CNBM

China National Building Material Company Limited*

(Stock Code: 03323)

2020 Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December		
	2020	2019 (restated)	Growth rate
		(RMB in millions)	
Bank balances and cash	**29,718**	24,085	23.4%
Total assets	**456,378**	446,424	2.2%
Equity attributable to equity holders of the Company	**90,240**	80,451	12.2%

	For the year ended 31 December		
	2020	2019 (restated)	Growth rate
		(RMB in millions)	
Revenue	**254,762**	253,403	0.5%
Profit after tax	**21,645**	18,429	17.5%
Profit attributable to equity holders of the Company	**12,553**	10,975	14.4%
Net cash flows from operating activities	**64,230**	63,328	1.4%
Sales volume of cement and clinker *(in thousand tonnes)*	**388,795**	391,248	-0.6%
Sales volume of commercial concrete *(in thousand m^3)*	**111,527**	111,803	-0.2%
Sales volume of aggregate concrete *(in thousand tonnes)*	**78,907**	52,384	50.6%
Sales volume of gypsum board *(in million m^2)*	**2,015**	1,966	2.5%
Sales volume of glass fiber yarn *(in thousand tonnes)*	**2,884**	2,478	16.4%
Sales volume of wind power blade *(MW)*	**17,322**	10,829	60.0%
Revenue from engineering services *(RMB in millions)*	**39,915**	40,376	-1.1%
Average selling price of cement and clinker *(RMB per tonne)*	**320.9**	332.7	-3.5%
Average selling price of commercial concrete *(RMB per m^3)*	**458.6**	464.3	-1.2%
Average selling price of aggregate concrete *(RMB per tonne)*	**50.0**	59.1	-15.4%
Average selling price of gypsum board *(RMB per m^2)*	**5.28**	5.45	-3.1%
Average selling price of glass fiber yarn *(RMB per tonne)*	**4,650**	4,890	-4.9%
Average selling price of wind power blade *(RMB per MW)*	**761,844**	657,180	15.9%

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 Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Company's H Share Registrar in Hong Kong 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 2020, 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 2020), 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
Fu Jinguang

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
Li Jun
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:

Li Jun *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

Li Xinhua *(Chairman of the Supervisory Committee)*
Wang Yumeng
Guo Yanming
Wu Weiku *(Independent Supervisor)*
Li Xuan *(Independent Supervisor)*
Zeng Xuan *(Staff Representative Supervisor)*
Xu Qian *(Staff Representative Supervisor)*
Yu Yuehua *(Staff Representative Supervisor)*

Secretary of the Board	:	Yu Kaijun
Joint Company Secretaries	:	Yu Kaijun Lee Mei Yi (FCG, FCS)
Authorised Representatives	:	Cao Jianglin Yu Kaijun
Alternate Authorised Representative	:	Lee Mei Yi (FCG, FCS) (Au Hei Ki (ACG, ACS), 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 The PRC
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 The PRC DLA Piper Hong Kong 25/F Three Exchange Square 8 Connaught Place, Central Hong Kong The PRC

Corporate Information *(Continued)*

International Auditor	:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong The PRC
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 The PRC
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:

“14th Five-Year Plan”	the 14th Five-Year Plan for Economic and Social Development of the People’s Republic of China
“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 Resources Saving & Environmental 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 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 (Bengbu Triumph Engineering Technology Company Limited)
“Binzhou Cement”	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
“BNBM”	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
“BNBM PNG”	中建投巴新公司 (BNBM PNG Limited)
“BNBM Taicang”	太倉北新建材有限公司 (BNBM Taicang Company Limited)
“BNBMG”	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
“BNS”	北新科技發展有限公司 (BNS Company Limited)
“Board”	the board of directors of the Company
“Building Materials Academy”	中國建築材料科學研究總院有限公司 (China Building Materials Academy Co., Ltd.)
“Carbon Neutrality”	the offset of carbon dioxide emissions through afforestation, energy conservation and other channels in order to achieve “zero emissions” of carbon dioxide
“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)

Definitions *(Continued)*

"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
"Chengtong Financial"	北京誠通金控投資有限公司 (Beijing Chengtong Financial Investment Co., Ltd.)
"China Certification Group"	中國建材檢驗認證集團股份有限公司 (China Building Material Test & Certification Group 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 Standard Sand"	廈門艾思歐標準砂有限公司 (China ISO Standard Sand Co., Ltd.)
"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.)
"CO2 Emission Peak"	carbon dioxide emissions no longer increase and have reached the peak, then gradually fall back
"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.)
"Digital Cement"	Digital Cement

