECTED TRANSACTIONS – Continuing Connected Transactions – 6. Financial Services Framework Agreement") with a term of two years from 1 January 2018 to 31 December 2019, pursuant to which, Finance Company has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBIRC on a non-exclusive basis subject to the terms and conditions therein. The deposit services under the Financial Services Framework Agreement constituted a major and connected transaction for the Company.

For the details of the Financial Services Framework Agreement, please refer to the statement in the section headed "CONNECTED TRANSACTIONS – Continuing Connected Transactions – 6. Financial Services Framework Agreement" in this annual report.

As the Financial Services Framework Agreement expired on 31 December, 2019, the Company entered into a new financial services framework agreement (the "New Financial Services Framework Agreement") with the Finance Company on 30 September 2019, with a term of three years from 1 January 2020, pursuant to which, the Finance Company has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBIRC (such as bills acceptance and discounting services, assistance in achieving the collection and payment of the transactional proceeds, clearing and settlement services, financial leasing services, financial advisory services, credit authentication and related consulting and agency services) on a non-exclusive basis in accordance with the terms and conditions specified in the agreement.

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

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

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

Pursuant to the New Financial Services Framework Agreement, the Finance Company has agreed to provide the financial services to the Group in accordance with the following principles:

II. MATERIAL TRANSACTIONS *(Continued)*

New Financial Services Framework Agreement *(continued)*

(a) **Deposit services:** The interest rate for the Group for its deposits with the Finance Company shall 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 benchmark interest rate specified by the PBOC for deposits of the same category during the same period; (ii) the interest rate paid by the Finance Company for deposits of the same type placed by members of the Parent Group with the Finance Company 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 the Finance Company shall 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 the Finance Company 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.

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

(c) **Other financial services:** During anytime, the terms and conditions for provision of other financial services by the Finance Company to the Group will not be less favourable than: (i) the terms and conditions for provision of services of the same type by the Finance Company to members of the Parent Group; and (ii) the terms and conditions for provision of services of the same type by PRC general commercial banks to the Group. The services fees charged by the Finance Company for provision of other financial services to the Group will be in accordance with the standard of fees set by the PBOC or the CBIRC (if applicable). According to the above principle, such services fees will not be higher than: (i) the fees charged by the Finance Company to members of the Parent 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 in the PRC for services of the same type during the same period under the same conditions. The settlement services provided by the Finance Company to the Group will be free of charge.

II. MATERIAL TRANSACTIONS *(Continued)*

New Financial Services Framework Agreement *(continued)*

Under the New Financial Services Framework Agreement, for the three years ended 31 December 2020, 2021 and 2022, (i) the maximum daily deposits balance (including accrued interests) are RMB16.8 billion, RMB17.8 billion and RMB18.8 billion respectively; and (ii) the annual caps of the total amounts of other financial services are RMB0.3 billion, RMB0.3 billion and RMB0.3 billion, respectively.

As one or more of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the Deposit Services under the New Financial Services Framework Agreement is more than 25%, the Deposit Services constitute major transactions and connected transactions under the Listing Rules and are subject to Chapter 14 of the Listing Rules and the reporting, announcement and shareholders' approval requirements as set out in Rule 14A of the Listing Rules. The New Financial Services Framework Agreement and the deposit services and the deposit service caps proposed under the Agreement have been approved by independent Shareholders at the Extraordinary General Meeting of the Company on 9 December 2019.

Details of the New Financial Services Framework Agreement have been set out in the announcements of the Company dated 30 September 2019 and 9 December 2019 and the circular dated 23 October 2019.

Report of the Supervisory Committee

Dear shareholders,

During the Reporting Period, the fourth session of the Supervisory Committee of the Company (the "Supervisory Committee") in accordance with relevant requirements under the Company Law and the Articles of Association of the Company, solely exercised its functions and powers according to law, attended 11 meetings of Board of Directors and 2 General Meeting to conduct supervision and inspection on the lawful operations, financial position and legal compliance of the Company's operating and managerial activities. The specific situation is reported as follows:

Meetings of the Supervisory Committee. During the Reporting Period, the Supervisory Committee held a total of two meetings; the convening process and voting procedures of the meeting were in compliance with relevant laws and regulations and all Supervisors attended on-site meetings. The meeting has reviewed six resolutions including the Supervisory Committee Working Report of the Company for 2018, the auditor's report and audited financial statements of the Company for 2018, the profit distribution plan and the final dividend distribution plan for 2018, the 2019 interim report and interim results announcement, the 2019 review report for interim financial information and the 2019 half-yearly report, the distribution of interim dividends for 2019 and other related matters.

Lawful operation of the Company. 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's meetings, and carried out supervision over legal compliance in operation, convening of Shareholders' meetings and Board's meetings, major decision-making, resolutions and the Board's implementation of resolutions of Shareholders' meetings, and performance of duties by the Directors and the senior management. The Supervisory Committee is of the opinion that, the Board of the Company has complied with the requirements of rules, regulations and systems to review the operation of the Company in an objective and reliable manner in order to make legitimate and sensible decisions and improve internal risk management and control system. Directors and the senior management of the Company have conscientiously implemented national laws and regulations, the Articles of Association, resolutions passed at Shareholders' meetings and Board's 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. No directors, managers and other senior management personnel of the company have been found to have violated laws, administrative regulations or the Articles of Association when performing their duties, nor have they done what is harmful to the Company's interests.

Supervision over financial matters. During the Reporting Period, the Supervisory Committee carefully checked the financial position of the Company and reviewed the financial information, including financial reports, operating reports and the profit distribution plan, and the audit report issued by the auditors. The Supervisory Committee is of the view that the accounts and the accounting treatment of the Company have 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 confirms that the Company has carried out standard financial audits, operated proper financial strategies and put in place a sound internal control system, which has been in line with the development status and expectations of the Company. Having reviewed relevant information including the 2019 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 and conducted strict supervision and inspection on connected transactions, disclosable transactions of the Company and other information disclosure. 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 carefully performed management system of each information disclosure and the disclosed contents are truthful, accurate, complete, and effective, without false statements, misleading representations or material omission.

Confronted with the increasingly complicated domestic and overseas economic environment and significantly increased economic and non-economic difficulties and challenges, the Company spared no efforts to carry out reform and innovation, integration and optimization, and consolidated marketization achievements, accelerated the integration of business segments, enhanced the scientific management of the segment companies and achieved satisfactory performance in all business segments in 2019. The Supervisory Committee is satisfied with the Company's efforts and it hopes that in 2020, 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
23 March 2020

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 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 is a member of the Chinese Academy of Engineering, and acted as the chairman of International Commission on Glass. He 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 Award (國家級科技進步獎), Guanghua Engineering Science and Technology Award of Chinese Academy of Engineering, Science and Technology Innovation Award for 2015 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).

Biographical Details of Directors, Supervisors and Senior Management *(Continued)*

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

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 joint chairman of the World Cement Association, and 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).

Non-executive Directors

Ms. Zhan Yanjing, born in January 1963, is a non-executive Director of the Company. Ms. Zhan has over 35 years of experience in financial accounting and capital operation. Ms. Zhan has served as non-executive Director of the Company since December 2019, chief accountant of the Parent since August 2019, chairman of board of directors of CNBM Group Finance Co., Ltd. (中國建材集團財務有限公司) since September 2019, director of Sinoma Energy Conservation Ltd. (中材節能股份有限公司) since September 2019 and director of CNBM Industrial Fund Management Co., Ltd. (中建材產業基金管理有限公司) since September 2019. She also served as vice president and chief financial officer of CRRC Corporation Limited (中國中車股份有限公司) from May 2015 to August 2019, vice president and chief financial officer of CSR Corporation Limited (中國南車股份有限公司) from December 2007 to May 2015, chief accountant of China Southern Locomotive & Rolling Stock Industry (Group) Corporation (中國南方機車車輛工業集團公司) from April 2005 to December 2007. Ms. Zhan held various positions in Beijing Foton Motor Co., Ltd. (北京福田汽車股份有限公司) from April 1999 to April 2005, including manager of the finance department, manager of the financial planning department and assistant to the general manager. She also held various positions including chief economist, director and deputy general manager of Henan Diesel Engine Plant (河南柴油機廠) of China Shipbuilding Industry Corporation (中國船舶工業總公司) from August 1983 to April 1999. Ms. Zhan obtained a bachelor's degree in engineering from Huazhong Institute of Technology in August 1983 and obtained an EMBA degree from Peking University in May 2005. She is a senior accountant.

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 from July 2008 to April 2019, 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 of BNBM. 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 to the general manager, manager of the procurement department, secretary to the board of directors and so forth. From February 2001 to February 2005, Mr. Tao concurrently served as assistant to the president and general manager of the hardware business department of CNBM Investment. Mr. Tao obtained a bachelor's degree in international trade from Nankai University in June 1997 and an EMBA 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, the vice chairman of China Construction and Decoration Material Association (中國建築裝飾裝修材料協會) and a standing member of the fourth 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, the vice chairman of CNBM Investment since April 2016, a director and general manager of CNBM Trading since January 2015, and the chairman and president of China National Building Material International Products Co., Ltd. (中建材國際物產有限公司) since June 2017, and the chairman and president of China National Building Material Intelligent Internet of Things Co., Ltd. (中建材智慧物聯有限公司) since June 2017, He served as the chairman and 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 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 Co., Limited 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 the vice chairman of China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters 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, successively as the deputy general manager of the equity management department and deputy general manager of the No.1 strategic client 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, and as a director of Wengfu (Group) Co., Ltd (甕福(集團)有限責任公司) since December 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 department 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 trust investment banking department in Cinda from May 1998 to May 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 and overseas listing of Chinese companies. Mr. Sun has been serving as an independent non-executive Director of the Company since October 2014, and as the chairman of Synergy Capital Advisor and a senior adviser of TPG Capital since October 2018. He served as a non-executive director of Phoenix Media Investment (Holdings) Limited from November 2013 to September 2019, as a non-executive director of Xinyuan Real Estate Co., Ltd. from September 2013 to May 2018, and as a partner and managing director of TPG Capital from August 2011 to October 2018. 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 a managing director in the Principal Investment Area (PIA) of Goldman Sachs. From July 2004 to May 2006, he served as a vice president in Investment Banking Division of Morgan Stanley. From September 2002 to May 2004, he served as a manager in General Electric Company. From September 1997 to February 2000, he served as an associate in Citigroup. 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 Hongchuang Aluminum Industry Holding Company Limited, an independent director of Beijing Aosaikang Pharmaceutical Co., Ltd., an independent director of Shandong Hi-Speed Group Co., Ltd. and Changzhou Qiangli Electric New Material Co., Ltd.). 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 Qian Duanshang Outstanding Works, the first prize of Outstanding Research on Philosophy and Social Science in Beijing and the second prize of the National University 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 Department 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 served as an associate professor of the School of Accountancy of Shanghai University of Finance and Economics from June 1996 to December 2019, and a tutor of the School of Accountancy of Shanghai University of Finance and Economics from July 1986 to December 2019. 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. Mr Qian was an independent director of Shanghai Hanbell Precise Machinery Co, Ltd from November 2014 to January 2020, an independent director of Shanghai Tofflon Science and Technology Co,. Ltd. (上海東富龍科技股份有限公司) from March 2017 to February 2020, an independent director of Shenwu Energy Saving Co, Ltd. from August 2018 to February 2019, and an independent director of Shanghai Tongji Science & Technology Co, Ltd. from June 2019 to January 2020. Currently, Mr. Qian concurrently serves as 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 a senior partner of Zhihe Partners since December 2019. She served as the vice president of Shanghai Shipping Freight Exchange Co., Ltd. from January 2012 to December 2019. 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).

Biographical Details of Directors, Supervisors and Senior Management *(Continued)*

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 China National Materials Group Finance Co., Ltd. (formerly known as 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 June 2018. He served as the general manager of Sinoma Parent from February 2013 to August 2016, as the president of Sinoma from January 2011 to October 2014, and as the president of Sinoma Science & Technology Co., Ltd. from October 2009 to August 2010. He has been serving as a director of Sinoma Science & Technology since May 2003, and served as the chairman of Qilianshan from June 2011 to December 2017, and as the chairman of Sinoma Science & Technology from May 2003 to May 2013. He served as a director of Sinoma Parent, Ningxia Building Materials, Sinoma International, and BBMG Corporation. Mr. Li obtained his bachelor's degree in analytical chemistry from Shandong Institute of Building Materials (山東建材學院) in July 1985 and his doctor's degree in material science from Wuhan University of Technology in 2010. 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 (中國硅酸鹽學會), 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 director of BBMG Corporation since June 2017, and as the Union President of BBMG Corporation 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 six 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.

Biographical Details of Directors, Supervisors and Senior Management *(Continued)*

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 has expertise in Company Law, Procedure Law, Arbitration Law and in handling cases of enormous difficulties. Mr. Li is an independent Director of BOE Technology Group Co., Ltd., an independent Director of China Shengmu Organic Milk Limited, and concurrently serves as the executive director of the Public Policy Research Center of China University of Political Science and Law. He is the vice president of 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 December 2015, the chairperson of the Supervisory Committee of China United Cement since May 2017, the head of the Party-Masses Relationship Department of the Company from April 2016 to 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 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 from 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. 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 CBM Holdings since March 2019, 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 Cement. 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 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).

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 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).

SENIOR MANAGEMENT *(CONTINUED)*

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. At present, Mr. Song also concurrently serves as the chairman of China Building Material Machinery Association

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 Concurrently 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 (首都企業家俱樂部). Mr. Wang was granted 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), 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, Beijing Model Worker (北京市勞動模範) and Listed Company Outstanding Leader- Golden Steed Award (上市公司卓越領軍者－金駿馬獎).

SENIOR MANAGEMENT *(CONTINUED)*

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 CBM Holdings since May 2017, 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 Cement 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 May 2004 to August 2014 and a director of CNBM Investment since March 2003. From December 2000 to May 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).

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, a director of BNBM since April 2019 and a director of China Triumph since June 2019. 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 April 2007 to December 2009, the chairman of Shandong Zoomber Advanced Materials Co., Ltd. from February 2004 to April 2007 and the dean of the Research Institute of Synthetic Crystals (中非人工晶體研究院) 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.

SENIOR MANAGEMENT *(CONTINUED)*

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 Cement from April 2005 to July 2014, the general manager of China United Cement from August 2004 to July 2014, the deputy general manager of China United Cement from May 2002 to August 2004, the executive deputy general manager and general manager of Shandong Lunan Cement Co., Ltd. from February 1998 to May 2002 and a director and deputy chief engineer of Lunan Cement Factory from July 1985 to February 1998. 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.

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 a director of South Cement since December 2019, 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 February 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, the vice President of China Building Material Enterprise Management Association, the chairman of the board of directors of Jinan University, a member of National Technical Committee on Cement of Standardization Administration of China (中國水泥標委會) and a council member of World Cement Association. Mr. Sui was an Outstanding Worker of National Material Quality Control, an Outstanding Leader of National Building Material Industry Quality Control Group Activity, Top Ten Influential People in China Building Materials Science & Technology (中國建材行業十大科技人物), the 2018 National Outstanding Entrepreneur of Building Materials Industry (全國建材行業優秀企業家), and Celebrity of 40th Anniversary of Reform and Opening Up in China Building Material Industry.

Biographical Details of Directors, Supervisors and Senior Management *(Continued)*

SENIOR MANAGEMENT *(CONTINUED)*

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 of China United Cement 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 July 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).

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 and a supervisor of Sinoma Science & Technology since November 2017. He served as the vice president of Sinoma from July 2007 to May 2018, as secretary 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, assistant to the general manager cum manager of comprehensive planning department, assistant to the general manager cum manager of planning development department, assistant to the general manager cum 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, and 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).

SENIOR MANAGEMENT *(CONTINUED)*

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 a director of CNBM Investment since May 2019, a director of CBM Holdings since March 2019 and the secretary of the Board since June 2018, has been a vice president of the Company since May 2018 and a director of Ningxia Building Materials since April 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 and corporate management and Ningxia Building Materials 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.

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 National Building Material Industry.

SENIOR MANAGEMENT *(CONTINUED)*

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 Sinoma from March 2010 to May 2018 and has been the chairman of Sinoma Advanced since January 2010. He was the president of Sinoma Science & Technology from May 2003 to October 2009, the vice president of Sinoma Science & Technology 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 National Materials Industry.

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 Sinoma 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 Sinoma Parent from July 2010 to July 2016, as the deputy general manager of Sinoma Cement, and as the financial director of Sinoma 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 detained a master's degree in business administration from 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.

bakertilly
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 155 to 352, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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 2019, the Group has property, plant and equipment with aggregate carrying values of RMB173,141.12 million, accounting for approximately 38.77% 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 RMB3,058.30 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 19 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 2019, the Group has goodwill of RMB37,886.42 million, accounting for approximately 8.48% 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 RMB5,624.98 million, RMB24.24 million and RMB189.28 million have been recorded in respect of the goodwill allocated to the cement segment, new materials segment and other segment 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 available evidence. The significant inputs involved have been appropriately disclosed in Note 19.

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 Lo Wing See.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 23 March 2020

Lo Wing See
Practising certificate number: P04607

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000 (restated)
Revenue	6	**253,403,375**	218,996,802
Cost of sales		**(176,813,417)**	(153,891,713)
Gross profit		**76,589,958**	65,105,089
Investment and other income, net	8	**4,296,774**	2,114,106
Selling and distribution costs		**(13,140,501)**	(11,536,082)
Administrative expenses		**(34,003,204)**	(26,751,350)
Finance costs, net	9	**(8,753,957)**	(10,741,152)
Share of profits of associates	22	**2,458,390**	2,006,451
Share of profits/(losses) of joint ventures	23	**733**	(4,881)
Profit before income tax	11	**27,448,193**	20,192,181
Income tax expense	12	**(9,019,265)**	(6,302,067)
Profit for the year		**18,428,928**	13,890,114
Profit for the year attributable to:			
Owners of the Company		**10,974,167**	7,931,744
Holders of perpetual capital instruments		**1,170,455**	980,882
Non-controlling interests		**6,284,306**	4,977,488
		18,428,928	13,890,114
		RMB	*RMB*
Earnings per share – basic and diluted	14	**1.301**	0.940

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000* (restated)
Profit for the year	**18,428,928**	13,890,114
Other comprehensive expense, net of tax: (Note 12(b))		
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit obligations	**(3,938)**	(20,417)
Change in the fair value of equity instruments at fair value through other comprehensive income, net	**4,085**	(7,426)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(98,941)**	(95,408)
Share of associates' other comprehensive expense	**(23,989)**	(29,585)
Share of joint ventures' other comprehensive (expense)/income	**(326)**	2
Change in the fair value on hedging instruments designated as cash flow hedges	**(5,105)**	(9,380)
Other comprehensive expense for the year, net of tax	**(128,214)**	(162,214)
Total comprehensive income for the year	**18,300,714**	13,727,900
Total comprehensive income attributable to:		
Owners of the Company	**10,875,491**	7,784,279
Holders of perpetual capital instruments	**1,170,455**	980,882
Non-controlling interests	**6,254,768**	4,962,739
Total comprehensive income for the year	**18,300,714**	13,727,900

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000 (restated)	2017 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	15	**173,141,115**	175,541,218	176,538,755
Right-of-use assets	16	**31,551,144**	–	–
Prepaid lease payments	17	**–**	19,346,755	19,422,215
Investment properties	18	**971,689**	900,283	831,580
Goodwill	19	**37,886,421**	43,657,580	46,068,583
Intangible assets	20	**12,182,414**	9,527,254	9,051,916
Interests in associates	22	**15,875,435**	13,527,327	10,502,218
Interests in joint ventures	23	**98,866**	80,206	4,850
Financial assets at fair value through profit or loss	24	**2,569,191**	1,988,882	–
Financial assets at fair value through other comprehensive income	25	**8,664**	7,880	–
Available-for-sale financial assets		**–**	–	6,681,151
Deposits	26	**2,931,857**	3,356,749	3,227,948
Trade and other receivables	28	**6,323,458**	5,920,820	2,599,083
Deferred income tax assets	35	**5,850,924**	6,228,675	5,884,267
		289,391,178	280,083,629	280,812,566
Current assets				
Inventories	27	**20,021,854**	19,724,172	22,251,380
Trade and other receivables	28	**98,054,401**	97,619,959	107,902,683
Available-for-sale financial assets		**–**	–	55,985
Financial assets at fair value through profit or loss	24	**6,523,573**	7,194,035	2,887,550
Derivative financial instruments	40	**5,254**	225	–
Amounts due from related parties	29	**3,251,516**	3,955,535	5,137,487
Pledged bank deposits	31	**5,127,107**	6,973,725	11,572,939
Cash and cash equivalents	31	**24,082,935**	20,927,220	23,396,413
		157,066,640	156,394,871	173,204,437
Assets classified as held-for-sale	32	**90,159**	11,188	86,830
		157,156,799	156,406,059	173,291,267

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000 (restated)	2017 RMB'000 (restated)
Current liabilities				
Trade and other payables	33	**89,285,125**	79,212,826	84,432,031
Amounts due to related parties	29	**5,197,240**	3,697,224	9,199,883
Borrowings – amount due within one year	34	**97,737,246**	121,531,807	148,175,723
Obligations under finance leases	37	**–**	4,964,618	9,147,828
Lease liabilities	36	**1,514,279**	–	–
Derivative financial instruments	40	**17,729**	11,088	477
Employee benefits payable	39	**3,861**	4,713	36,737
Current income tax liabilities		**4,309,586**	4,317,478	3,028,374
Financial guarantee contracts	38	**64,000**	64,000	56,838
Dividend payable to non-controlling interests		**236,629**	214,779	310,476
		198,365,695	214,018,533	254,388,367
Net current liabilities		**(41,208,896)**	(57,612,474)	(81,097,100)
Total assets less current liabilities		**248,182,282**	222,471,155	199,715,466
Non-current liabilities				
Borrowings – amount due after one year	34	**88,495,563**	77,532,956	61,112,697
Deferred income		**3,201,890**	1,944,445	1,698,086
Obligations under finance leases	37	**–**	4,357,146	9,016,706
Lease liabilities	36	**2,708,106**	–	–
Employee benefits payable	39	**251,392**	267,442	215,619
Deferred income tax liabilities	35	**2,268,419**	2,441,789	3,183,680
		96,925,370	86,543,778	75,226,788
Net assets		**151,256,912**	135,927,377	124,488,678

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2019

	Note	**2019** *RMB'000*	2018 *RMB'000* (restated)	2017 *RMB'000* (restated)
Capital and reserves				
Share capital	42	**8,434,771**	8,434,771	5,399,026
Reserves		**72,201,142**	63,386,825	58,662,003
Equity attributable to:				
Owners of the Company		**80,635,913**	71,821,596	64,061,029
Holders of perpetual capital instruments	44	**20,785,279**	22,219,087	16,716,270
Non-controlling interests		**49,835,720**	41,886,694	43,711,379
Total equity		**151,256,912**	135,927,377	124,488,678

The consolidated financial statements on pages 155 to 352 were approved and authorised for issue by the Board of Directors on 23 March 2020 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 2019

	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 1 January 2018													
As previous reported	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
– Adjustment for business combination under common control (Note 47)	–	–	331,478	–	–	–	–	–	(544,054)	(212,576)	–	(64,077)	(276,653)
Balance at 1 January 2018, (restated)	5,399,026	4,824,481	11,207,148	3,536,007	–	410	–	(110,951)	38,653,958	63,510,079	16,716,270	43,793,121	124,019,470
Profit for the year	–	–	–	–	–	–	–	–	7,931,744	7,931,744	980,882	4,977,488	13,890,114
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 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 expenses	–	–	11,820	–	–	–	–	(41,405)	–	(29,585)	–	–	(29,585)
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)	7,931,744	7,784,279	980,882	4,962,739	13,727,900
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
Dividend paid to former shareholders of a subsidiary related to business under common control	–	–	–	–	–	–	–	–	(41,515)	(41,515)	–	(9,150)	(50,665)
Others	–	–	260,405	–	–	–	–	–	(4,963)	255,442	–	33,814	289,256
Balance at 31 December 2018 (restated)	8,434,771	1,788,736	12,621,548	4,969,999	(6,758)	5,331	(3,755)	(250,031)	44,261,755	71,821,596	22,219,087	41,886,694	135,927,377

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2019

	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 2018													
As previous reported	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
– Adjustment for business combination under common control (Note 47)	–	–	331,478	–	–	–	–	–	(720,820)	(389,342)	–	(108,310)	(497,652)
Balance at 1 January 2019, (restated)	8,434,771	1,788,736	12,621,548	4,969,999	(6,758)	5,331	(3,755)	(250,031)	44,261,755	71,821,596	22,219,087	41,886,694	135,927,377
Profit for the year	–	–	–	–	–	–	–	–	10,974,167	10,974,167	1,170,455	6,284,306	18,428,928
Other comprehensive (expense)/income, net of tax (Note 12(b))													
Actuarial loss on defined benefit obligations	–	–	(4,705)	–	–	–	–	–	–	(4,705)	–	767	(3,938)
Change in fair value of equity instruments at fair value through other comprehensive income	–	–	–	–	3,717	–	–	–	–	3,717	–	368	4,085
Currency translation differences	–	–	–	–	–	–	–	(68,398)	–	(68,398)	–	(30,543)	(98,941)
Share of associates' other comprehensive expenses	–	–	16,436	–	–	–	–	(40,425)	–	(23,989)	–	–	(23,989)
Share of joint ventures' other comprehensive income	–	–	(196)	–	–	–	–	–	–	(196)	–	(130)	(326)
Change in the fair value on hedging instruments designated as cash flow hedges	–	–	–	–	–	–	(5,105)	–	–	(5,105)	–	–	(5,105)
Total comprehensive (expense)/income for the year	–	–	11,535	–	3,717	–	(5,105)	(108,823)	10,974,167	10,875,491	1,170,455	6,254,768	18,300,714
Dividends paid (Note 13)	–	–	–	–	–	–	–	–	(1,518,259)	(1,518,259)	–	–	(1,518,259)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,240,915)	(3,240,915)
Disposal of subsidiaries (Note 45(b))	–	–	–	–	–	–	–	–	–	–	–	(14,220)	(14,220)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 45(a))	–	–	–	–	–	–	–	–	–	–	–	1,142,783	1,142,783
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	381,601	381,601
Appropriation to statutory reserve	–	–	–	2,215,251	–	–	–	–	(2,215,251)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost (Note 44)	–	–	–	–	–	–	–	–	–	–	3,500,000	–	3,500,000
Redemption of perpetual debenture	–	–	(45,000)	–	–	–	–	–	–	(45,000)	(4,964,420)	–	(5,009,420)
Share of reserve in associates	–	–	(14,117)	–	–	–	–	–	–	(14,117)	–	–	(14,117)
Share of reserve in joint venture	–	–	698	–	–	–	–	–	–	698	–	–	698
Interest paid on perpetual capital instruments (Note 44)	–	–	–	–	–	–	–	–	–	–	(1,139,843)	–	(1,139,843)
Business combination under common control	–	–	(156,319)	–	–	–	–	–	–	(156,319)	–	(47,483)	(203,802)
Deemed partial disposal of interest in subsidiaries without losing control (Note 46(b))	–	–	26,026	–	–	–	–	–	–	26,026	–	3,379,374	3,405,400
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 46(a))	–	–	(232,760)	–	–	–	–	–	–	(232,760)	–	(370,586)	(603,346)
Recognition of equity-settled share-based payments	–	–	–	–	–	4,391	–	–	–	4,391	–	6,577	10,968
De-registration of a subsidiary	–	–	(430)	–	–	–	–	–	–	(430)	–	(3,750)	(4,180)
Others	–	–	(153,686)	–	–	–	–	14,750	13,532	(125,404)	–	460,877	335,473
Balance at 31 December 2019	8,434,771	1,788,736	12,057,495	7,185,250	(3,041)	9,722	(8,860)	(344,104)	51,515,944	80,635,913	20,785,279	49,835,720	151,256,912

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (restated)
Operating activities		
Profit before income tax	**27,448,193**	20,192,181
Adjustments for:		
Dividends from equity instruments	**(134,996)**	(116,910)
Discount on acquisition of interests in subsidiaries	**(8,309)**	(12,011)
Loss/(gain) on disposal of subsidiaries, net	**709,376**	(231,786)
(Increase)/decrease in fair value of financial assets at fair value through profit or loss, net	**(1,101,620)**	1,523,687
Loss on disposal of other investments	**16,886**	113,238
Waiver of payables	**239,496**	133,913
Finance costs	**9,543,273**	11,468,162
Interest income	**(789,316)**	(727,010)
Depreciation of property, plant and equipment and investment properties	**10,326,530**	11,964,126
Depreciation of right-of-use assets	**2,565,555**	–
Amortisation of intangible assets	**1,243,355**	1,039,723
Impairment loss on goodwill	**5,838,505**	2,254,568
Impairment loss on property, plant and equipment	**3,058,300**	3,243,925
Impairment loss on prepaid lease payment	**–**	62,788
Impairment loss on right-of-use assets	**1,594**	–
Impairment loss on intangible assets	**70,033**	225,712
Impairment loss on interests in associates	**149,192**	3
Prepaid lease payments released to the consolidated statement of profit or loss	**–**	557,302
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**(49,002)**	21,485
Allowance for impairment in respect of trade and other receivables	**3,882,252**	3,804,474
Write down of inventories	**176,529**	338,009
Net foreign exchange gain	**(86,796)**	(307,746)
Share of profits of associates	**(2,458,390)**	(2,006,451)
Share of (profits)/losses of joint ventures	**(733)**	4,881
Deferred income released to the consolidated statement of profit or loss	**(369,246)**	(280,688)
Fair value change of derivative financial instruments	**(4,399)**	425
Defined benefit cost included in current profit and losses	**18,487**	12,909
Share-based payment expense	**10,968**	4,921
Financial guarantee recognised	**–**	7,162

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (restated)
Operating cash flows before working capital changes	**60,295,717**	53,290,992
(Increase)/decrease in inventories	**(199,803)**	1,898,797
Decrease in trade and other receivables	**3,049,331**	4,907,262
(Increase)/decrease in amounts due from related parties	**(436,846)**	1,294,098
Increase/(decrease) in trade and other payables	**5,740,575**	(6,822,160)
Increase/(decrease) in amounts due to related parties	**1,360,030**	(1,323,118)
Increase in deferred income	**1,621,671**	518,723
Cash generated from operations	**71,430,675**	53,764,594
Income tax paid	**(8,872,341)**	(5,960,823)
Interest received	**789,316**	727,010
Net cash generated from operating activities	**63,347,650**	48,530,781
Investing activities		
Purchase of financial assets at fair value through profit or loss	**(7,516,522)**	(1,997,186)
Purchase of financial assets at fair value through other comprehensive income	**–**	(16,617)
Purchase of property, plant and equipment	**(22,465,627)**	(15,629,936)
Payments for right-of-use assets	**(859,625)**	–
Purchase of intangible assets	**(4,023,413)**	(1,770,224)
Purchase of investment properties	**(46,926)**	(79,946)
Payment for prepaid lease payments	**–**	(700,006)
Proceed on disposal of property, plant and equipment and investment properties	**2,469,336**	1,422,444
Acquisition of interests in associates	**(1,424,209)**	(351,920)
Acquisition of interests in joint ventures	**(25,007)**	(80,235)
Dividend received from associates	**752,142**	460,682
Proceed from disposal of associates	**625,993**	31,178
Proceed from disposal of joint ventures	**7,452**	–
Proceed from disposal of subsidiaries, net of cash and cash equivalents	**108,659**	183,316
Proceed on disposal of financial assets at fair value through profit or loss	**8,708,295**	176,253
Proceed from disposal of financial assets at fair value through other comprehensive income	**4,021**	–
Proceed from disposal of assets held for sale	**11,188**	75,642
Proceed from disposal of prepaid lease payment	**–**	67,566
Proceed from disposal of right-of-use assets	**120,627**	–
Proceed from disposal of intangible assets	**131,162**	40,228
Payments for rental deposits	**(203,771)**	–
Dividend received from equity instruments	**134,996**	116,910
Deposits paid	**(2,728,086)**	(3,356,749)
Deposits refunded	**3,356,749**	3,227,948

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Investing activities (continued)		
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(1,645,651)**	(406,278)
Business combination under common control	**(203,802)**	–
Advance from/(to) related parties	**1,235,590**	(145,530)
Other payments for investing activities	**(5,010,704)**	(2,119,096)
Decrease in pledged bank deposits	**1,906,812**	4,599,214
Net cash used in investing activities	**(26,580,321)**	(16,252,342)
Financing activities		
Proceed from issue of perpetual capital instruments, net of issuance cost	**3,500,000**	5,369,567
Redemption of perpetual capital instruments	**(5,009,420)**	–
Interest paid	**(8,329,351)**	(11,468,011)
Interest paid on perpetual capital instruments paid	**(1,139,843)**	(847,632)
Dividend paid to shareholders	**(1,518,259)**	(843,477)
Dividend paid to non-controlling interests of subsidiaries	**(3,258,857)**	(2,119,350)
Payment for acquisition of additional interests in subsidiaries	**(603,346)**	(3,036,990)
Contributions from non-controlling interests	**381,601**	227,487
Net borrowings raised	**178,594,310**	198,200,665
Repayment of borrowings	**(191,884,898)**	(208,237,845)
Repayment of lease liabilities	**(7,309,803)**	–
Repayment of finance lease obligations	**–**	(8,842,770)
Decrease in amounts due to related parties	**(338,016)**	(3,863,503)
Government contributions	**–**	100,000
Deemed partial disposal of interest in subsidiaries without losing control	**3,405,400**	501,882
Net cash used in financing activities	**(33,510,482)**	(34,859,977)
Net decrease in cash and cash equivalents	**3,256,847**	(2,581,538)
Exchange (losses)/gain on cash and cash equivalents	**(101,132)**	112,345
Cash and cash equivalents at beginning of the year	**20,927,220**	23,396,413
Cash and cash equivalents at end of the year	**24,082,935**	20,927,220

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

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 registered office and principal place of business of the Company are 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 21. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are 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 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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) Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases, and the related interpretations.

(a) Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

(b) As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16. C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

(i) Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

(b) As a lessee (continued)

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of land and buildings in the PRC was determined on a portfolio basis; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

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

(i) Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

(b) As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 4.35% to 4.90%.

	Note	**At 1 January 2019** *RMB'000*
Operating lease commitments as at 31 December 2018 (Note 50)		**1,775,695**
Lease liabilities discounted at relevant incremental borrowing rates		**1,424,587**
Add: Extension options reasonably certain to be exercised		**8,736**
Lease liabilities relating to operating leases recognised upon application of IFRS 16		**1,433,323**
Add: Obligations under finance leases recognised at 31 December 2018	(i)	**9,321,764**
Lease liabilities as at 1 January 2019		**10,755,087**
Analysed for reporting purposes:		
Current portion		**5,221,760**
Non-current portion		**5,533,327**
		10,755,087

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

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

(i) Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

(b) As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		**1,433,323**
Reclassified from prepaid lease payments	(ii)	**19,882,498**
Amounts included in property, plant and equipment under IAS 17		
– Assets previously under finance leases	(i)	**11,508,692**
Lease prepayment at 1 January 2019 reclassified from other receivables		**11,145**
		32,835,658

(i) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1 January 2019 amounting to RMB11,508.69 million as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of RMB4,964.62 million and RMB4,357.15 million to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(ii) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB535.74 million and RMB19,346.76 million respectively were reclassified to right-of-use assets.

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

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

(i) Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

(c) As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

(i) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(ii) Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

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

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

(i) Impacts and changes in accounting policies of application on IFRS 16 Leases *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Balance at 31 December 2018 as restated	Adjustments	Balance under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	175,541,218	(11,508,692)	164,032,526
Right-of-use assets	–	32,835,658	32,835,658
Prepaid lease payments	19,346,755	(19,346,755)	–
Current assets			
Trade and other receivables	97,619,959	(546,888)	97,073,071
Current liabilities			
Lease liabilities	–	5,221,760	5,221,760
Obligations under finance leases	4,964,618	(4,964,618)	–
Non-current liabilities			
Lease liabilities	–	5,533,327	5,533,327
Obligations under finance leases	4,357,146	(4,357,146)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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 revised IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[3]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendment to IAS 1	Classification of Liabilities as Current or Non-Current[5]

1 Effective for annual periods beginning on or after 1 January 2020.
2 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.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in IFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

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 accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), 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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 28 December 2018, China Triumph Bengbu Engineering and Technology Company Limited ("Bengbu Triumph") (an indirect subsidiary of the Company) entered into an equity transfer agreement to acquire 100% equity interests of Bengbu Chemical Machinery Manufacturing Co., Ltd. ("Bengbu Chemical Machinery") from (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd. ("Bengbu Institute") (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB82,288,400, (the "Bengbu Acquisition"). The Bengbu Acquisition was completed in June 2019 and thus Bengbu Chemical Machinery has become a subsidiary of the Group.

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

On 31 July 2019, Sinoma Science & Technology entered into an equity transfer agreement to acquire 100% equity interests of Beijing FRP Research and Design Institute Company Limited ("Beijing FRP Institute") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB83,028,300, (the "Beijing FRP Institute Acquisition"). The Beijing FRP Institute Acquisition was completed in October 2019 and thus Beijing FRP Institute has become a subsidiary of the Group.

As Beijing FRP Institute and the Company are controlled by the Parent, the Beijing FRP Institute Acquisition has been accounted for based on the principles of merger accounting.

On 6 December 2019, China United Cement entered into an equity transfer agreement to acquire 80.34% equity interests of Shandong Lunan Cement Company Limited ("Shandong Lunan") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB7,190,000, (the "Shandong Lunan Acquisition"). The Shandong Acquisition was completed in June 2019 and thus Shandong Lunan has become a subsidiary of the Group.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation *(continued)*

Business combination under common control *(continued)*

On 13 June 2019, Sinoma Cement Company Limited entered into an equity transfer agreement to acquire 100% equity interests Yunfu Sinoma Jieneng Yure Fadian Company Limited ("Yunfu Jieneng") from Sinoma Jieneng Holding Company Limited (a 100% indirect subsidiary of the Parent) at cash consideration of RMB31,295,325, (the "Yunfu Acquisition"). The Yunfu Acquisition was completed in December 2019 and thus Yunfu Jieneng has become a subsidiary of the Group.

As Yunfu Jieneng and the Company are controlled by the Parent, the 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 2018 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2018.

The details of the restated balances have been disclosed in Note 47.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation *(continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 and other comprehensive income 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 in 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 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation *(continued)*

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.

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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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);

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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.