"Digital Qilianshan 2.0"	the establishment of a digital Qilianshan management and control system by Qilianshan with one-stop, closed-loop management combining people, capital and property with production, supply and demand through integration and interconnection of information systems
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"Forchn International"	富春國際有限公司 (Forchn International Co., Limited)
"Fukang Tianshan"	新疆阜康天山水泥有限責任公司 (Xinjiang Fukang Tianshan Cement Co., Ltd.)
"Golmud"	格爾木中材新能源電力有限公司 (Golmud Sinoma New Energy Power 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.)
"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

"HAZEMAG Germany"	HAZEMAG&EPR GmbH
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Huainan BNBM"	淮南北新建材有限公司 (Huainan Beixin Building Materials Co., Ltd.)
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
"Hunan Chinaly"	湖南中鋰新材料有限公司 (Hunan Chinaly New Material Co., Ltd.)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IAS"	International Accounting Standards
"IASB"	International Accounting Standards Board
"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.)

Definitions *(Continued)*

"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 (CNBM Environmental Protection Research Institute (Jiangsu) 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 Insulator"	中材江西電瓷電氣有限公司 (Sinoma Jiangxi Insulator and Electrics Co., Ltd.)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement 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)
"MES"	Manufacturing Execution System, a management system of information-based production aiming at execution on plant floors of manufacturers
"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)
"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 (China Non-metal Materials Mining Engineering Co., Ltd. (Nanjing))
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)

Definitions *(Continued)*

"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 layout" 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 2020 to 31 December 2020
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Saima Kejin"	寧夏賽馬科進混凝土有限公司 (Ningxia Saima Kejin Concrete Co., Ltd.)

"security in six areas"	security in the following six areas: employment, people's livelihoods, the development of market entities, food and energy security, the stable operation of industrial and supply chains and the smooth functioning of society
"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)
"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 (Shenzhen Science & Technology 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.)

Definitions *(Continued)*

"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)
"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)
"SRM"	Supplier Relationship Management
"stability on six fronts"	stability in the following six fronts: employment, finance, foreign trade, foreign investment, domestic investment and market expectations
"stability on three fronts, security in four areas and one enhancement"	stability on the three fronts: the stability of operation, industrial and enterprises; security in the four areas: the security of people's livelihood, major projects, production safety and high-quality development; one enhancement: the enhancement of Party building
"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 Sinoma Design and Research Institute of Non-metallic 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)
"two strivings"	striving for the continuous and rapid increase in the performance of most central enterprises and striving for the positive increase in the performance of central enterprises in general