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)*

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 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 and consolidated statement of comprehensive income include 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, regardless of the date of the common control combination.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

3.3.2 Merger accounting for business combination involving entities under common control *(continued)*

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.

3.4 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 as Note 3.5 below.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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. 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 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 is not allocated to any asset, including goodwill, that 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, 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 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

3.7 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

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 or 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers *(continued)*

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers *(continued)*

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.

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 Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2.1)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2.1)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices, plant and machinery and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2.1) *(continued)*

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2.1) *(continued)*

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2.1) *(continued)*

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2.1) *(continued)*

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

Assets held under finance leases were 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 was included in the consolidated statement of financial position as a finance lease obligation.

Lease payments were 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 were recognised immediately in profit or loss, unless they were directly attributable to qualifying assets, in which case they were capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals were recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, were recognised as an expense on a straight-line basis over the lease term, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed. Contingent rentals arising under operating leases were recognised as an expense in the period in which they were incurred.

Lease incentives relating to operating leases were considered as integral part of lease payments, the aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 2.1)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.10 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.

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 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.11 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.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

3.12 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)*

3.13 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 or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

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)*

3.14 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)*

3.15 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)*

3.15 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.

3.16 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

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 "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.16 Property, plant and equipment *(continued)*

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.

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.

3.17 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Effective from 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of IFRS 16 and subleased by the Group under operating leases.

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. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of IFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. 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 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.18 Intangible assets other than goodwill

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.18 Intangible assets other than goodwill *(continued)*

Internally-generated intangible assets-research and development expenditure *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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 property, plant and equipment, right-of-use assets 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.

Intangible assets 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash generated units. 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)*

3.20 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.

3.21 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.

3.22 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. 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 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

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(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.

(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

The Group recognises a loss allowance for expected credit loss ("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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(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 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(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.

- Nature of financial instruments (i.e. the Group's trade and other receivables, and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available

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)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

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.

On derecognition of an investment in a debt instrument classified as at FVTOCI, 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, 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL (continued)

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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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; 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, amounts 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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

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)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Hedge accounting (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.

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)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Discontinuation of hedge accounting

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.

3.23 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.

3.24 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Related parties *(continued)*

(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.

3.25 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

In the application of the Group's accounting policies, which are described in Note 3, 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% (2018: 37.83%) 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 21.

Sinoma International Engineering Company Limited ("Sinoma International")

Sinoma International is a subsidiary of the Group although the Group has only 40.03% (2018: 40.03%) 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 21.

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% (2018: 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 21.

Xinjiang Tianshan Cement Co., Limited ("Tianshan Cement")

Tianshan Cement is a subsidiary of the Group although the Group has only 45.87% (2018: 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 21.

Gansu Qilianshan Cement Group Company Limited ("Qilianshan Cement")

Qilianshan Cement is a subsidiary of the Group although the Group has only 25.04% (2018: 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 21.

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 22 describes that Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (2018: 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 22 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 2019, the carrying amount of property, plant and equipment is approximately RMB173,141.12 million (2018: approximately RMB175,541.22 million).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.2 Key sources of estimation uncertainty *(continued)*

Write down of inventories

Inventories are stated at lower of cost and net realisable value. During the year, allowance of approximately RMB176.53 million (2018: approximately of RMB338.01 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.

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 2019, the carrying amount of goodwill is approximately RMB37,886.42 million (2018: approximately RMB43,657.58 million). Details of the recoverable amount calculation are disclosed in Note 19.

Income taxes

As at 31 December 2019, a deferred tax asset of approximately RMB1,776.23 million (2018: approximately RMB2,538.59 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 RMB17,705.39 million (2018: approximately RMB20,329.98 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.2 Key sources of estimation uncertainty *(continued)*

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.

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 18.

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	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		(restated)
United States Dollar ("USD")	**127,316**	335,228	**5,322,323**	3,344,758
European Dollar ("EUR")	**3,416,633**	836,136	**6,125,873**	1,865,206
Hong Kong Dollar ("HKD")	**694,471**	429,960	**813,493**	682,259
Papua New Guinea Kina ("PGK")	**–**	64,057	**33,962**	172,731
Nigerian Naira ("NGN")	**17,345**	–	**115,131**	77,449
Indian Rupee ("INR")	**241,088**	–	**398,814**	139,173
Indonesian Rupiah ("IDR")	**260,862**	–	**278,492**	75,707
Australian Dollar ("AUD")	**–**	23,591	**8,716**	21,371
British Pound ("GBP")	**–**	–	**2,862**	177,412
Russian Ruble ("RUB")	**20,142**	–	**198,796**	73,839
Japanese Yen ("JPY")	**1,816**	8,637	**22,813**	32,642
South African Rand ("ZAR")	**6**	–	**42,796**	30,956
Others	**295,534**	499,593	**1,217,782**	314,779

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

	2019 RMB'000	2018 RMB'000
USD	**224,625**	133,324
EUR	**117,144**	45,588
HKD	**5,146**	11,177
PGK	**1,468**	4,814
NGN	**4,228**	3,431
INR	**6,820**	6,165
IDR	**763**	3,354
AUD	**377**	(98)
GBP	**124**	7,859
RUB	**7,725**	3,271
JPY	**908**	1,063
ZAR	**1,850**	1,371
Others	**34,254**	(8,188)
	405,432	213,131

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:

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Interest revenue		
Financial assets at amortised cost	**789,316**	727,010

(ii) Interest expense on financial liabilities not measured at fair value through profit or loss:

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Interest expense		
Financial liabilities at amortised cost	**9,543,273**	11,468,162

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 RMB70,649.18 million (2018 (restated): RMB65,966.67 million) were outstanding for the whole year. A 126 basis point (2018: 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.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis *(continued)*

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 2019 would have decreased by RMB597.67 million (2018 (restated): RMB571.77 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 increased during the current year mainly due to the increase 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 2019. 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 2019	**High/low 2019**	31 December 2018	High/low 2018
Hong Kong Stock Exchange – Hang Seng Index	**28,189**	**30,780/24,896**	25,846	33,484/24,541
Shenzhen Stock Exchange – Component Index	**10,430**	**10,541/7,011**	7,240	11,633/7,084
Shanghai Stock Exchange – Composite Index	**3,050**	**3,271/2,440**	2,494	3,587/2,449

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.

	2019		2018	
	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	**5,609,189**	376,605	4,682,419	322,102

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 2019 and 2018, 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 years.

(i) Trade receivables and contract assets arising from contracts with customers

In order to minimise 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 on trade balances individually or based on provision matrix.

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

The Group performs impairment assessment under ECL 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 be 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.

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.

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 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 externally resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the assets 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:

2019	*Notes*	External credit rating	internal credit rating	12-month or lifetime ECL	Gross carrying amounts *RMB'000*
Trade and other receivables	28				
– Trade receivables		N/A	Note	Lifetime ECL (provision matrix)	53,087,808
– Contract assets		N/A	Note	Lifetime ECL (provision matrix)	11,439,698
– Bills receivables		N/A	Low risk	12m ECL	23,260,609
– Other receivables, deposits and prepayments		N/A	Low risk	12m ECL	31,221,100
Deposits	26	N/A	Low risk	12m ECL	2,931,857
Amounts due from related parties	29	N/A	Low risk	12m ECL	3,982,890
Cash and cash equivalents	31	BBB to AA-	N/A	12m ECL	24,082,935
Pledged bank deposits	31	BBB to AA-	N/A	12m ECL	5,127,107

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)

2018	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts (restated) *RMB'000*
Trade and other receivables	28				
– Trade receivables		N/A	Note	Lifetime ECL (provision matrix)	50,888,858
– Contract assets		N/A	Note	Lifetime ECL (provision matrix)	11,453,897
– Bills receivables		N/A	Low risk	12m ECL	21,044,377
– Other receivables, deposits and prepayments		N/A	Low risk	12m ECL	31,009,587
Deposits	26	N/A	Low risk	12m ECL	3,356,749
Amounts due from related parties	29	N/A	Low risk	12m ECL	4,656,932
Cash and cash equivalents	31	BBB to AA-	N/A	12m ECL	20,927,220
Pledged bank deposits	31	BBB to AA-	N/A	12m ECL	6,973,725

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 2019, impairment allowance on trade receivables and contract assets is provided based on the provision matrix. Impairment allowance of approximately RMB1,679.39 million (2018 (restated): RMB1,644.97 million) and RMB262.66 million (2018: 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 2019, the Group has net current liabilities and capital commitments of approximately RMB41,208.90 million (2018 (restated): approximately RMB57,612.47 million) and approximately RMB201.09 million (2018: approximately RMB0.5 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 2019, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB257,200.00 million (2018: approximately RMB226,906.20 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 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
At at 31 December 2019									
Trade and other payables	–	89,285,125	–	–	–	–	–	89,285,125	89,285,125
Amounts due to related parties									
– Interest-free	–	2,927,328	–	–	–	–	–	2,927,328	2,927,328
– Fixed rate	5.20%	2,387,947	–	–	–	–	–	2,387,947	2,269,912
Borrowings									
– Fixed rate bank loans	4,73%	31,410,581	4,717,262	2,479,591	395,230	2,050,299	321,259	41,374,222	39,497,180
– Variable rate bank loans	5.24%	47,291,901	6,124,718	14,606,639	1,366,479	3,088,721	1,872,742	74,351,200	70,649,183
– Other borrowings from non-financial institutions	5.60%	563,942	500,228	146,596	87,215	48,563	1,792	1,348,336	1,276,832
– Bonds	5.03%	23,394,442	18,571,211	24,151,620	5,006,132	4,263,141	3,185,992	78,572,538	74,809,614
Lease liabilities	4.63%	1,555,901	732,687	513,018	277,498	177,061	1,633,427	4,889,592	4,222,385
Dividend payable to non-controlling interests	–	236,629	–	–	–	–	–	236,629	236,629
Financial guarantee contracts	5.35%	67,424	–	–	–	–	–	67,424	64,000
		199,121,220	30,646,106	41,897,464	7,132,554	9,627,785	7,015,212	295,440,341	285,238,188
Derivative financial instruments – net settlement									
Foreign exchange forward contracts	–	688	–	–	–	–	–	688	688
Interest rate swaps	–	17,041	–	–	–	–	–	17,041	17,041
		17,729	–	–	–	–	–	17,729	17,729

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Effective interest rate %	Within one year (restated) *RMB'000*	One to two years (restated) *RMB'000*	Two to three years (restated) *RMB'000*	Three to four years (restated) *RMB'000*	Four to five years (restated) *RMB'000*	After five years (restated) *RMB'000*	Total undiscounted cashflow (restated) *RMB'000*	Carrying amount (restated) *RMB'000*
As at 31 December 2018									
Trade and other payables	–	79,212,826	–	–	–	–	–	79,212,826	79,212,826
Amounts due to related parties									
– Interest-free	–	1,142,634	–	–	–	–	–	1,142,634	1,142,634
– Fixed rate	5.20%	2,687,429	–	–	–	–	–	2,687,429	2,554,590
Borrowings loans									
– Fixed rate bank loans	4.20%	39,790,611	2,438,367	725,038	246,202	87,228	2,134,964	45,422,410	43,579,287
– 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	1,074,867
– 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
		218,190,647	24,166,623	27,059,601	10,508,476	14,883,351	6,317,276	301,125,974	291,575,356
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)*

5.2 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 34, cash and cash equivalents disclosed in Note 31, 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 2019.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments	**–**	**5,254**	**–**	**5,254**
Financial assets at fair value through profit or loss	**5,600,525**	**–**	**3,492,239**	**9,092,764**
Financial assets at fair value through other comprehensive income	**8,664**	**–**	**–**	**8,664**
Total assets	**5,609,189**	**5,254**	**3,492,239**	**9,106,682**
Liabilities				
Derivative financial instruments	**–**	**17,729**	**–**	**17,729**
Financial guarantee contracts	**–**	**–**	**64,000**	**64,000**
Total liabilities	**–**	**17,729**	**64,000**	**81,729**

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* *(restated)*	Level 2 *RMB'000* *(restated)*	Level 3 *RMB'000* *(restated)*	Total *RMB'000* *(restated)*
Assets				
Derivative financial instruments	–	225	–	225
Financial assets at fair value through profit or loss	4,674,539	–	4,508,378	9,182,917
Financial assets at fair value through other comprehensive income	7,880	–	–	7,880
Total assets	4,682,419	225	4,508,378	9,191,022
Liabilities				
Derivative financial instruments	–	11,088	–	11,088
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities	–	11,088	64,000	75,088

During the year ended 31 December 2019, there were no significant transfers between levels of the 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)*

During the year ended 31 December 2019, 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.

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 2019	Fair value as at 31 December 2018	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: RMB1,809,976,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB2,489,935,000	Discounted cash flows Key unobservable inputs are: Expected yields of 1.0% to 3.6% 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
Unlisted equity shares classified as financial assets at fair value through profit or loss	Unlisted equity shares, amounts of RMB1,682,263,000	unlisted equity shares, amounts of RMB2,018,443,000	Net assets value key unobservable input is: Discount rate of 10%	The higher the discount rate, the lower the fair value

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

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Sale of goods	**219,154,484**	189,810,593
Provision of engineering services	**31,849,944**	26,759,581
Rendering of other services	**2,398,947**	2,426,628
	253,403,375	218,996,802

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 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB65,053.30 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 fibre, 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 2019 and 2018.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2019

	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	131,129,841	51,945,927	30,865,699	–	1,350,338	–	215,291,805
Over time	–	–	–	38,111,570	–	–	38,111,570
	131,129,841	51,945,927	30,865,699	38,111,570	1,350,338	–	253,403,375
Inter-segment sales (Note)	15,553,545	492	3,197	2,264,168	2,163,163	(19,984,565)	–
	146,683,386	51,946,419	30,868,896	40,375,738	3,513,501	(19,984,565)	253,403,375
Adjusted EBITDA	37,678,982	3,409,728	5,017,503	3,724,098	(2,063,100)	–	47,767,211
Depreciation and amortisation	(10,141,715)	(961,143)	(2,042,540)	(550,549)	(359,114)	–	(14,055,061)
Unallocated other income, net							59,226
Unallocated administrative expenses							(28,349)
Share of profits of associates	1,322,930	(7,359)	(45,422)	9,183	1,179,058	–	2,458,390
Share of profits/(losses) of joint ventures	(1,064)	–	1,797	–	–	–	733
Finance costs, net	(6,405,887)	(916,779)	(506,356)	(505,788)	(405,788)	–	(8,740,598)
Unallocated finance costs, net							(13,359)
Profit before income tax							27,448,193
Income tax expense							(9,019,265)
Profit for the year							18,428,928

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 2019 *(continued)*

The segment results are 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/(losses) of associates, share of profits/(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 *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Other information							
Additions to non-current assets							
Property, plant and equipment	14,486,287	1,546,300	5,169,093	858,424	392,939	–	22,453,043
Right-of-use assets	850,626	88,474	314,147	67,706	15,884	–	1,336,837
Intangible assets	3,522,048	49,051	376,999	71,993	3,322	–	4,023,413
Unallocated						–	59,510
	18,858,961	1,683,825	5,860,239	998,123	412,145	–	27,872,803
Acquisition of subsidiaries	662,982	84,969	2,924,160	53	–	–	3,672,164
Depreciation and amortisation							
Property, plant and equipment	7,090,383	765,641	1,659,194	427,688	304,627	–	10,247,533
Right-of-use assets	2,150,751	170,800	113,097	88,179	42,728	–	2,565,555
Intangible assets	900,581	24,702	270,249	34,682	11,759	–	1,241,973
Unallocated							80,379
	10,141,715	961,143	2,042,540	550,549	359,114	–	14,135,440

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2019 *(continued)*

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Allowance/(reversal of provision) for bad and doubtful debts	2,944,963	767,800	(96,503)	278,926	(12,934)	–	3,882,252
Impairment of goodwill	5,624,980	–	24,243	–	189,282	–	5,838,505
Impairment of property, plant and equipment	2,365,835	614,166	61,306	–	16,993	–	3,058,300
Write down of inventories	145,455	2,742	27,459	873	–	–	176,529
Consolidated statement of financial position							
Assets							
Segment assets	234,090,193	38,197,655	54,896,037	55,386,247	3,897,215	–	386,467,347
Interests in associates	7,798,898	25,581	5,556,275	150,323	2,344,358	–	15,875,435
Interests in joint ventures	13,252	–	85,614	–	–	–	98,866
Unallocated assets							44,106,329
Total consolidated assets							446,547,977
Liabilities							
Segment liabilities	121,371,945	15,746,527	25,580,470	45,042,333	7,696,819	–	215,438,094
Unallocated liabilities							79,852,971
Total consolidated liabilities							295,291,065

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 (restated)	*RMB'000* (restated)	*RMB'000* (restated)	*RMB'000* (restated)	*RMB'000* (restated)	*RMB'000* (restated)	*RMB'000* (restated)
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	117,423,291	41,473,444	26,934,136	–	1,104,781	–	186,935,652
Over time	–	–	–	32,061,150	–	–	32,061,150
	117,423,291	41,473,444	26,934,136	32,061,150	1,104,781	–	218,996,802
Inter-segment sales (Note)	8,272,315	1,915	4,872	2,134,809	1,775,849	(12,189,760)	–
	125,695,606	41,475,359	26,939,008	34,195,959	2,880,630	(12,189,760)	218,996,802
Adjusted EBITDA	31,546,978	4,545,140	6,318,591	3,101,305	(3,140,755)	–	42,371,259
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(10,194,320)	(856,660)	(1,672,617)	(595,098)	(152,402)	–	(13,471,097)
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	(7,512,969)	(1,615,154)	(472,723)	(484,033)	(447,635)	–	(10,532,514)
Unallocated finance costs, net							(208,638)
Profit before income tax							20,192,181
Income tax expense							(6,302,067)
Profit for the year							13,890,114

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 2018 *(continued)*

The segment results are 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*
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Other information							
Additions to non-current assets							
Property, plant and equipment	8,634,176	743,535	4,483,408	1,303,906	455,471	–	15,620,496
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
	10,449,237	781,783	4,950,835	1,376,891	502,242	–	18,180,112
Acquisition of subsidiaries	30,170	–	404,366	–	–	–	434,536
Depreciation and amortisation							
Property, plant and equipment	9,014,427	815,652	1,399,300	519,275	130,373	–	11,879,027
Intangible assets	784,750	15,832	176,851	42,087	15,248	–	1,034,768
Unallocated							90,055
	9,799,177	831,484	1,576,151	561,362	145,621	–	13,003,850

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2018 *(continued)*

	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)
Prepaid lease payments released to the consolidated statement of profit or loss	395,143	25,176	96,466	33,736	6,781	–	557,302
Allowance/(reversal of provision) for bad and doubtful debts	2,788,401	610,962	(134,086)	526,692	12,505	–	3,804,474
Impairment of goodwill	2,199,782	–	3,607	–	51,179	–	2,254,568
Impairment of property, plant and equipment	2,917,617	247,704	62,623	3,397	12,584	–	3,243,925
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	230,021,164	47,832,640	46,004,659	51,293,179	5,833,938	–	380,985,580
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							41,896,575
Total consolidated assets							436,489,688
Liabilities							
Segment liabilities	(142,596,005)	(3,419,040)	(19,914,964)	(42,905,911)	(8,218,957)	–	(217,054,877)
Unallocated liabilities							(83,507,434)
Total consolidated liabilities							(300,562,311)

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:

	2019 ***RMB'000***	2018 *RMB'000* (restated)
Adjusted EBITDA for reportable segments	**49,830,311**	45,512,014
Adjusted EBITDA for other segments	**(2,063,100)**	(3,140,755)
Total segments profit	**47,767,211**	42,371,259
Depreciation of property, plant and equipment	**(10,247,533)**	(11,879,027)
Depreciation of right-of-use assets	**(2,565,555)**	–
Amortisation of intangible assets	**(1,241,973)**	(1,034,768)
Prepaid lease payments released to the consolidated statements of profit or loss	**–**	(557,302)
Corporate items	**30,877**	31,601
Operating profit	**33,743,027**	28,931,763
Finance costs, net	**(8,753,957)**	(10,741,152)
Share of profits of associates	**2,458,390**	2,006,451
Share of profits/(losses) of joint ventures	**733**	(4,881)
Profit before income tax	**27,448,193**	20,192,181

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

	2019	2018
	RMB'000	*RMB'000*
		(restated)
PRC	**221,522,879**	201,117,526
Europe	**13,433,459**	3,766,433
Middle East	**475,911**	1,878,977
Southeast Asia	**5,021,395**	2,826,961
Oceania	**15,452**	9,898
Africa	**9,497,612**	8,175,372
Americas	**1,108,628**	937,692
Others	**2,328,039**	283,943
	253,403,375	218,996,802

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2019 and 2018.

8 INVESTMENT AND OTHER INCOME, NET

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Dividends from financial assets at fair value through profit or loss	**134,996**	116,910
Discount on acquisition of interests in subsidiaries (Note 45(a))	**8,309**	12,011
Government subsidies:		
– VAT refunds (Note (a))	**1,548,904**	1,796,216
– Government grants (Note (b))	**1,241,264**	606,721
– Interest subsidy	**3,576**	91,368
(Loss)/gain on disposal of subsidiaries, net (Note 45(b))	**(709,376)**	231,786
Increase/(decrease) in fair value of financial assets at fair value through profit or loss, net	**1,101,620**	(1,523,687)
Increase in fair value of derivative financial instruments, net	**4,399**	425
Net rental income from:		
– Investment properties (Note 18)	**60,038**	61,806
– Land and building	**57,445**	44,827
– Equipment	**141,578**	245,493
Technical and other service income	**285,230**	236,560
Waiver of payables	**239,496**	133,913
Others	**179,295**	59,757
	4,296,774	2,114,106

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

	2019 RMB'000	2018 RMB'000 (restated)
Interest expenses on bank borrowings:		
– wholly repayable within five year	**5,516,292**	6,142,794
– not wholly repayable within five year	**2,559**	2,132
	5,518,851	6,144,926
Interest expenses on bonds and other borrowings	**3,873,560**	4,856,181
Interest on lease liabilities/obligation under finance leases	**399,906**	611,839
Less: interest capitalised to construction in progress	**(249,044)**	(144,784)
	9,543,273	11,468,162
Interest income:		
– interest on bank deposit	**(461,688)**	(409,033)
– interest on loans receivable	**(327,628)**	(317,977)
	(789,316)	(727,010)
Finance costs, net	**8,753,957**	10,741,152

Borrowing costs capitalised for the year ended 31 December 2019 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 2.88% (2018: 3.06%) per annum to expenditure on the qualifying assets.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2019

	Fee 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 b)	–	1,082	960	28	–	2,070
Mr. Peng Shou	–	1,130	960	35	–	2,125
Mr. Cui Xingtai	–	970	960	50	–	1,980
Non-executive directors						
Ms. Xu Weibing (Note c)	–	–	–	–	–	–
Mr. Chang Zhangli	–	–	–	–	–	–
Mr. Tao Zheng	–	–	–	–	–	–
Mr. Chen Yongxin	–	–	–	–	–	–
Mr. Shen Yungang	–	–	–	–	–	–
Mr. Fan Xiaoyan	–	–	–	–	–	–
Ms. Zhan Yanjing (Note a)	–	–	–	–	–	–
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. Xia Xue	300	–	–	–	–	300
Supervisors						
Mr. Li Xinhua	–	–	–	–	–	–
Ms. Zhou Guoping	–	–	–	–	–	–
Mr. Guo Yanming	–	–	–	–	–	–
Ms. Cui Shuhong	–	967	960	50	–	1,977
Mr. Wang Yingcai	–	1,107	660	50	–	1,817
Ms. Zeng Xuan	–	449	144	50	–	643
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Li Xuan	200	–	–	–	–	200
	1,900	5,705	4,644	263	–	12,512

Note:

(a) Appointed on 9 December 2019
(b) Resigned on 30 July 2019
(c) Resigned on 9 December 2019

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(a) Directors' and supervisors' emoluments *(continued)*

Year ended 31 December 2018

	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 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. Xia Xue	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

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(a) Directors' and supervisors' emoluments *(continued)*

Year ended 31 December 2018 *(continued)*

Note

(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.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2018: none) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments in respect of five (2018: five) individuals were as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries, allowances and benefits-in-kind	**3,457**	4,627
Discretionary bonuses	**12,053**	7,813
Retirement plant contributions	**227**	191
	15,737	12,631

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Employees' emoluments *(continued)*

Their emoluments paid by the Group are within the following bands:

	Number of the five highest paid individuals	
	2019	2018
Nil – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**–**	–
HKD1,500,001 – HKD2,000,000	**–**	–
HKD2,000,001 – HKD2,500,000	**–**	1
HKD2,500,001 – HKD3,000,000	**–**	1
HKD3,000,000 – HKD3,500,000	**3**	3
HKD3,500,000 – HKD4,000,000	**2**	–

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):

	2019 *RMB'000*	2018 *RMB'000* (restated)
Depreciation of:		
Property, plant and equipment	**10,298,179**	11,934,137
Investment properties	**28,351**	29,990
Right-of-use assets	**2,565,555**	–
	12,892,085	11,964,127
Amortisation on intangible assets	**1,243,355**	1,039,723
Total depreciation and amortisation	**14,135,440**	13,003,850
Impairment loss on goodwill	**5,838,505**	2,254,568
Impairment loss on property, plant and equipment	**3,058,300**	3,243,925
Impairment loss on intangible assets	**70,033**	225,712
Impairment loss on prepaid lease payment	**–**	62,788
Impairment loss on right-of-use assets	**1,594**	–
Impairment loss on investments in associates	**149,192**	3
Cost of inventories recognised as expenses	**163,734,048**	142,111,192
Prepaid lease payments released to the consolidated statement of profit or loss	**–**	557,302
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**(49,002)**	21,485
Auditor's remuneration	**11,901**	15,273
Staff costs including directors' remunerations		
Salaries, bonus and other allowances	**17,509,414**	15,396,826
Equity-settled share-based payment expenses	**10,968**	12,399
Retirement plan contributions	**1,744,184**	1,737,401
Total staff costs	**19,264,566**	17,146,626
Allowance for bad and doubtful debts	**3,882,252**	3,804,474
Write down of inventories	**176,529**	338,009
Operating lease rentals under IAS 17	**–**	551,749
Net foreign exchange gains	**(86,796)**	(307,746)

12 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss

	2019 *RMB'000*	2018 *RMB'000* (restated)
Current income tax	**8,797,528**	7,274,909
Deferred income tax (Note 35)	**221,737**	(972,842)
	9,019,265	6,302,067

PRC income tax is calculated at 25% (2018: 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:

	2019 *RMB'000*	2018 *RMB'000* (restated)
Profit before income tax	**27,448,193**	20,192,181
Tax at domestic income tax rate of 25% (2018: 25%)	**6,862,049**	5,048,045
Tax effect of:		
Share of profits of associates	**(614,598)**	(501,613)
Share of (profits)/losses of joint ventures	**(183)**	1,220
Expenses not deductible for tax purposes	**2,026,412**	1,825,236
Income not taxable for tax purposes	**(1,786,207)**	(561,864)
Tax effect of tax losses not recognised	**2,529,148**	1,692,145
Utilisation of previously unrecognised tax losses	**(45,243)**	(58,343)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment (Note)	**(11,913)**	(17,870)
Effect of different tax rates of subsidiaries	**59,800**	(1,124,889)
	9,019,265	6,302,067

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

	2019 Before taxation *RMB'000*	2019 Taxation credited (Note 35) *RMB'000*	2019 Net of taxation *RMB'000*	2018 Before taxation *RMB'000* (restated)	2018 Taxation credited (Note 35) *RMB'000* (restated)	2018 Net of taxation *RMB'000* (restated)
Actuarial loss on defined benefit obligations	**(4,745)**	**807**	**(3,938)**	(17,988)	(2,429)	(20,417)
Change in the fair value of equity instruments at fair value through other comprehensive income	**4,806**	**(721)**	**4,085**	(8,737)	1,311	(7,426)
Currency translation differences	**(98,941)**	**–**	**(98,941)**	(95,408)	–	(95,408)
Share of associates' other comprehensive expense	**(23,989)**	**–**	**(23,989)**	(29,585)	–	(29,585)
Share of joint ventures' other comprehensive (expense)/ income	**(326)**	**–**	**(326)**	2	–	2
Change in the fair value on hedging instruments designated as cash flow hedges	**(6,006)**	**901**	**(5,105)**	(11,035)	1,655	(9,380)
Other comprehensive (expense)/ income	**(129,201)**	**987**	**(128,214)**	(162,751)	537	(162,214)

13 DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends paid		
– RMB0.18 (2018: RMB0.1) per share by the Company	**1,518,259**	843,477
	1,518,259	843,477
Proposed final dividend		
– RMB0.35 (2018: RMB0.18) per share by the Company (see below)	**2,952,170**	1,518,259

The final dividend of RMB2,952,169,731.70 in total (tax inclusive) has been proposed by the board of directors on 23 March 2020.

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 calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Profit attributable to owners of the Company	**10,974,167**	7,931,744

	2019	2018
	'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 2018					
As previously reported	12,188,106	104,391,048	120,509,072	7,656,811	244,745,037
Business combination under common control (Note 47)	19,949	177,070	153,962	14,289	365,270
As restated	12,208,055	104,568,118	120,663,034	7,671,100	245,110,307
Additions	10,683,010	2,197,451	2,506,130	243,345	15,629,936
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)	(1,092,543)	(1,938,928)	(1,111,838)	(4,382,245)
Disposal of subsidiaries (Note 45(b))	(51)	(284,349)	(356,312)	(19,953)	(660,665)
Transfer from investment properties (Note 18)	–	25,287	–	–	25,287
Transfer to investment properties (Note 18)	(12,758)	(64,447)	–	–	(77,205)
As at 31 December 2018 (restated)	13,621,627	109,340,723	126,210,469	6,809,788	255,982,607

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 2019					
As previously reported	13,595,741	109,173,138	126,054,933	6,797,382	255,621,194
Business combination under common control (Note 47)	25,886	167,585	155,536	12,406	361,413
As restated	13,621,627	109,340,723	126,210,469	6,809,788	255,982,607
Adjustment on initial application of IFRS 16	(161,517)	(1,576,868)	(17,605,967)	(60,112)	(19,404,464)
As at 1 January 2019, as restated	13,460,110	107,763,855	108,604,502	6,749,676	236,578,143
Additions	17,561,098	2,432,497	2,040,346	431,686	22,465,627
Acquisition of subsidiaries (Note 45(a))	595,361	1,063,851	1,572,870	38,574	3,270,656
Transfer from construction in progress	(11,363,985)	4,896,788	6,426,176	41,021	–
Transfer to construction in progress for reconstruction	464,793	(85,990)	(599,566)	(875)	(221,638)
Disposals	(947,275)	(1,591,367)	(3,772,129)	(1,415,131)	(7,725,902)
Disposal of subsidiaries (Note 45(b))	(352,253)	(194,821)	(301,623)	(12,798)	(861,495)
Transfer from investment properties (Note 18)	–	21,294	–	–	21,294
Transfer to investment properties (Note 18)	–	(64,832)	–	–	(64,832)
Reclassified as held for sale	–	(123,329)	(188,434)	(374)	(312,137)
As at 31 December 2019	19,417,849	114,117,946	113,782,142	5,831,779	253,149,716

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	308,630	18,051,431	45,845,660	4,065,786	68,271,507
Business combination under common control (Note 47)	2,842	139,631	144,556	13,016	300,045
As restated	311,472	18,191,062	45,990,216	4,078,802	68,571,552
Charge for the year	–	3,722,690	7,663,468	547,979	11,934,137
Disposals	(132,506)	(495,022)	(1,473,061)	(845,581)	(2,946,170)
Impairment loss recognised	577,810	1,265,613	1,251,944	148,558	3,243,925
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 18)	–	6,283	–	–	6,283
Transfer to investment properties (Note 18)	–	(32,523)	–	–	(32,523)
As at 31 December 2018 (restated)	756,776	22,575,168	53,196,436	3,913,009	80,441,389

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 2019					
As previously reported	753,934	22,442,417	53,047,392	3,901,587	80,145,330
Business combination under common control (Note 47)	2,842	132,751	149,044	11,422	296,059
As restated	756,776	22,575,168	53,196,436	3,913,009	80,441,389
Adjustment on initial application of IFRS 16	–	(355,881)	(7,505,960)	(33,931)	(7,895,772)
As at 1 January 2019, as restated	756,776	22,219,287	45,690,476	3,879,078	72,545,617
Charge for the year	–	3,392,519	6,366,006	539,654	10,298,179
Disposals	(69,753)	(935,058)	(3,182,960)	(1,124,139)	(5,311,910)
Impairment loss recognised	47,368	1,616,148	1,227,313	167,471	3,058,300
Transfer to construction in progress for reconstruction	–	(5,722)	(215,233)	(683)	(221,638)
Disposal of subsidiaries (Note 45(b)	–	(35,251)	(78,443)	(9,865)	(123,559)
Transfer from investment properties (Note 18)	–	9,901	–	–	9,901
Transfer to investment properties (Note 18)	–	(23,311)	–	–	(23,311)
Reclassified as held for sale	–	(87,528)	(135,094)	(356)	(222,978)
As at 31 December 2019	734,391	26,150,985	49,672,065	3,451,160	80,008,601
Carrying amount					
As at 31 December 2019	18,683,458	87,966,961	64,110,077	2,380,619	173,141,115
As at 31 December 2018 (restated)	12,864,851	86,765,555	73,014,033	2,896,779	175,541,218

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.

As at 31 December 2018, the carrying amount of plant and machinery includes an amount of approximately RMB10,100.01 million in respect of assets held under finance leases. On adoption of IFRS 16, these assets has been fully reclassified as right-of-use assets at the carrying amount.

At the end of the reporting period, 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:

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Construction in progress	**–**	9,396
Land and buildings	**909,750**	1,280,497
Plant and machinery	**1,378,762**	7,145,885
Total	**2,288,512**	8,435,778

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%
Plant and machinery	5.28% to 9.50%
Motor vehicles	9.50%

At 31 December 2019, land and buildings with carrying amount of approximately RMB10,362.02 million (2018: approximately RMB1,738.64 million) are still in the process of applying the title certificates.

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Impairment assessment

With respect to the property, plant and equipment which is identified showing indications of impairment, such as being damaged, having material change or expected change of use (including shut-down or disposal) in the current financial period or in the near future, the management of the Group conducted impairment assessment on recoverable amounts of such property, plant and equipment on an individual asset or a cash-generating unit basis. The recoverable amount of owned properties are estimated individually. The Group estimates the recoverable amount of the several CGU of cement, concrete, new materials, and other segments to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate ranging from 11–14% as at 31 December 2019 (2018: 10%), respectively. The annual growth rate used is ranging from 5–10%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using 5–10% growth rate. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the several CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of RMB3,058.30 million (2018: RMB3,243.96 million), respectively, has been recognised against the carrying amounts of RMB4,942.83 million property, plant and equipment.

16 RIGHT-OF-USE ASSETS

	Land use rights *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor Vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2019					
Carrying amount	**19,882,498**	**2,276,139**	**10,412,708**	**264,313**	**32,835,658**
As at 31 December 2019					
Carrying amount	**20,205,020**	**2,236,642**	**8,859,091**	**250,391**	**31,551,144**
For the year ended 31 December 2019					
Depreciation charge	**(597,948)**	**(243,016)**	**(1,693,548)**	**(31,043)**	**(2,565,555)**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16					**254,273**
Expense relating to leases of low-value assets, excluding short-term leases of low value assets					**833**
Variable lease payments not included in the measurement of lease liabilities					**123**
Total cash outflow for leases					**7,565,032**
Additions to right-of-use assets					**1,609,058**

For both years, the Group leases various offices, plant and machinery and motor vehicles for its operations. Lease contracts are entered into for fixed term of 2 years to 18 years, but may have extension and termination options. Certain leases of equipment were accounted for as finance leases during the year ended 31 December 2018 and carried interest ranged from 4.75% to 4.9%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16 RIGHT-OF-USE ASSETS *(CONTINUED)*

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB149.68 million (2018: RMB26.77 million) where the Group is still in the process of applying the title certificates.

The Group regularly entered into short-term leases for office, plant and machinery and motor vehicle. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2019, the Group has pledged right-of-use assets with a carrying amount of RMB518.18 million to secure bank borrowings granted to the Group.

Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. At the lease commencement date, the Group has included the fixed amounts expected to be payable by the Group as a lessee under residual value guarantees in the measurement of lease liability. There is no further future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities.

17 PREPAID LEASE PAYMENTS

	2018 *RMB'000* (restated)
Carrying amount	
As at 1 January	
As previously reported	19,921,019
Business combination under common control (Note 47)	106,048
As at 1 January (restated)	20,027,067
Additions	700,006
Acquisitions of subsidiaries (Note 45(a))	58,873
Released to the consolidated statement of profit or loss	(557,302)
Disposals	(67,566)
Disposals of subsidiaries (Note 45(b))	(214,869)
Transfer to investment property (Note 18)	(923)
Impairment loss recognised	(62,788)
As at 31 December	19,882,498

17 PREPAID LEASE PAYMENTS *(CONTINUED)*

Analysis of the carrying amount of prepaid lease payments is as follows:

	2018 *RMB'000* (restated)
Non-current portion	19,346,755
Current portion included in trade and other receivables (Note 28)	535,743
	19,882,498

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 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 to secure bank borrowings granted to the Group.

Upon adoption of IFRS 16, the carrying amount of prepaid lease payments has been reclassified as right-of-use assets.

18 INVESTMENT PROPERTIES

	2019	2018
	RMB'000	*RMB'000*
Cost		
As at 1 January	**1,207,108**	1,083,438
Additions	**46,926**	79,946
Acquired on acquisition of subsidiaries (Note 45(a))	**11,081**	–
Disposal	**(6,655)**	(9,459)
Transfer from property, plant and equipment (Note 15)	**64,832**	77,205
Transfer to property, plant and equipment (Note 15)	**(21,294)**	(25,287)
Transfer from prepaid lease payment (Note 17)	**–**	1,265
Transfer from right-of-use assets (Note 16)	**22,381**	–
As at 31 December	**1,324,379**	1,207,108
Depreciation		
As at 1 January	**306,825**	251,858
Charge for the year	**28,351**	29,990
Disposal	**(313)**	(1,605)
Transfer from property, plant and equipment (Note 15)	**23,311**	32,523
Transfer to property, plant and equipment (Note 15)	**(9,901)**	(6,283)
Transfer to prepaid lease payment (Note 17)	**–**	342
Transfer to right-of-use assets	**4,417**	–
As at 31 December	**352,690**	306,825
Carrying amount		
As at 31 December	**971,689**	900,283

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2018: 2.38%) per annum.