Definitions *(Continued)*

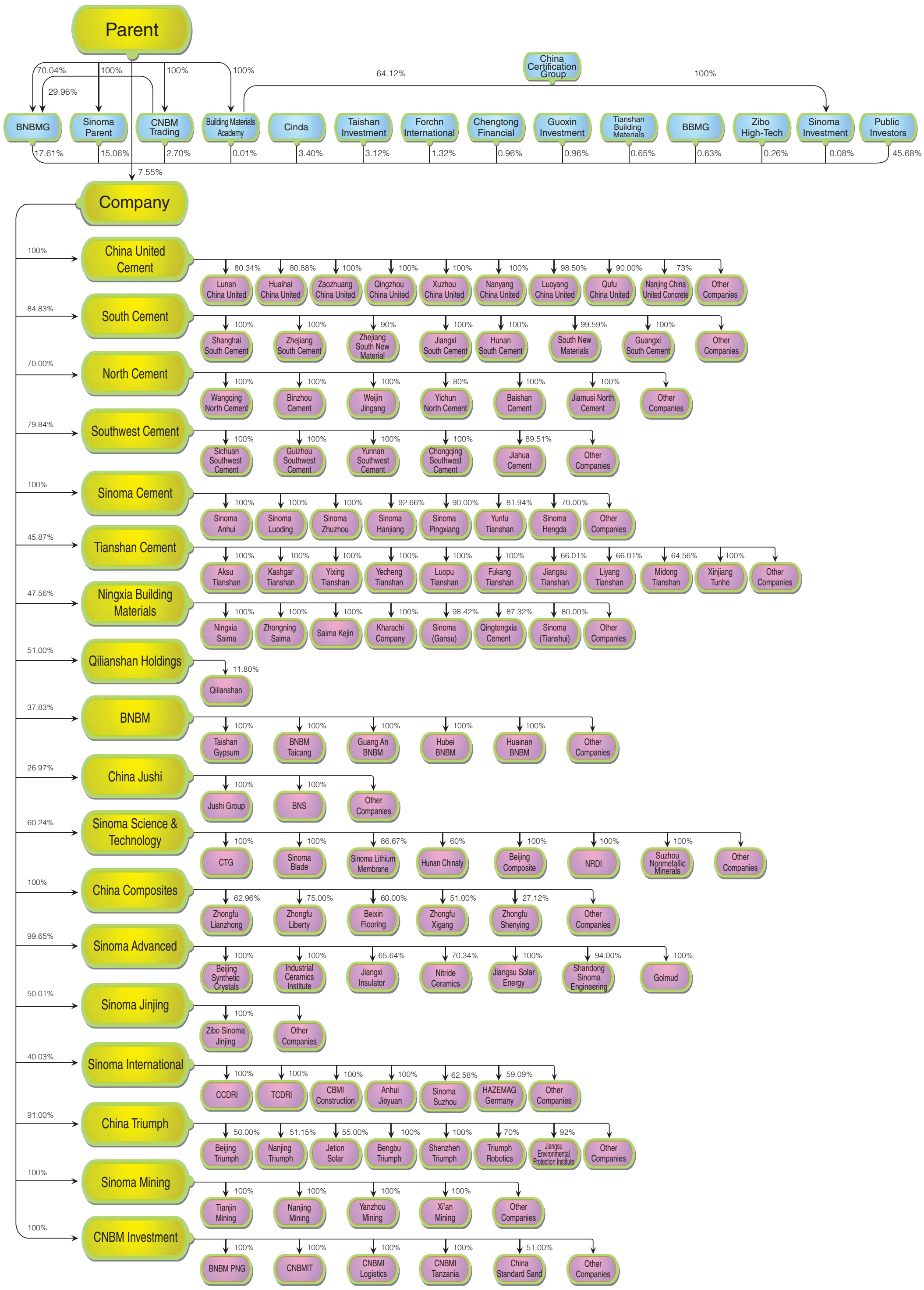
"Unlisted Foreign Shares"	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company
"Unlisted Shares"	the Domestic Shares and the Unlisted Foreign Shares
"Wangqing North Cement"	汪清北方水泥有限責任公司 (Wangqing North Cement Limited Liability Company)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"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.)
"Xinjiang Tunhe"	新疆屯河水泥有限責任公司 (Xinjiang Tunhe Cement Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yanzhou Mining"	兗州中材建設有限公司 (Sinoma Construction Yanzhou Co., Ltd.)
"Yecheng Tianshan"	葉城天山水泥有限責任公司 (Yecheng Tianshan Cement Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yixing Tianshan"	宜興天山水泥有限責任公司 (Yixing Tianshan Cement Co., Ltd.)
"Yunfu Tianshan"	中材天山(雲浮)水泥有限公司 (Sinoma Yunfu Tianshan Cement Co., Ltd.)

"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited*)
"Zhejiang South New Material"	浙江三獅南方新材料有限公司 (Zhejiang Sanshi South New Material Limited Company)
"Zhongfu Lianzhong"	連雲港中復連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd.)
"Zhongfu Liberty"	常州中復麗寶第複合材料有限公司 (Changzhou China Composites Liberty Co., Ltd.)
"Zhongfu Shenying"	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Co., Ltd.)
"Zhongfu Xigang"	威海中復西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd.)
"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 2020 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. The Parent indirectly holds 6.8 million H Shares of the Company through Building Materials Academy, accounting for 0.08% of the total share capital. Building Materials Academy directly holds 64.12% equity interest of China Certification Group, and indirectly holds 4.18% equity interest of China Certification Group through its wholly-owned subsidiaries Xianyang Ceramics Research & Design Institute Co., Ltd, Xi'an Research & Design Institute of Wall & Roof Materials Co., Ltd., and Qinhuangdao Glass Industry Research and Design Institute Company Limited. Building Materials Academy directly and indirectly holds 68.30% equity interest of China Certification Group in aggregate.

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. The Company indirectly held 4.6% equity interest of North Cement through South Cement.

7. The Company currently holds 696,394,828 shares of Sinoma International, accounting for 40.03% of the total equity of Sinoma International. Up to now, Sinoma International has not completed the industrial and commercial registration of capital reduction. Based on the total share capital of 1,737,646,983 shares after capital reduction, the Company holds 40.08% of Sinoma International.