18 INVESTMENT PROPERTIES *(CONTINUED)*

The fair value of the Group's investment properties as at 31 December 2019 was approximately RMB2,621.68 million (2018: approximately RMB2,638.81 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 RMB74.51 million (2018: approximately RMB78.30 million). Direct operating expenses arising on the investment properties amounted to approximately RMB14.47 million (2018: approximately RMB16.49 million).

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

19 GOODWILL

	2019 ***RMB'000***	2018 *RMB'000*
As at 1 January	**43,657,580**	46,068,583
Arising from acquisition of subsidiaries (Note 45(a))	**352,795**	25,778
De-registration of a subsidiary	**(184,148)**	(177,845)
Disposal of subsidiaries (Note 45(b))	**(99,778)**	(11,072)
Impairment loss recognised	**(5,838,505)**	(2,254,568)
Exchange difference	**(1,523)**	6,704
As at 31 December	**37,886,421**	43,657,580

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:

	2019 ***RMB'000***	2018 *RMB'000*
Cement	**28,972,099**	32,959,864
Concrete	**7,475,794**	9,572,521
New materials	**438,804**	119,856
Engineering services	**938,393**	943,724
Others	**61,331**	61,615
	37,886,421	43,657,580

19 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 2019, the Group recognised impairment loss of RMB5,624.98 million (2018: RMB2,199.78 million), RMB24.24 million (2018: RMB3.61 million) and RMB189.28 million (2018: RMB51.18 million) in relation to goodwill allocated to the CGU of cement operation, new materials 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% (2018: 5%), and discount rate of 14% (2018: 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% (2018: 10%), and discount rates of 11%-12% (2018: 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.

20 INTANGIBLE ASSETS

	Mining rights *RMB'000* (restated)	Patents and trademarks *RMB'000* (restated)	Total *RMB'000* (restated)
Cost			
As at 1 January 2018			
As previously reported	10,824,051	1,517,622	12,341,673
Business combination under common control (Note 47)	110,112	–	110,112
As restated	10,934,163	1,517,622	12,451,785
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 (restated)	12,227,653	1,939,493	14,167,146
Cost			
As at 1 January 2019			
As previously reported	**12,117,541**	**1,939,493**	**14,057,034**
Business combination under common control (Note 47)	**110,112**	**–**	**110,112**
As restated	**12,227,653**	**1,939,493**	**14,167,146**
Additions	**3,410,509**	**612,904**	**4,023,413**
Acquisition of subsidiaries (Note 45(a))	**36,440**	**81,766**	**118,206**
Disposals	**(199,784)**	**(2,507)**	**(202,291)**
Disposals of subsidiaries (Note 45(b))	**(49,550)**	**(591)**	**(50,141)**
Exchange difference	**–**	**(5,689)**	**(5,689)**
Reclassified as held for sale	**(1,462)**	**–**	**(1,462)**
As at 31 December 2019	**15,423,806**	**2,625,376**	**18,049,182**

20 INTANGIBLE ASSETS *(CONTINUED)*

	Mining rights *RMB'000* (restated)	Patents and trademarks *RMB'000* (restated)	Total *RMB'000* (restated)
Amortisation and impairment			
As at 1 January 2018			
As previously reported	2,586,701	794,464	3,381,165
Business combination under common control (Note 47)	18,704	–	18,704
As restated	2,605,405	794,464	3,399,869
Charge for the year	773,557	266,166	1,039,723
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 (restated)	3,601,685	1,038,207	4,639,892
Amortisation and impairment			
As at 1 January 2019			
As previously reported	**3,579,323**	**1,038,207**	**4,617,530**
Business combination under common control (Note 47)	**22,362**	**–**	**22,362**
As restated	**3,601,685**	**1,038,207**	**4,639,892**
Charge for the year	**854,610**	**388,745**	**1,243,355**
Disposals	**(68,699)**	**(2,430)**	**(71,129)**
Disposals of subsidiaries (Note 45(b))	**(12,607)**	**(444)**	**(13,051)**
Impairment loss recognised	**69,982**	**51**	**70,033**
Exchange difference	**–**	**(1,606)**	**(1,606)**
Reclassified as held for sale	**(726)**	**–**	**(726)**
As at 31 December 2019	**4,444,245**	**1,422,523**	**5,866,768**
Carrying amount			
As at 31 December 2019	**10,979,561**	**1,202,853**	**12,182,414**
As at 31 December 2018	**8,625,968**	**901,286**	**9,527,254**

20 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 2019, 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 RMB70.03 million (2018: approximately RMB225.71 million) has been recognised in respect of those intangible assets.

As at 31 December 2019, the Group has pledged intangible assets with carrying amount of approximately RMBnil (2018: 35.25 million) to secure the bank borrowings granted the Group.

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018, which are established and operated in the PRC, are as follows:

			Attributable equity interest to the Company				
		Nominal value of	Direct		Indirect		
Name of subsidiary	Legal status	paid–in capital	2019	2018	2019	2018	Principal 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	RMB1,000,000,000	**84.83**	92.03	**–**	–	Production and sale of cement
Shanghai South Cement Company Limited	Limited liability company	RMB5,000,000	**–**	–	**84.83**	92.03	Production and sale of cement
Zhejiang South Cement Company Limited	Limited liability company	RMB4,500,000	**–**	–	**84.83**	92.03	Production and sale of cement
Hunan South Cement Company Limited	Limited liability company	RMB5,000,000,000	**–**	–	**84.83**	92.03	Production and sale of cement
South New Materials Technology Company Limited	Limited liability company	RMB1,000,000,000	**–**	–	**84.83**	91.64	Production and sale of composite materials
Jiangxi South Cement Company Limited	Limited liability company	RMB3,000,000,000	**–**	–	**84.83**	92.03	Production and sale of cement

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018, 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 2019 %	Direct 2018 %	Indirect 2019 %	Indirect 2018 %	Principal activities
Huzhou South Cement Company Limited	Limited liability company	RMB1,000,000,000	–	–	84.83	92.03	Production and sale of cement
North Cement Company Limited (Note (ii))	Limited liability company	RMB4,000,000,000	70.00	70.00	3.90	–	Production and sale of cement
South West Cement Company Limited ("Southwest Cement") (Note (iii))	Limited liability company	RMB10,000,000,000	79.84	87.79	–	–	Production and sale of cement
Sichuan Southwest Cement Company Limited	Limited liability company	RMB3,000,000,000	–	–	79.84	87.79	Production and sale of cement
Chongqing Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	–	–	79.84	87.79	Production and sale of cement
Guizhou Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	–	–	79.84	87.79	Production and sale of cement
Yunnan Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	–	–	79.84	87.79	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 (iv))	joint stock company with limited liability	RMB1,048,722,959	45.87	45.87	–	–	Production and sale of cement
Ningxia Building Materials (Note (v))	Joint stock company with limited liability	RMB478,181,042	47.56	47.56	–	–	Production and sale of cement
Qilianshan Cement (Note (vi))	Joint stock company with limited liability	RMB776,290,282	–	–	19.26	19.26	Production and sale of cement

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018, 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 2019 %	Direct 2018 %	Indirect 2019 %	Indirect 2018 %	Principal activities
BNBM (Note (vii), (viii))	Joint stock company with limited liability	RMB706,990,796	**37.83**	37.83	**–**	–	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") (Note (ix))	Limited liability company	RMB155,625,000	**–**	–	**37.83**	37.83	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	**–**	–	**60.24**	62.96	Production and sale of composite materials
Sinoma International (Note (xi))	Joint stock company with limited liability	RMB1,754,257,928	**40.03**	40.03	**–**	–	Production and sale of engineering services
Chengdu Design & Research Institute of Building Materials Industry Company Limited	Limited liability company	RMB60,000,000	**–**	–	**40.03**	40.03	Production and sale of building materials
CNBMI Construction Company Limited	Limited liability company	RMB72,580,000	**–**	–	**40.03**	40.03	Production and sale of engineering services

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018, 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 2019 %	Direct 2018 %	Indirect 2019 %	Indirect 2018 %	Principal activities
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	**–**	–	Sale of lightweight building materials

Notes:

(i) During the year ended 31 December 2019, two independent third parties had capital injection into South Cement. After that, the Company's effective equity interest in South Cement decreased from 92.03% to 84.83%%.

(ii) During the year ended 31 December 2019, South Cement acquired additional issued shares of North Cement at a consideration of approximately RMB230.00 million. After that, the Company's effective equity interest in North Cement increased from 70.00% to 73.90 %

(iii) During the year ended 31 December 2019, two independent third parties had capital injection into Southwest Cement. After that, the Company's effective equity interest in Southwest Cement decreased from 87.79% to 79.84%.

(iv) Tianshan Cement is a joint stock company listed on the Shenzhen Stock Exchange.

(v) Ningxia Building Materials is joint stock company listed on the Shanghai Stock Exchange.

(vi) Qilianshan Cement is a joint stock company listed on Shanghai Stock Exchange.

(vii) 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.

(viii) BNBM is a joint stock company listed on the Shenzhen Stock Exchange.

(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.

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

As at 31 December 2019, 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	500,000	13 January 2020
	1,000,000	17 January 2020
	1,000,000	28 April 2020
South Cement	500,000	17 January 2020
	700,000	12 June 2020
	1,000,000	10 June 2022
	200,000	24 April 2022
	1,000,000	15 July 2022
	200,000	3 August 2022
	1,000,000	20 August 2022
Southwest Cement	1,000,000	21 February 2020
	1,000,000	11 March 2020
	1,000,000	15 April 2020
	1,000,000	24 April 2020
	1,000,000	17 June 2020
	1,000,000	22 July 2020
	1,000,000	19 August 2020
	1,000,000	27 November 2020

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

As at 31 December 2019, certain subsidiaries of the Company which had outstanding issued debt securities as follows: *(continued)*

Name	**Face value of debt securities** *RMB'000*	**Maturity date**
Sinoma Science & Technology	1,100,000	3 April 2021
CTG	700,000	6 September 2021
China Triumph	1,000,000	11 June 2023
	1,000,000	18 October 2023

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.

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(i) BNBM and its subsidiaries

	2019	2018
	RMB'000	*RMB'000*
Current assets	**6,458,054**	5,651,861
Non-current assets	**15,029,847**	12,256,180
Current liabilities	**(6,256,552)**	(2,313,329)
Non-current liabilities	**(702,669)**	(1,155,800)
Non-controlling interests	**(589,523)**	(8,883,103)
Equity attributable to owners of the Company	**13,939,157**	5,555,809
Revenue	**12,801,788**	12,564,910
Expenses	**(12,346,484)**	(10,084,241)
Profit for the year	**455,304**	2,480,669
Profit attributable to owners of the Company	**439,707**	894,166
Profit attributable to the non-controlling interests	**15,597**	1,586,503
Profit for the year	**455,304**	2,480,669
Other comprehensive income attributable to owners of the Company	**687**	467
Other comprehensive income attributable to the non-controlling interests	**–**	767
Other comprehensive income for the year	**687**	1,234
Total comprehensive income attributable to owners of the Company	**440,394**	894,633
Total comprehensive income attributable to the non-controlling interests	**15,597**	1,587,270
Total comprehensive income for the year	**455,991**	2,481,903
Dividends paid to non-controlling interests	**10,605**	372,907
Net cash inflow from operating activities	**1,984,246**	2,782,675
Net cash outflow from investing activities	**(1,436,302)**	(2,059,162)
Net cash outflow from financing activities	**(451,466)**	(773,302)
Net cash inflow/(outflow)	**96,478**	(49,789)

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(ii) Sinoma International and its subsidiaries

	2019	2018
	RMB'000	*RMB'000*
Current assets	**27,760,044**	21,296,521
Non-current assets	**5,141,034**	9,744,765
Current liabilities	**(19,289,044)**	(17,931,113)
Non-current liabilities	**(2,968,068)**	(3,965,164)
Non-controlling interests	**(459,458)**	(5,520,542)
Equity attributable to owners of the Company	**10,184,508**	3,624,467
Revenue	**24,255,808**	21,501,420
Expenses	**(22,662,758)**	(20,098,107)
Profit for the year	**1,593,050**	1,403,313
Profit attributable to owners of the Company	**1,591,959**	596,777
Profit attributable to the non-controlling interests	**1,091**	806,536
Profit for the year	**1,593,050**	1,403,313
Other comprehensive (expense)/income attributable to owners of the Company	**(8,071)**	21,106
Other comprehensive expense attributable to the non-controlling interests	**(827)**	(2,523)
Other comprehensive (expense)/income for the year	**(8,898)**	18,583
Total comprehensive income attributable to owners of the Company	**1,583,888**	617,883
Total comprehensive income attributable to the non-controlling interests	**264**	804,013
Total comprehensive income for the year	**1,584,152**	1,421,896
Dividends paid to non-controlling interests	**4,182**	177,721
Net cash inflow/(outflow) from operating activities	**250,831**	(1,619,613)
Net cash inflow/(outflow) from investing activities	**245,868**	(1,226,112)
Net cash outflow from financing activities	**(336,134)**	(125,346)
Net cash inflow/(outflow)	**160,565**	(2,971,071)

21 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(iii) Qilianshan Cement and its subsidiaries

	2019	2018
	RMB'000	*RMB'000*
Current assets	**2,278,013**	1,944,908
Non-current assets	**8,701,612**	7,756,512
Current liabilities	**(2,721,009)**	(2,912,388)
Non-current liabilities	**(594,982)**	(460,722)
Non-controlling interests	**(6,846,611)**	(6,155,256)
Equity attributable to owners of the Company	**817,023**	173,054
Revenue	**6,837,906**	5,774,755
Expenses	**(5,522,908)**	(5,086,004)
Profit for the year	**1,314,998**	688,751
Profit attributable to owners of the Company	**162,116**	143,078
Profit attributable to the non-controlling interests	**1,152,882**	545,673
Profit for the year	**1,314,998**	688,751
Other comprehensive income/(expense) attributable to owners of the Company	**158**	(184)
Other comprehensive income/(expense) attributable to the non-controlling interests	**1,244**	(1,827)
Other comprehensive income for the year	**1,402**	(2,011)
Total comprehensive income attributable to owners of the Company	**162,274**	142,894
Total comprehensive income attributable to the non-controlling interests	**1,154,126**	543,846
Total comprehensive income for the year	**1,316,400**	686,740
Dividends paid to non-controlling interests	**273,663**	–
Net cash inflow from operating activities	**2,048,171**	1,277,109
Net cash outflow from investing activities	**(1,103,799)**	(383,624)
Net cash outflow from financing activities	**(1,056,801)**	(1,180,048)
Net cash outflow	**(112,429)**	(286,563)

22 INTERESTS IN ASSOCIATES

	2019	2018
	RMB'000	*RMB'000*
Cost of investments in associates		
– listed in the PRC	**1,440,949**	1,440,949
– listed in Hong Kong	**799,322**	767,529
– unlisted	**5,399,415**	4,859,848
Share of post-acquisition profit, net of dividend received	**8,235,749**	6,459,001
	15,875,435	13,527,327
Fair value of listed investments	**12,870,644**	10,269,373
Share of profits of associates	**2,458,390**	2,006,451

As at 31 December 2019, the cost of investments in associates included goodwill of associates of approximately RMB610.67 million (2018: approximately RMB731.90 million).

22 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2019, 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 2019 %	2018 %	Principal activities
China Jushi Co., Ltd. ("China Jushi") (Note (i))	RMB2,918,589,041	**26.97**	26.97	Production of glass fiber
Shandong Quan Xing China United Cement Company Limited ("Shandong 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**	12.94	Production of cement

Notes:

(i) China Jushi is a joint stock company listed on the Shanghai Stock Exchange.

(ii) Nanfang Wannianqing 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 Shangfeng 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.

(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.

22 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

	2019	2018
	RMB'000	*RMB'000*
Current assets	**8,562,225**	7,276,422
Non-current assets	**24,453,964**	23,094,037
Current liabilities	**(11,065,153)**	(12,335,941)
Non-current liabilities	**(5,857,672)**	(3,454,140)
Non-controlling interests	**(433,909)**	(342,134)
Revenue	**10,493,293**	10,032,423
Profit for the year	**2,124,550**	2,384,835
Other comprehensive income for the year	**70,934**	158,118
Total comprehensive income for the year	**2,195,484**	2,542,953
Dividends received from the associate during the year	**212,547**	196,803

22 INTERESTS IN ASSOCIATES *(CONTINUED)*

(i) China Jushi *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Jushi recognised in the consolidated financial statements:

	2019 **RMB'000**	2018 *RMB'000*
Net assets of the associate	**15,659,455**	14,238,244
Proportion of the Group's ownership interest in China Jushi	**26.97%**	26.97%
Group's share of net assets of the associate	**4,223,355**	3,840,054
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**4,242,048**	3,858,747

(ii) Shandong Quan Xing

	2019 **RMB'000**	2018 *RMB'000*
Current assets	**2,667,918**	1,607,851
Non-current assets	**3,496,896**	3,523,403
Current liabilities	**(2,469,183)**	(2,423,241)
Non-current liabilities	**(428,735)**	(107,000)
Non-controlling interests	**(411,596)**	(294,341)
Revenue	**3,296,201**	2,981,419
Profit for the year	**665,883**	114,118
Total comprehensive income for the year	**665,883**	114,118
Dividends received from the associate during the year	**–**	–

22 INTERESTS IN ASSOCIATES *(CONTINUED)*

(ii) Shandong Quan Xing *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shandong Quan Xing recognised in the consolidated financial statements:

	2019	2018
	RMB'000	*RMB'000*
Net assets of the associate	**2,855,300**	2,306,672
Proportion of the Group's ownership interest in Shandong Quan Xing	**49%**	49%
Carrying amount of the Group's interest in Shandong Quan Xing	**1,399,097**	1,130,269

(iii) Nanfang Wannianqing

	2019	2018
	RMB'000	*RMB'000*
Current assets	**3,158,395**	2,580,565
Non-current assets	**3,012,714**	2,881,459
Current liabilities	**(1,589,512)**	(1,573,267)
Non-current liabilities	**(21,852)**	(24,043)
Non-controlling interests	**(843,920)**	(785,503)
Revenue	**6,894,177**	6,810,825
Profit for the year	**1,337,359**	1,363,365
Total comprehensive income for the year	**1,337,359**	1,363,365
Dividends received from the associate during the year	**150,000**	100,000

22 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iii) Nanfang Wannianqing *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanfang Wannianqing recognised in the consolidated financial statements:

	2019 ***RMB'000***	2018 *RMB'000*
Net assets of the associate	**3,715,825**	3,079,211
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Carrying amount of the Group's interest in Nanfang Wannianqing	**1,857,913**	1,539,606

(iv) Aggregate information of associates that are not individually material

	2019 ***RMB'000***	2018 *RMB'000*
The Group's share of profits from continuing operations	**1,151,830**	625,660
The Group's share of other comprehensive expenses	**(41,205)**	(72,228)
The Group's share of total comprehensive income	**1,110,625**	553,432
Aggregate carrying amount of the Group's interests in these associates	**8,376,377**	6,998,705

23 INTERESTS IN JOINT VENTURES

	2019	2018
	RMB'000	*RMB'000*
Cost of investments in joint ventures		
– unlisted	**107,711**	92,530
Share of post-acquisition profit, net of dividend received	**(8,845)**	(12,324)
	98,866	80,206
Share of profits/(losses) of joint ventures	**733**	(4,881)

All joint ventures are accounted for using the equity method in the consolidated financial statements.

As at 31 December 2019, 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 joint ventures 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:

	2019	2018
	RMB'000	*RMB'000*
		(restated)
The Group's share of profits/(losses) from continuing operations	**733**	(4,881)
The Group's share of other comprehensive (expenses)/income	**(326)**	2
The Group's share of total comprehensive income/(expenses)	**407**	(4,879)
Aggregate carrying amount of the Group's interests in these joint venture	**98,866**	80,206

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *RMB'000*	2018 *RMB'000* (restated)
Financial assets at fair value through profit or loss:		
– Investment funds listed outside Hong Kong	**344**	239
– Equity shares listed outside Hong Kong	**3,611,312**	3,157,652
– Equity shares listed in Hong Kong	**1,988,869**	1,516,648
– Structured deposits (Note I)	**1,809,976**	2,489,935
– Unlisted equity shares	**1,682,263**	2,018,443
	9,092,764	9,182,917

	2019 *RMB'000*	2018 *RMB'000* (restated)
Analysed for reporting purposes:		
Non-current portion	**2,569,191**	1,988,882
Current portion	**6,523,573**	7,194,035
	9,092,764	9,182,917

Note I During the year ended 31 December 2019 and 2018, the Group entered into certain investments with certain financial institutions. The investment based on respective contracts have maturity dates within 3 months.

As at 31 December 2019, approximately RMBNil million (31 December 2018: RMB472.34 million) 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

	2019	2018
	RMB'000	*RMB'000*
Equity shares listed in Hong Kong	**8,664**	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 (2018: RMBNil).

26 DEPOSITS

	2019	2018
	RMB'000	*RMB'000*
Investment deposits for acquisition of subsidiaries	**907,735**	1,028,602
Investment deposits for acquisition of associates	**74,124**	–
Deposits paid to acquire property, plant and equipment	**1,288,601**	1,707,504
Deposits paid to acquire intangible assets	**457,626**	292,218
Deposits paid in respect of prepaid lease payments	**–**	328,425
Deposits paid to acquire right-of-use assets	**203,771**	–
	2,931,857	3,356,749

Note: The carrying amounts of the deposits approximate to their fair values.

27 INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Raw materials	**8,812,499**	8,865,994
Work-in-progress	**4,267,635**	4,216,902
Finished goods	**6,729,876**	6,340,471
Consumables	**211,844**	300,805
	20,021,854	19,724,172

28 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Trade receivables, net of allowance for bad and doubtful debts (Note (b))	**45,602,953**	44,627,048
Bills receivable (Note (c))	**23,196,545**	20,992,256
Contract assets (Note 30)	**10,582,968**	10,860,968
Prepaid lease payments (Note 17)	**–**	535,743
Other receivables, deposits and prepayments	**24,995,393**	26,524,764
	104,377,859	103,540,779

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Analysed for reporting purposes:		
Non-current portion	**6,323,458**	5,920,820
Current portion	**98,054,401**	97,619,959
	104,377,859	103,540,779

28 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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:

	2019 *RMB'000*	2018 *RMB'000* (restated)
Within two months	**11,141,513**	8,995,854
More than two months but within one year	**23,860,594**	22,760,401
Between one and two years	**6,258,452**	7,264,887
Between two and three years	**2,626,781**	3,381,711
Over three years	**1,715,613**	2,224,195
	45,602,953	44,627,048

(c) The bills receivable is aged within six months.

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB2,551.80 million (2018: approximately RMB2,770.64 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.

Ageing of trade receivables which are past due but not impaired:

	2019 *RMB'000*	2018 *RMB'000*
Within one year	**1,446,911**	1,510,519
Between one and two years	**501,633**	702,123
Between two and three years	**282,185**	259,117
Over three years	**321,071**	298,878
	2,551,800	2,770,637

28 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

(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 2019 and 31 December 2018.

As at 31 December 2019	Weighted average loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Current (not yet past due)	9.73%	57,960,372	5,638,637	52,321,735
Within one year past due	17.14%	2,831,917	485,285	2,346,632
Between one and two years past due	41.25%	1,240,790	511,766	729,024
Between two and three years past due	59.71%	947,573	565,803	381,770
Over three years past due	73.70%	1,546,854	1,140,094	406,760
		64,527,506	8,341,585	56,185,921

As at 31 December 2018 (restated)	Weighted average loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Current (not yet past due)	7.65%	57,081,944	4,364,565	52,717,379
Within one year past due	15.08%	1,778,765	268,246	1,510,519
Between one and two years past due	47.18%	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
		62,342,755	6,854,739	55,488,016

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 RMB1,942.05 million (2018 (restated): RMB1,920.90 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.

	2019 RMB'000	2018 RMB'000
As at 1 January		
As previous reported	**12,185,842**	9,141,745
Business combination under common control	**19,196**	7,277
As at 1 January, as restated	**12,205,038**	9,149,022
Additions from acquisition of subsidiaries	**155,308**	6,967
Disposal of subsidiaries	**(120,079)**	(35,038)
Allowance for bad and doubtful debts	**3,882,252**	3,804,474
Amounts written off as uncollectible	**(759,789)**	(720,387)
Written off of impairment loss	**–**	–
Others	**–**	–
As at 31 December	**15,362,730**	12,205,038

(g) Carrying amounts of trade and other receivables were denominated in the following currencies:

	2019 RMB'000	2018 RMB'000 (restated)
RMB	**94,773,730**	101,640,159
EUR	**5,548,308**	510,306
USD	**2,243,234**	554,953
HKD	**655,510**	450,841
Others	**1,157,077**	384,520
	104,377,859	103,540,779

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 2019, approximately RMB202.80 million (2018: approximately RMB1,011.88 million) of the trade receivables and approximately RMB1,053,39 million (2018: approximately RMB934.95 million) of bills receivable are pledged to secure bank loans granted to the Group.

29 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2019 *RMB'000*	2018 *RMB'000* (restated)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**1,258,697**	1,313,909
– Associates	**553,740**	53,975
– Joint ventures	**102**	742
– Non-controlling interests of subsidiaries	**356,671**	269,013
	2,169,210	1,637,639
Non-trading in nature:		
– Fellow subsidiaries	**430,980**	1,593,876
– Associates	**255,210**	362,728
– Joint ventures	**18**	535
– Immediate holding company	**79,956**	1,031
– Non-controlling interests of subsidiaries	**316,142**	359,726
	1,082,306	2,317,896
	3,251,516	3,955,535
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**1,964,779**	664,699
– Associates	**29,228**	21,783
– Joint ventures	**271**	214
– Non-controlling interests of subsidiaries	**85,035**	32,587
	2,079,313	719,283
Non-trading in nature:		
– Fellow subsidiaries	**2,329,587**	2,319,429
– Associates	**61,594**	899
– Immediate holding company	**32,486**	32,472
– Non-controlling interests of subsidiaries	**694,260**	625,141
	3,117,927	2,977,941
	5,197,240	3,697,224

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 2019, amounts due from related parties of approximately RMB263.30 million (2018: approximately RMB1,148.37 million) carry the variable interest rate of 4.35% (2018: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2019, amounts due to related parties of approximately RMB2,269.91 million (2018: approximately RMB2,554.59 million) carry the fixed interest rate of 5.20% (2018: 5.20%) per annum. The remaining balances of amounts due to related parties are interest-free.

30 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2019 *RMB'000*	2018 *RMB'000*
Arising from performance under construction contracts, included in trade and other receivables (Note 28)	**10,220,409**	10,625,219
Retention receivables, included in trade and other receivables (Note 28)	**362,559**	235,749
	10,582,968	10,860,968

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.

30 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

	2019 **RMB'000**	2018 RMB'000 (restated)
Billings in advance of performance from construction contracts, included in trade and other payables (Note 33)	**3,773,502**	2,199,051
Advance from customers, included in trade and other payables (Note 33)	**11,802,624**	11,570,313
	15,576,126	13,769,364

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:

	2019 **RMB'000**	2018 RMB'000 (restated)
Balance at 1 January	**13,769,364**	9,987,394
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(101,835,356)**	(9,513,939)
Increase in contract liabilities as a result of billing in advance of project contract work and advance from customers	**103,642,118**	13,295,909
Balance at 31 December	**15,576,126**	13,769,364

31 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:

	2019	2018
	RMB'000	*RMB'000*
USD	**2,845,716**	2,568,008
EUR	**514,880**	654,641
ZAR	**41,763**	30,956
RUB	**197,448**	73,839
VND	**51,647**	48,534
HKD	**157,981**	231,419
INR	**96,496**	139,173
NGN	**89,221**	76,927
GBP	**2,862**	54,141
Others	**538,296**	667,298
	4,536,310	4,544,936

As at 31 December 2019, the Group pledged approximately RMB5,127.11 million (2018 (restated): approximately RMB6,973.73 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% (2018: range from 0.35% to 2.80%) per annum.

32 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. As at 31 December 2019, the remaining assets are planned to be delivered at the end of 2020.

During the year, Mudanjiang North Cement Company Limited ("牡丹江北方水泥有限公司", "Mudanjiang"), a subsidiary of the Company, has entered into an investment agreement with a company incorporated in the PRC. According to the agreement, a group of assets of Mudanjiang shall be transferred as part of the consideration of this investment transaction. As the investment transaction is expected to be completed within twelve months, the assets to be transferred have been classified as held-for-sale.

During the year, the Group has also resolved to dispose some of its assets to some interested parties. The related assets are expected to be sold within twelve months and have been classified as held-for-sale.

The major classes of assets classified as held for sale as at 31 December 2019 are as follows:

	RMB'000
Property, plant and equipment	89,159
Intangible assets	736
Right-of-use assets	264
	90,159

33 TRADE AND OTHER PAYABLES

The ageing analysis of trade and other payables is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within two months	**8,639,630**	7,334,650
More than two months but within one year	**21,533,785**	18,861,509
Between one and two years	**3,113,555**	2,963,624
Between two and three years	**1,161,256**	1,268,571
Over three years	**2,356,792**	2,331,950
Trade payables	**36,805,018**	32,760,304
Bills payable	**16,756,506**	15,151,772
Contract liabilities (Note 30)	**15,576,126**	13,769,364
Other payables	**20,147,475**	17,531,386
	89,285,125	79,212,826

The carrying amount of trade and other payables approximate to their fair values. Bills payable are aged within six months.

34 BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Bank borrowings:		
– Secured	**2,910,311**	5,011,350
– Unsecured	**107,236,052**	104,534,603
	110,146,363	109,545,953
Bonds	**74,809,614**	88,443,943
Borrowings from other financial institutions	**1,276,832**	1,074,867
	186,232,809	199,064,763

34 BORROWINGS *(CONTINUED)*

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Analysed for reporting purposes:		
Non-current	**88,495,563**	77,532,956
Current	**97,737,246**	121,531,807
	186,232,809	199,064,763

The exposure of the fixed rate and variable rate bank borrowings and the contractual maturity dates are as follows:

	2019	2018
	RMB'000	*RMB'000*
		(restated)
Fixed rate bank borrowings repayable:		
Within one year	**29,991,962**	35,345,249
Between one and two years	**4,495,785**	2,327,806
Between two and three years	**2,367,603**	3,537,332
Between three and four years	**377,380**	236,278
Between four and five years	**1,957,700**	83,712
More than five years	**306,750**	2,048,910
	39,497,180	43,579,287
Variable rate bank borrowings repayable:		
Within one year	**44,937,193**	39,507,578
Between one and two years	**5,819,762**	13,251,366
Between two and three years	**13,879,361**	3,457,607
Between three and four years	**1,298,440**	1,932,136
Between four and five years	**2,934,931**	6,319,869
More than five years	**1,779,496**	1,498,110
	70,649,183	65,966,666
	110,146,363	109,545,953

34 BORROWINGS *(CONTINUED)*

	2019 RMB'000	2018 RMB'000 (restated)
Effective interest rate per annum:		
Fixed rate borrowings	**1.00% to 6.36%**	1.00% to 6.36%
Variable rate borrowings	**1.00% to 6.36%**	1.00% to 6.36%

The carrying amount of borrowings approximate to their fair value.

As at 31 December 2019, bank borrowings of approximately RMB53,132.57 million (2018: approximately RMB54,275.46 million) were guaranteed by independent third parties.

The borrowings denominated in AUD, EUR, USD, HKD, INR and SAR of approximately RMB4.03 million, RMB4,645.88 million, RMB1,309.69 million, RMB2,905.01 million, RMB17.17 and RMBnil respectively (2018: approximately RMB4.40 million, RMB4,430.72 million, RMB1,941.91 million, RMB2,841.52 million, RMBnil and RMB10.97 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB2,910.31 million (2018: approximately RMB5,011.35 million) are secured by the following assets of the Group:

	2019 RMB'000	2018 RMB'000 (restated)
Property, plant and equipment (Note 15)	**2,288,512**	8,435,778
Prepaid lease payments (Note 17)	**–**	244,686
Right-of-use assets (Note 16)	**518,183**	–
Intangible assets (Note 20)	**–**	35,253
Financial assets at fair value through profit or loss (Note 24)	**–**	472,344
Cash and cash equivalents (Note 31)	**5,127,107**	6,973,725
Trade receivables (Note 28)	**202,803**	1,011,881
Bills receivable (Note 28)	**1,053,394**	934,947
	9,189,999	18,108,614

35 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 2018										
As previously reported	(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
Business combination under common control (Note 47)	–	–	–	–	1,740	–	–	–	(822)	918
As at 1 January 2018, as restated	(746,238)	(811,549)	(1,214,678)	(353,301)	1,252,899	1,061,450	2,905,153	2,804	723,893	2,820,433
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	–	346,019	204,019	(366,564)	2,215	415,021	972,842
Credit/(charge) to the consolidated other comprehensive income (Note 12(b))	384,740	80	3	–	–	(288)	–	–	(383,998)	537
As at 31 December 2018 (restated)	(175,358)	(691,662)	(1,148,832)	(353,301)	1,590,194	1,266,243	2,538,589	5,019	755,994	3,786,886
As at 31 December 2018										
As previously reported	(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
Business combination under common control (Note 47)	–	–	–	–	2,435	(138)	–	298	541	3,136
As at 1 January 2019, as restated	**(175,358)**	**(691,662)**	**(1,148,832)**	**(353,301)**	**1,590,194**	**1,266,243**	**2,538,589**	**5,019**	**755,994**	**3,786,886**
Arising from acquisition of subsidiaries (Note 45(a))	**–**	**(39,024)**	**(5,632)**	**–**	**30,025**	**938**	**39,245**	**–**	**2,403**	**27,955**
Arising from disposal of subsidiaries (Note 45(b))	**–**	**(17,065)**	**5,503**	**–**	**(24)**	**–**	**–**	**–**	**–**	**(11,586)**
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	**(21,545)**	**184,797**	**11,212**	**–**	**65,380**	**286,944**	**(801,606)**	**(1,360)**	**54,441**	**(221,737)**
Credit to the consolidated other comprehensive income (Note 12(b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**987**	**987**
As at 31 December 2019	**(196,903)**	**(562,954)**	**(1,137,749)**	**(353,301)**	**1,685,575**	**1,554,125**	**1,776,228**	**3,659**	**813,825**	**3,582,505**

35 DEFERRED INCOME TAX *(CONTINUED)*

	2019	2018
	RMB'000	*RMB'000*
		(restated)
For presentation purpose:		
Deferred income tax assets	**5,850,924**	6,228,675
Deferred income tax liabilities	**(2,268,419)**	(2,441,789)
	3,582,505	3,786,886

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:

	2019	2018
	RMB'000	*RMB'000*
Unused tax losses expiring in:		
2019	**–**	3,027,291
2020	**3,350,134**	3,853,185
2021	**2,827,943**	2,496,718
2022	**3,663,686**	4,093,864
2023	**5,403,636**	6,858,918
2024	**2,459,989**	–
	17,705,388	20,329,976

36 LEASE LIABILITIES

	31 December 2019
	RMB'000
Lease liabilities payable:	
Within one year	**1,514,279**
More than one year but less than two years	**671,067**
More than two years but less than five years	**797,955**
More than five years	**1,239,084**
	4,222,385
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,514,279)**
Amount due for settlement after 12 months shown under non-current liabilities	**2,708,106**

37 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2018 certain fixtures and equipment were under finance leases. The average lease was 1 to 9 years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates at range of 3% to 8%. These leases had no terms of renewal or purchase options and escalation clauses. No arrangements had been entered into for contingent rental payment.

	Minimum lease payments	**Present value of minimum lease payments**
	2018 *RMB'000* (restated)	2018 *RMB'000*
Amounts payable under finance leases:		
Within one year	5,076,686	4,964,618
More than one year but less than two years	1,326,062	1,263,655
More than two years but less than five years	3,621,289	3,093,491
	10,024,037	9,321,764
Less: future finance charge	(702,273)	N/A
Present value of lease obligations	9,321,764	9,321,764
Less: Amount due for settlement within 12 months (shown under current liabilities)		(4,964,618)
		4,357,146

The Group's obligations under finance leases were secured by the lessors' charge over the leased assets. Upon adoption of IFRSs 16, the carrying amount of obligation under finance lease has been reclassified as lease liabilities.

38 FINANCIAL GUARANTEE CONTRACTS

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**64,000**	56,838
Financial guarantee recognised	**–**	7,162
As at 31 December	**64,000**	64,000

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 (2018: approximately RMB64.00 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 2019 were carried out at 20 January 2020 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 follows:

	2019	2018
Discount rate	**3.30%**	3.30%
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%**	1.01%
– Female	**0.67%**	0.61%

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 RMBNil (2018: RMBNil) and that the actuarial value of these assets represented 0% (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
Service cost:		
– Current service cost	**(868)**	(39)
– Past service cost and gains from settlements	**11,536**	4,661
Net interest expenses	**7,819**	8,287
Components of defined benefit cost recognised in profit or loss	**18,487**	12,909
Remeasurement of net defined benefit liabilities:		
Actuarial losses recognised for the year	**4,743**	18,194
Components of defined benefit cost recognised in other comprehensive income	**4,743**	18,194
Total	**23,230**	31,103

The net interest expenses of approximately RMB7.82 million (2018: RMB8.29 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:

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**272,155**	252,356
Interest cost	**7,819**	8,287
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	**(868)**	(39)
– Actuarial losses recognised for the year	**4,743**	18,194
– Past service cost, including losses on curtailments	**11,536**	4,661
Benefits paid	**(40,132)**	(11,304)
As at 31 December	**255,253**	272,155

	2019	2018
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current portion	**251,392**	267,442
Current portion	**3,861**	4,713
	255,253	272,155

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 of the 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 RMB10.62 million (increase by RMB10.62 million) (2018: decrease by RMB10.94 million (increase by RMB10.94 million)),

– If the benefits increase rates increases (decreases) by 0.5%, the defined benefit obligation would increase by RMB10.73 million (decrease by RMB10.73 million) (2018: increase by RMB11.07 million (decrease by RMB11.07 million)).

– If the mortality change to 95% of original assumption, the defined benefit obligation would increase by RMB3.21 million (decrease by RMB3.21 million) (2018: increase by RMB3.23 million (decrease by RMB3.23 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 (2018: 10.2 years).

The Group expects to make a contribution of RMB61.68 million (2018: RMB56.04 million) to the defined benefit plan during the next financial year.

40 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 *RMB'000*	2018 *RMB'000*
Derivative financial assets		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**5,254**	225
Derivative financial liabilities		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**688**	53
Derivatives that are designated and effective as hedging instruments carried at fair value:		
– Interest rate swaps	**17,041**	11,035
	17,729	11,088

Major terms of the foreign currency forward contracts are as follows:

31 December 2019

Notional amounts	**Maturities**	**Exchange rates**
Sell USD3,400,000	14 January 2020	RMB6.9879: USD1
Sell USD2,600,000	14 February 2020	RMB6.9879: USD1
Sell USD1,400,000	13 March 2020	RMB6.9879: USD1
Sell USD3,000,000	13 April 2020	RMB6.9879: USD1
Sell USD4,000,000	11 May 2020	RMB6.9879: USD1
Sell USD3,000,000	11 June 2020	RMB6.9879: USD1
Sell USD3,000,000	13 July 2020	RMB6.9879: USD1
Sell USD1,000,000	11 August 2020	RMB6.9879: USD1
Sell USD1,500,000	13 September 2020	RMB6.9879: USD1

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

40 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

Major terms of interest rate swaps are as follow:

31 December 2019

Notional amounts	Maturities	Floating interest rate	Fixed interest rates
EUR56,151,800	20 June 2023	From Euribor	to 0.35%
EUR107,000,000	20 February 2025	From Euribor	to 0.43%

31 December 2018

Notional amounts	Maturities	Floating interest rate	Fixed interest rates
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 2019, 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 2018: 17,424,500), representing 1.00% (31 December 2018: 1.00%) 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 2019 and 2018 are as follows:

Category of participants	Date of grant	Exercise period	Exercise price per Sinoma International Share *RMB*	Outstanding at 1 January 2019 *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 2019 *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
Weighted average exercise price									9.27

The following table discloses movements of Sinoma International's share options held by directors and employees during the year:

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

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 RMB11.92 million for the year ended 31 December 2019 (2018: RMB12.40 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 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, 1 January 2019, 31 December 2019	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 financial assets at fair value through other comprehensive income 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 *RMB'000*	Total *RMB'000* (restated)
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
Balance as at 1 January 2019	**21,939,683**	**279,404**	**22,219,087**
Issuance of perpetual capital instruments	**3,500,000**	**–**	**3,500,000**
Redemption of perpetual capital instruments	**(4,964,420)**	**–**	**(4,964,420)**
Profit attributable to holders of perpetual capital instruments	**–**	**1,170,455**	**1,170,455**
Distributions made to holders of perpetual capital instruments	**–**	**(1,139,843)**	**(1,139,843)**
Balance as at 31 December 2019	**20,475,263**	**310,016**	**20,785,279**

During the year ended 31 December 2019, the Company issued the perpetual interest-bearing debentures in an aggregate principal amounts of RMB7,000 million with coupon rates ranging from 4.2% to 5.70%. The net proceeds after deducting the issuance cost amounted to approximately RMB3,500 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)*

Interest payment of RMB1,139.84 million (2018: RMB847.63 million) has been paid by the Group to the holders of the above-mentioned perpetual capital instruments for the year ended 31 December 2019.

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2019, the Group acquired 28 (2018: 7) 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.

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Summary of net assets acquired in the transactions during the year, and the goodwill arising, are as follows:

	2019	2018
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment (Note 15)	**3,270,656**	365,379
Right-of use assets	**272,221**	–
Prepaid lease payments (Note 17)	**–**	58,873
Investment properties (Note 18)	**11,081**	–
Intangible assets (Note 20)	**118,206**	10,284
Deferred income tax assets (Note 35)	**72,065**	106
Inventories	**315,690**	58,077
Trade and other receivables	**2,869,778**	49,857
Amounts due from the related parties	**97,419**	1,345
Pledged bank deposits	**60,194**	–
Cash and cash equivalents	**232,217**	4,434
Trade and other payables	**(2,705,234)**	(40,563)
Current income tax liabilities	**(66,498)**	(941)
Dividend payable to non-controlling interests	**(41,217)**	–
Amounts due to the related parties	**(521,513)**	–
Borrowings	**(488,034)**	–
Obligations under finance lease	**(33,890)**	–
Deferred income tax liabilities (Note 35)	**(44,110)**	(2,514)
Deferred income	**(5,070)**	(14,009)
Net assets	**3,413,961**	490,328
Non-controlling interests	**(1,142,783)**	(26,473)
Discount on acquisition of interests in subsidiaries (Note 8)	**(8,309)**	(12,011)
Interest transferred from interests in associates	**(7,452)**	–
Goodwill (Note 19)	**352,795**	25,778
Total consideration	**2,608,212**	477,622

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2019	2018
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**1,877,868**	410,712
Other payables	**730,344**	66,910
	2,608,212	477,622
Net cash outflow arising on acquisition:		
Cash consideration paid	**(1,877,868)**	(410,712)
Less: Cash and cash equivalents acquired	**232,217**	4,434
	(1,645,651)	(406,278)

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 RMB32.78 million and RMB10.31 million respectively attributable to the additional business mainly generated by these newly acquired companies.

Had these business combinations been effected at 1 January 2019, the revenue of the Group would be approximately RMB253,494.20 million and profit for the year of the Group would be approximately RMB18,472.99 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.

Details of the Group's significant acquisitions during the year are as follows:

Hunan Zhongli New Materials Limited ("湖南中鋰新材料有限公司") ("Hunan Zhongli") ("湖南中鋰")

On 15 July 2019, Sinoma Science and Technology acquired 60% equity interest of Hunan Zhongli for consideration of approximately RMB997.48 million. The acquired subsidiary is principally engaged in production and sale of new materials.

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Hunan Zhongli New Materials Limited ("湖南中鋰新材料有限公司") ("Hunan Zhongli") ("湖南中鋰") *(continued)*

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:

	2019 **Fair value** ***RMB'000***
Net assets acquired:	
Property, plant and equipment	**1,874,669**
Right-of-use assets	**27,044**
Intangible assets	**19,388**
Deferred income tax assets	**59,536**
Inventories	**96,795**
Trade and other receivables	**779,087**
Pledged bank deposits	**44,373**
Cash and cash equivalents	**34,997**
Trade and other payables	**(576,309)**
Amount due to the related parties	**(466,700)**
Borrowings	**(242,239)**
Deferred income	**(24,630)**
Deferred income tax liabilities	**(25,141)**
Net assets	**1,600,870**
Non-controlling interests	**(640,348)**
Goodwill	**36,955**
Total consideration	**997,477**
Total consideration satisfied by:	
Cash	**997,477**
Net cash outflow arising on acquisition:	
Cash consideration paid	**997,477**
Less: Cash and cash equivalents acquired	**34,997**
	962,480

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Included in the revenue and loss for the year are approximately RMB159,083 million and RMB34,893 million respectively attributable to the additional business generated by acquired subsidiaries.

(b) Disposal of subsidiaries

During the year ended 31 December 2019, the Group disposed its equity interest in 10 (2018: 10) subsidiaries to third parties. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	2019	2018
	RMB'000	*RMB'000*
Net assets disposed of:		
Property, plant and equipment (Note 15)	**737,936**	353,037
Right-of-use assets	**65,475**	–
Goodwill (Note 19)	**99,778**	11,072
Prepaid lease payment (Note 17)	**–**	214,869
Intangible assets (Note 20)	**37,090**	–
Deferred income tax assets (Note 35)	**24**	8,061
Inventories	**41,282**	348,479
Trade and other receivables	**114,469**	249,628
Amounts due from related parties	**2,694**	34,728
Cash and cash equivalents	**11,734**	20,461
Trade and other payables	**(197,493)**	(305,003)
Current income tax liabilities	**423**	(25,923)
Dividend payable to minority shareholders	**(1,425)**	–
Amounts due to related parties	**(43,511)**	(316,189)
Borrowings	**(29,400)**	(186,477)
Deferred income	**(50)**	(5,685)
Deferred income tax liabilities (Note 35)	**11,562**	(3,543)
Non-controlling interests	**(14,220)**	(164,434)
Net assets disposal of	**836,368**	233,081

45 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(continued)*

	2019	2018
	RMB'000	*RMB'000*
Consideration received:		
Cash received	**120,393**	203,863
Deferred cash consideration	**–**	147,820
	120,393	351,683
Gain on disposal of subsidiaries:		
Consideration received and receivable	**120,393**	351,683
Net assets disposed of	**(836,368)**	(233,081)
Direct costs attributable to disposal	**–**	(86)
Investment in associates retained	**6,599**	113,324
Release of capital reserves	**–**	(54)
(Loss)/gain on disposal of subsidiaries, net (Note 8)	**(709,376)**	231,786
Net cash inflow arising from disposal of subsidiaries:		
Cash consideration	**120,393**	203,863
Direct costs attributable to disposal	**–**	(86)
Cash and cash equivalents disposed of	**(11,734)**	(20,461)
Net cash inflow from disposal of subsidiaries	**108,659**	183,316

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2019, the Group acquired additional issued shares of 5 (2018: 6) subsidiaries for a consideration of approximately RMB603.35 million (2018: RMB4,633.94 million). The carrying amount of the non-controlling interests in these subsidiaries on the date of acquisition was approximately RMB370.59 million (2018: RMB5,640.81 million). The Group recognised a decrease in non-controlling interests of approximately RMB370.59 million (2018: RMB5,640.81 million) and a decrease in equity attributable to owners of the Group of approximately RMB232.76 million (2018: increase in equity attributable to owners of the Group of approximately RMB1,006.87 million).

	2019	2018
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**370,586**	5,640,813
Consideration paid to non-controlling interests	**(603,346)**	(4,633,943)
(Excess)/shortfall of consideration paid recognised within parent's equity	**(232,760)**	1,006,870

Details of the Group's significant acquisition of additional interests in subsidiaries during both years are as follows:

North Cement Company Limited ("北方水泥有限公司") ("North Cement")

During the year ended 31 December 2019, the Group acquired additional equity interests in North Cement for a consideration of approximately RMB230.00 million. After that, the Group's effective equity interests in North Cement increased from 70.00% to 73.90%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB77.49 million. The Group recognised a decrease in non-controlling interests of approximately RMB77.49 million and a decrease in equity attributable to owners of the Company of approximately RMB152.51 million.

Tianshui Huajian Concrete Engineering Company Limited ("天水華建混凝土工程有限公司") ("Tianshui Huajian")

During the year ended 31 December 2019, the Group acquired additional equity interests in Tianshui Huajian for a consideration of approximately RMB32.35 million. After that, the Group's effective equity interests in Tianshui Huajian increased from 60% to 100%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB29.51 million. The Group recognised a decrease in non-controlling interests of approximately RMB29.51 million and a decrease in equity attributable to owners of the Company of approximately RMB2.83 million.

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(continued)*

Xinjiang Tunhe Cement Company Limited ("新疆屯河水泥有限責任公司") ("Xinjiang Tunhe")

During the year ended 31 December 2019, the Group acquired additional equity interests in Xinjiang Tunhe for a consideration of approximately RMB335.00 million. After that, the Group's effective equity interests in Xinjiang Tunhe increased from 51% to 100%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB339.17 million. The Group recognised a decrease in non-controlling interests of approximately RMB339.17 million and an increase in equity attributable to owners of the Company of approximately RMB4.16 million.

Sichuansheng Luzhou Tuojiang Cement Company Limited ("四川省瀘州沱江水泥有限公司") ("Sichuansheng Tuojiang")

During the year ended 31 December 2019, the Group acquired additional equity interests in Sichuansheng Tuojiang for a consideration of approximately RMB6.00 million. After that, the Group's effective equity interests in Sichuansheng Tuojiang increased from 90% to 100%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was a deficit of approximately RMB11.23 million. The Group recognised an increase in non-controlling interests of approximately RMB11.23 million and a decrease in equity attributable to owners of the Company of approximately RMB17.23 million.

Anlongxian Jinhong New Building Materials Company Limited ("安龍縣金宏新型建築材料有限公司") ("Anlongxian Jinhong")

During the year ended 31 December 2019, the Group acquired additional equity interests in Anlongxian Jinhong at no consideration due to withdrawal of non-controlling interests. After that, the Group's effective equity interests in Anlongxian Jinhong increased from 69.62% to 100%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was a deficit of approximately RMB64.35 million. The Group recognised an increase in non-controlling interests of approximately RMB64.35 million and a decrease in equity attributable to owners of the Company of approximately RMB64.35 million.

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(continued)*

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.

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 RMB2,795.57 million. After that, the Group's effective equity interests in South Cement increased from 82.03% 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.

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2019 **RMB'000**	2018 RMB'000
Carrying amount of equity interest obtained by non-controlling interests	**(3,379,374)**	(660,287)
Capital contributed by non-controlling interests	**3,405,400**	501,882
Gain/(Loss) on disposal within equity	**26,026**	(158,405)

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the year ended 31 December 2019 and 2018 are as follows:

Nayongxian Taihe Supplies Company Limited ("納雍縣泰合物資有限公司") ("Nayongxian Taihe")

During the year ended 31 December 2019, the Company entered into capital increase agreements with two independent third parties ("Nayongxian Taihe investors"), pursuant to which the Nayongxian Taihe investors agreed to contributes RMB5.40 million to Nayongxian Taihe. After that, the Group's effective equity interests in Nayongxian Taihe decreased from 79.84% to 55.89%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB0.96 million and an increase in non-controlling interests of approximately RMB4.44 million.

South Cement Company Limited ("南方水泥有限公司") ("South Cement")

In December 2018, the Company entered into capital increase agreements with two independent third parties ("South Cement investors"), pursuant to which the South Cement investors agreed to contributes RMB2,000.00 million to South Cement. During the year ended 31 December 2019, the South Cement investors contributed RMB2,000.00 million to South Cement. After that, the Group's effective equity interests in South Cement decreased from 92.03% to 84.83%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB17.34 million and an increase in non-controlling interests of approximately RMB1,982.66 million.

46 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control *(continued)*

Southwest Cement Company Limited (“西南水泥有限公司”) (“Southwest Cement”)

In 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 million to Southwest Cement. During the year ended 31 December 2019, the Southwest Cement investors contributed the remaining RMB1,400 million to Southwest Cement. After that, the Group’s effective equity interests in Southwest Cement decreased from 92.20% to 79.84%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB7.74 million and an increase in non-controlling interests of approximately RMB1,392.26 million.

47 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 3.1 to the consolidated financial statements, the acquisitions of Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng have been accounted for based on merger accounting. Accordingly, the assets and liabilities of Bengbu Institute, Beijing FRP Institute and Shandong Lunan 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 Bengbu Institute, Beijing FRP Institute and Shandong Lunan on a combined basis. The details of the restated balances are stated as below.

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2017 and 2018 are as follows:

As at 31 December 2017

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current assets							
Property, plant and equipment	176,473,530	19,410	18,899	22,863	4,053	–	176,538,755
Prepaid lease payments	19,344,681	25,249	–	52,285	–	–	19,422,215
Investment properties	831,580	–	–	–	–	–	831,580
Goodwill	46,068,583	–	–	–	–	–	46,068,583
Intangible assets	8,960,508	–	–	91,408	–	–	9,051,916
Interests in associates	10,502,218	–	–	–	–	–	10,502,218
Interest in joint ventures	4,850	–	–	–	–	–	4,850
Available-for-sale financial assets	6,681,151	–	–	–	–	–	6,681,151
Deposits	3,227,948	–	–	–	–	–	3,227,948
Trade and other receivables	2,599,083	–	–	–	–	–	2,599,083
Deferred income tax assets	5,880,882	1,902	–	–	1,483	–	5,884,267
	280,575,014	46,561	18,899	166,556	5,536	–	280,812,566
Current assets							
Inventories	22,206,672	44,678	30	–	–	–	22,251,380
Trade and other receivables	107,599,304	46,241	3,003	177,783	76,352	–	107,902,683
Available-for-sale financial assets	54,500	–	1,485	–	–	–	55,985
Financial assets at fair value through profit or loss	2,887,550	–	–	–	–	–	2,887,550
Amounts due from related parties	5,970,401	24,324	1,408	1,500	–	(860,146)	5,137,487
Pledged bank deposits	11,403,070	1,503	–	168,366	–	–	11,572,939
Cash and cash equivalents	23,374,310	234	3,952	17,911	6	–	23,396,413
	173,495,807	116,980	9,878	365,560	76,358	(860,146)	173,204,437
Assets classified as held-for-sale	86,830	–	–	–	–	–	86,830
	173,582,637	116,980	9,878	365,560	76,358	(860,146)	173,291,267

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2017 *(continued)*

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities							
Trade and other payables	84,280,343	31,057	25,171	111,825	439	(16,804)	84,432,031
Amounts due to related parties	9,173,035	46,957	–	822,658	575	(843,342)	9,199,883
Borrowings – amount due within one year	148,139,723	8,000	–	28,000	–	–	148,175,723
Obligations under finance leases	9,147,828	–	–	–	–	–	9,147,828
Derivative financial instruments	477	–	–	–	–	–	477
Employee benefits payable	36,737	–	–	–	–	–	36,737
Current income tax liabilities	3,025,012	944	–	–	2,418	–	3,028,374
Financial guarantee contracts	56,838	–	–	–	–	–	56,838
Dividends payable to non-controlling interests	310,476	–	–	–	–	–	310,476
	254,170,469	86,958	25,171	962,483	3,432	(860,146)	254,388,367
Net current (liabilities)/assets	(80,587,832)	30,022	(15,293)	(596,923)	72,926	–	(81,097,100)
Total assets less current liabilities	199,987,182	76,583	3,606	(430,367)	78,462	–	199,715,466
Non-current liabilities							
Borrowings – amount due after one year	61,112,697	–	–	–	–	–	61,112,697
Deferred income	1,695,616	–	2,470	–	–	–	1,698,086
Obligations under finance leases	9,016,706	–	–	–	–	–	9,016,706
Employee benefits payable	215,619	–	–	–	–	–	215,619
Deferred income tax liabilities	3,181,213	–	2,467	–	–	–	3,183,680
	75,221,851	–	4,937	–	–	–	75,226,788
Net assets/(liabilities)	124,765,331	76,583	(1,331)	(430,367)	78,462	–	124,488,678

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2017 *(continued)*

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Equity							
Share capital	5,399,026	20,300	30,931	56,560	20,000	(127,791)	5,399,026
Reserves	58,874,579	56,283	(32,262)	(486,927)	58,462	191,868	58,662,003
Equity attributable to:							
Owners of the Company	64,273,605	76,583	(1,331)	(430,367)	78,462	64,077	64,061,029
Holders of perpetual capital instruments	16,716,270	–	–	–	–	–	16,716,270
Non-controlling interests	43,775,456	–	–	–	–	(64,077)	43,711,379
Total equity/(deficit)	124,765,331	76,583	(1,331)	(430,367)	78,462	–	124,488,678

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 2018 are as follows:

As at 31 December 2018

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current assets							
Property, plant and equipment	175,475,864	25,152	19,249	20,927	26	–	175,541,218
Prepaid lease payments	19,272,500	24,685	–	49,570	–	–	19,346,755
Investment properties	900,283	–	–	–	–	–	900,283
Goodwill	43,657,580	–	–	–	–	–	43,657,580
Intangible assets	9,439,504	–	–	87,750	–	–	9,527,254
Interests in associates	13,527,327	–	–	–	–	–	13,527,327
Interest in joint ventures	80,206	–	–	–	–	–	80,206
Financial assets at fair value through profit or loss	1,987,450	–	1,432	–	–	–	1,988,882
Financial assets at fair value through other comprehensive income	7,880	–	–	–	–	–	7,880
Deposits	3,356,749	–	–	–	–	–	3,356,749
Trade and other receivables	5,920,820	–	–	–	–	–	5,920,820
Deferred income tax assets	6,223,157	2,568	325	–	2,625	–	6,228,675
	279,849,320	52,405	21,006	158,247	2,651	–	280,083,629

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2018 *(continued)*

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current assets							
Inventories	19,676,213	47,956	3	–	–	–	19,724,172
Trade and other receivables	97,482,054	62,067	5,182	45,743	40,287	(15,374)	97,619,959
Financial assets at fair value through profit or loss	7,194,035	–	–	–	–	–	7,194,035
Derivative financial instruments	225	–	–	–	–	–	225
Amounts due from related parties	4,690,667	27,382	1,957	78,923	–	(843,394)	3,955,535
Pledged ban deposits	6,846,409	–	–	127,316	–	–	6,973,725
Cash and cash equivalents	20,898,058	13,670	9,662	5,816	14	–	20,927,220
	156,787,661	151,075	16,804	257,798	40,301	(858,768)	156,394,871
Assets classified as held-for-sale	11,188	–	–	–	–	–	11,188
	156,798,849	151,075	16,804	257,798	40,301	(858,768)	156,406,059

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2018 *(continued)*

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities							
Trade and other payables	78,989,884	52,121	26,839	220,830	370	(77,218)	79,212,826
Amounts due to related parties	3,642,652	25,963	–	810,159	–	(781,550)	3,697,224
Borrowings – amount due within one year	121,509,807	10,000	12,000	–	–	–	121,531,807
Obligations under finance leases	4,964,618	–	–	–	–	–	4,964,618
Derivative financial instruments	11,088	–	–	–	–	–	11,088
Employee benefits payable	4,713	–	–	–	–	–	4,713
Current income tax liabilities	4,315,509	1,224	–	–	745	–	4,317,478
Financial guarantee contracts	64,000	–	–	–	–	–	64,000
Dividends payable to non-controlling interests	214,779	–	–	–	–	–	214,779
	213,717,050	89,308	38,839	1,030,989	1,115	(858,768)	214,018,533
Net current (liabilities)/assets	(56,918,201)	61,767	(22,035)	(773,191)	39,186	–	(57,612,474)
Total assets less current liabilities	222,931,119	114,172	(1,029)	(614,944)	41,837	–	222,471,155
Non-current liabilities							
Borrowings – amount due after one year	77,529,956	3,000	–	–	–	–	77,532,956
Deferred income	1,912,139	30,000	2,306	–	–	–	1,944,445
Obligations under finance leases	4,357,146	–	–	–	–	–	4,357,146
Employee benefits payable	267,442	–	–	–	–	–	267,442
Deferred income tax liabilities	2,439,407	–	2,382	–	–	–	2,441,789
	86,506,090	33,000	4,688	–	–	–	86,543,778
Net assets/(liabilities)	136,425,029	81,172	(5,717)	(614,944)	41,837	–	135,927,377

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2018 *(continued)*

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Equity							
Share capital	8,434,771	30,000	30,931	56,560	20,000	(137,491)	8,434,771
Reserves	63,776,167	51,172	(36,648)	(671,504)	21,837	245,801	63,386,825
Equity attributable to:							
Owners of the Company	72,210,938	81,172	(5,717)	(614,944)	41,837	108,310	71,821,596
Holders of perpetual capital instruments	22,219,087	–	–	–	–	–	22,219,087
Non-controlling interests	41,995,004	–	–	–	–	(108,310)	41,886,694
Total equity/(deficit)	136,425,029	81,172	(5,717)	(614,944)	41,837	–	135,927,377

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 2018 are as follows:

For the year ended 31 December 2018

	The Group excluding Bengbu Institute, Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng *RMB'000*	Bengbu Institute *RMB'000*	Beijing FRP Institute *RMB'000*	Shandong Lunan *RMB'000*	Yunfu Jieneng *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Revenue	218,955,189	89,971	16,798	16,536	22,743	(104,435)	218,996,802
Cost of sales	(153,867,565)	(74,777)	(13,871)	(27,036)	(10,926)	102,462	(153,891,713)
Gross profit	65,087,624	15,194	2,927	(10,500)	11,817	(1,973)	65,105,089
Investment and other income, net	2,083,374	3,735	33,363	–	3,435	(9,801)	2,114,106
Selling and distribution costs	(11,534,806)	(1,276)	–	–	–	–	(11,536,082)
Administrative expenses	(26,538,125)	(10,531)	(40,976)	(173,707)	215	11,774	(26,751,350)
Finance costs, net	(10,739,691)	(981)	(112)	(369)	1	–	(10,741,152)
Share of profits of associates	2,006,451	–	–	–	–	–	2,006,451
Share of losses of joint ventures	(4,881)	–	–	–	–	–	(4,881)
Profit/(loss) before income tax	20,359,946	6,141	(4,798)	(184,576)	15,468	–	20,192,181
Income tax expense/(credit)	(6,299,497)	(1,552)	411	–	(1,429)	–	(6,302,067)
Profit/(loss) for the year	14,060,449	4,589	(4,387)	(184,576)	14,039	–	13,890,114
Profit/(loss) attributable to:							
Owners of the Company	8,066,995	4,589	(4,387)	(184,576)	14,039	35,084	7,931,744
Holders of perpetual capital instruments	980,882	–	–	–	–	–	980,882
Non-controlling interests	5,012,572	–	–	–	–	(35,084)	4,977,488
	14,060,449	4,589	(4,387)	(184,576)	14,039	–	13,890,114

47 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

For the year ended 31 December 2018 *(continued)*

	Impact on earnings per share of the Group *RMB*
Reported figures before restatement	0.956
Restatement arising from business combination of entities under common control	(0.016)
Restated	0.940

The effect of business combinations of entities under common control described above on the Group's net profit for the year ended 31 December 2018 is as follows:

	Impact on net profit of the Group *RMB*
Reported figures before restatement	14,060,449
Restatement arising from business combination of entities under common control	(170,335)
Restated	13,890,114

48 CONTINGENT LIABILITIES AND LITIGATION

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, the 2018 annual report, the announcement dated 19 March 2019 and 30 July 2019 and 2019 interim report setting out information on the subsequent development of the gypsum board litigation in the United States.

48 CONTINGENT LIABILITIES AND LITIGATION *(continued)*

Having fully considered factors including costs of litigation and potential impact on other gypsum board litigations by BNBM, Taishan Gypsum and/or Taian 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"), Taishan reached settlement with no more than 498 plaintiffs (the "Plaintiffs") from the case 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) in March 2019 and entered into a settlement and waiver of liability agreement (the "Amorin Settlement Agreement") with the Plaintiffs. The maximum aggregate settlement amount payable by Taishan under the Amorin Settlement Agreement (and its amendment agreement and other adjustments of plaintiff's data) is US$27,905,515.82 (subject to upward adjustment in the event of, in summary, Taishan entering into any further Amorin 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 Amorin 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 Amorin Settlement Agreement (the "Possible Adjustment")). According to the terms of the Settlement Agreement, each Plaintiff shall discharge and release any and all claims against Taishan and certain of its related parties upon receiving the settlement amount in full irrevocably and unconditionally.

In August 2019, Taishan entered into a class settlement agreement (the "Settlement Agreement") with the counsel acting for the Settlement Class. According to the Settlement Agreement, the Settlement Class, agrees to, as of the Effective Date (as defined below) of the Settlement Agreement, fully, finally and forever release and discharge any and all Released Claims for Taishan and Additional Released Parties, and covenants not to bring any lawsuit against Taishan and Additional Released Parties for any and all Released Claims (the "Settlement"). The "Released Claims" means claims and other losses of a Class Member against Taishan or the Additional Released Parties pertaining to the Chinese gypsum board. The "Additional Released Parties" include without limitation to the Company and BNBM. In consideration of the Settlement, Taishan proposes to agree to pay a total settlement amount of USD248 million (including legal fees of the plaintiffs' litigation lawyers and Mailing Cost, but excluding cost of publishing class action notice for Unknown Class Members) as stipulated in the Settlement Agreement.

The Company, BNBM and Taishan have invested a lot of manpower and resources since participating and defending in the gypsum board litigation in the US. The Settlement will resolve the above-mentioned class action and risk of the material litigation, which will significantly reduce litigation costs and save manpower, material resources, time and energy, and will help the Company, BNBM and Taishan concentrate on carrying out production and operation activities. The Company does not consider that the payment of the above Settlement Amount will have any material adverse impact on the ordinary operations of the Company, BNBM or Taishan.

As the Settlement triggers the clause relating to the Possible Adjustment in the "Amorin Settlement Agreement"entered into by Taishan in March 2019, Taishan is required to pay Amorin Settlors an amount of adjustment as provided under the "Amorin Settlement Agreement"(in respect of the 495 plaintiffs who signed an amendment agreement, the amount is further reduced to no more than USD12,866,528.89 due to the amendment agreement, the earliest payment shall be made no later than 21 October 2019).

48 CONTINGENT LIABILITIES AND LITIGATION *(continued)*

The Settlement Amount proposed to be payable by Taishan under the amendments to the Settlement Agreement and the "Amorin Settlement Agreement", and according to the relevant rules of the applicable accounting principles, the amount will be recognized as estimated liabilities in a single one-off amount (despite that the payment is made in instalments) in the financial accounts of Taishan Gypsum for the six months ended 30 June 2019, and has adversely affected the net profits of Taishan Gypsum and BNBM (on BNBM's consolidated financial accounts) for financial period of January to December 2019 by approximately RMB1,829,354,132.12.

As of the date of this report, Taishan has paid a total of USD40,772,044.71 under the Amorin Settlement Agreement (and its amendment agreements and other adjustments of plaintiff's data) and a total settlement amount of USD248 million under the Settlement Agreement. The US court has made a final order and judgment approving the class settlement, and the Settlement Agreement has become effective. Ninety plaintiffs under the Settlement Agreement opt out from the class settlement, so the litigation of these plaintiffs will continue. The US court has issued a judgment exempting Taishan from contempt of court, and neither Taishan nor any of its affiliates or subsidiaries will face any further proceedings in the contempt court order.

The case of The Mitchell Co., Inc. against Knauf Gips KG and the litigation brought by the 90 plaintiffs among the Class Members who have elected to exercise their opt-out rights under the "Settlement Agreement" will continue to proceed. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further announcements if and when necessary or appropriate.

49 COMMITMENTS

	2019 ***RMB'000***	2018 *RMB'000*
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**201,088**	524
	201,088	524

50 OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 *RMB'000* (restated)
Within one year	319,516
In the second to fifth year inclusive	777,346
Over five years	678,833
	1,775,695

50 OPERATING LEASES *(CONTINUED)*

The Group as lessor

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases were negotiated for an average term of fourteen years and rentals were fixed for an average term of fourteen years.

All of the properties and machineries held for rental purposes have committed lessees for the next one year to twenty years respectively.

	2019 ***RMB'000***
Within one year	**96,044**
In the second year	**62,550**
In the third year	**41,318**
In the fourth year	**26,602**
In the fifth year	**16,687**
After five years	**20,454**
	263,655

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2018 *RMB'000* (restated)
Within one year	138,656
In the second to fifth year inclusive	162,222
Over five years	18,127
	319,005

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 34)** *RMB'000*	**Lease liabilities/ obligations under finance leases (Note 36/ Note 37)** *RMB'000*
As 1 January 2018			
As previously reported	7,130,633	209,252,420	18,164,534
– Adjusted for business combination under common control (Note 47)	–	36,000	–
Financing cash flows	(3,836,503)	(10,037,180)	(8,842,770)
Disposal of subsidiaries	(316,189)	(186,477)	–
At 31 December 2018	2,977,941	199,064,763	9,321,764
At 1 January 2019			
As previously reported	2,977,941	199,039,763	9,321,764
– Adjusted for business combination under common control (Note 47)	–	25,000	–
– Adjustment upon application of IFRS 16	–	–	1,433,323
As restated	2,977,941	199,064,763	10,755,087
Financing cash flows	(338,016)	(13,290,588)	(7,309,803)
Acquisition of subsidiaries	521,513	488,034	33,890
Disposal of subsidiaries	(43,511)	(29,400)	–
New leases entered	–	–	477,212
Early termination of leases	–	–	(133,907)
Interest expenses	–	–	399,906
At 31 December 2019	3,117,927	186,232,809	4,222,385

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:

	2019 ***RMB'000***	2018 *RMB'000* (restated)
Provision of production supplies to		
– The Parent Group	**500,252**	350,074
– Associates	**2,639,025**	52,623
– Joint ventures	**3,276**	27
– Non-controlling interests of subsidiaries	**32,822**	192,657
	3,175,375	595,381
Provision of support services to		
– The Parent Group	**12,359**	544,983
– Associates	**14,799**	1,055
– Joint ventures	**37**	–
– Non-controlling interests of subsidiaries	**–**	30
	27,195	546,068
Rental income received from		
– The Parent Group	**66,085**	38,642
– Associates	**27,169**	1,956
	93,254	40,598
Rendering of engineering service to the Parent Group	**519,874**	885,451
Interest income received from		
– The Parent Group	**46,495**	7,850
– Associates	**–**	1,926
	46,495	9,776

52 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(continued)*

	2019 *RMB'000*	2018 *RMB'000* (restated)
Provision of production supplies by		
– The Parent Group	**603,113**	364,304
– Associates	**20,051**	40,587
– Joint ventures	**2,109**	–
– Non-controlling interests of subsidiaries	**59,089**	–
	684,362	404,891
Provision of support services by		
– The Parent Group	**38,570**	20,689
– Associates	**2,602**	–
– Non-controlling interests of subsidiaries	**811**	–
	41,983	20,689
Supplying of equipment by the Parent Group	**1,261,567**	86,053
Interest expense paid to		
– The Parent Group	**205,215**	91,759
– Non-controlling interests of subsidiaries	**–**	30,361
	205,215	122,120
Provision of engineering services by		
– The Parent Group	**393,530**	67,852
– Associates	**301**	–
	393,831	67,852
Rental expense paid to the Parent Group	**1,069**	–
Supply of raw materials (limestone and clay) by the Parent Group	**48,712**	374,229

52 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2019, 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 2019 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:

	2019 ***RMB'000***	2018 *RMB'000*
Short-term benefits	**12,249**	12,167
Post-employment benefits	**263**	346
	12,512	12,513

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:

	2019	2018
	RMB'000	*RMB'000*
Investments in subsidiaries	**50,366,054**	47,703,972
Other non-current assets	**2,939,063**	3,088,873
Amount due from subsidiaries	**63,799,635**	69,030,794
Other current assets	**3,903,155**	5,125,553
Non-current liabilities	**(44,012,694)**	(38,008,216)
Current liabilities	**(23,306,299)**	(36,117,779)
Net assets	**53,688,914**	50,823,197
Share capital (Note 42)	**8,434,771**	8,434,771
Reserves	**25,796,897**	21,497,372
Perpetual capital instruments	**19,457,246**	20,891,054
Total equity	**53,688,914**	50,823,197

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(c)) *RMB'000*	Statutory surplus reserve fund (Note 43(b)) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments (Note 44) *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	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 and 1 January 2019	8,434,771	1,788,736	13,892,820	–	1,681,992	4,133,824	29,932,143	20,891,054	50,823,197
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**5,863,420**	**5,863,420**	**1,088,955**	**6,952,375**
Issue of perpetual capital instruments, net of issuance cost (Note 44)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,500,000**	**3,500,000**
Dividends (Note 13)	**–**	**–**	**–**	**–**	**–**	**(1,518,259)**	**(1,518,259)**	**–**	**(1,518,259)**
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**744,168**	**(744,168)**	**–**	**–**	**–**
Interest paid on perpetual capital instruments (Note 44)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,058,343)**	**(1,058,343)**
Redemption of perpetual capital instruments	**–**	**–**	**(45,000)**	**–**	**–**	**–**	**(45,000)**	**(4,964,420)**	**(5,009,420)**
Actuarial loss on defined benefit obligations	**–**	**–**	**(636)**	**–**	**–**	**–**	**(636)**	**–**	**(636)**
Balance at 31 December 2019	**8,434,771**	**1,788,736**	**13,847,184**	**–**	**2,426,160**	**7,734,817**	**34,231,668**	**19,457,246**	**53,688,914**

54 EVENTS AFTER THE REPORTING PERIOD

After the outbreak of 2019 novel coronavirus pneumonia (COVID-19) in January 2020, China has implemented and continues to implement a number of prevention and control measures across the country.

As of the reporting date, it is difficult to accurately quantify or estimate the impact of COVID-19. The management will closely monitor the situation and continuously evaluate the corresponding impact of COVID-19 on the Group's operation, financial position and financial performance.

Save as the above and other matters outlined in the financial statements of the Group and other sections of the management discussion and analysis, there have been no other matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operation, results or financial position in future years.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019 *RMB'000*	2018 *RMB'000* (restated)	2017 *RMB'000* (restated)	2016 *RMB'000* (restated)	2015 *RMB'000* (restated)
Revenue	**253,403,375**	218,996,802	184,287,436	152,035,074	154,343,717
Cost of sales	**(176,813,417)**	(153,891,713)	(135,689,320)	(115,649,239)	(120,737,738)
Gross profit	**76,589,958**	65,105,089	48,598,116	36,385,835	33,605,979
Investment and other income, net	**4,296,774**	2,114,106	4,490,748	4,765,022	7,920,529
Selling and distribution costs	**(13,140,501)**	(11,536,082)	(10,442,875)	(9,364,351)	(9,157,441)
Administrative expenses	**(34,003,204)**	(26,751,350)	(18,746,638)	(16,005,257)	(14,501,707)
Finance costs, net	**(8,753,957)**	(10,741,152)	(10,951,257)	(10,837,898)	(12,627,569)
Share of profits of associates	**2,458,390**	2,006,451	1,032,763	765,417	360,568
Share of profits/(losses) of joint ventures	**733**	(4,881)	1,289	904	(13,059)
Profit before income tax	**27,448,193**	20,192,181	13,982,146	5,709,672	5,587,300
Income tax expense	**(9,019,265)**	(6,302,067)	(4,260,621)	(1,804,137)	(1,830,919)
Profit for the year	**18,428,928**	13,890,114	9,721,525	3,905,535	3,756,381
Profit for the year attributable to:					
Owners of the Company	**10,974,167**	7,931,744	4,884,440	1,581,854	1,777,727
Holders of perpetual capital instruments	**1,170,455**	980,882	652,530	527,103	325,592
Non-controlling interests	**6,284,306**	4,977,488	4,184,555	1,796,578	1,653,062
	18,428,928	13,890,114	9,721,525	3,905,535	3,756,381
Final dividend proposed	**2,952,170**	1,518,259	843,477	339,302	306,904

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
Total assets	**446,547,977**	436,489,688	454,103,833	444,686,099	435,104,092
Total liabilities	**(295,291,065)**	(300,562,311)	(329,615,155)	(333,497,039)	(328,061,342)
Perpetual capital instruments	**(20,785,279)**	(22,219,087)	(16,716,270)	(12,003,686)	(9,994,863)
Non-controlling interests	**(49,835,720)**	(41,886,694)	(43,711,379)	(40,738,750)	(40,036,438)
Equity attributable to owners of the Company	**80,635,913**	71,821,596	64,061,029	58,446,624	57,011,449