8. In March 2021, an equity transfer agreement was signed between the Company, Sinoma Science & Technology and CTG, pursuant to which 50.01% equity interest of Sinoma Jinjing held by the Company was transferred to CTG. At the same time, an equity transfer agreement was signed between CTG and Shandong Jinjing Science & Technology Stock Co., Ltd., pursuant to which CTG would acquire 48.05% equity interest of Sinoma Jinjing held by the latter. After the acquisition, Sinoma Jinjing shall become a controlling subsidiary of CTG. Up to now, Sinoma Jinjing has not completed the industrial and commercial registration for the above equity transfer.

Financial Highlights

The summary of financial results of the Group for 2020 and 2019 is as follows:

	For the year ended 31 December	
	2020	2019 (restated)
	(RMB in thousands)	
Revenue	**254,761,813**	253,402,647
Gross profit	**66,809,272**	68,487,220
Profit after tax	**21,645,115**	18,428,626
Profit attributable to equity holders of the Company	**12,552,782**	10,974,963
Distribution made to the equity holders of the Company	**2,952,170**	1,518,259
Earnings per share-basic *(RMB)*(1)	**1.488**	1.301

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 2019 and the weighted average number of 8,434,770,662 shares for 2020.

	As at 31 December	
	2020	2019 (restated)
	(RMB in thousands)	
Total assets	**456,378,278**	446,424,390
Total liabilities	**291,197,468**	295,411,097
Net assets	**165,180,810**	151,013,293
Non-controlling interests	**56,303,532**	49,777,281
Equity attributable to equity holders of the Company	**90,240,101**	80,450,733
Net assets per share-weighted average *(RMB)*(1)	**10.70**	9.54
Debt to assets ratio(2)	**38.4%**	41.7%
Net debt ratio(3)	**88.0%**	107.4%

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 2019 and the weighted average number of 8,434,770,662 shares for 2020.

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

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

The major operating data of each segment of the Group for 2020 and 2019 are set out below:

CEMENT SEGMENT

China United Cement

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**63,594**	63,563
Production volume – clinker *(in thousand tonnes)*	**55,181**	55,230
Sales volume – cement *(in thousand tonnes)*	**56,716**	56,521
Sales volume – clinker *(in thousand tonnes)*	**12,308**	11,983
Average selling price – cement *(RMB per tonne)*	**353.9**	382.0
Average selling price – clinker *(RMB per tonne)*	**276.8**	314.1
Sales volume – commercial concrete *(in thousand m^3)*	**45,923**	47,508
Average selling price – commercial concrete *(RMB per m^3)*	**459.8**	472.9

South Cement

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**114,991**	116,049
Production volume – clinker *(in thousand tonnes)*	**98,234**	101,441
Sales volume – cement *(in thousand tonnes)*	**104,317**	103,824
Sales volume – clinker *(in thousand tonnes)*	**17,253**	19,116
Average selling price – cement *(RMB per tonne)*	**345.5**	343.2
Average selling price – clinker *(RMB per tonne)*	**326.4**	331.6
Sales volume – commercial concrete *(in thousand m^3)*	**54,656**	53,740
Average selling price – commercial concrete *(RMB per m^3)*	**478.2**	475.3

North Cement

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**18,284**	16,110
Production volume – clinker *(in thousand tonnes)*	**14,275**	13,302
Sales volume – cement *(in thousand tonnes)*	**17,784**	15,752
Sales volume – clinker *(in thousand tonnes)*	**2,731**	2,419
Average selling price – cement *(RMB per tonne)*	**274.5**	296.8
Average selling price – clinker *(RMB per tonne)*	**246.8**	256.0
Sales volume – commercial concrete *(in thousand m^3)*	**3,841**	3,426
Average selling price – commercial concrete *(RMB per m^3)*	**341.7**	342.2

CEMENT SEGMENT *(CONTINUED)*

Southwest Cement

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**86,967**	91,078
Production volume – clinker *(in thousand tonnes)*	**73,310**	73,932
Sales volume – cement *(in thousand tonnes)*	**86,981**	91,603
Sales volume – clinker *(in thousand tonnes)*	**5,259**	4,542
Average selling price – cement *(RMB per tonne)*	**287.7**	309.2
Average selling price – clinker *(RMB per tonne)*	**239.8**	265.5
Sales volume – commercial concrete *(in thousand m^3)*	**885**	1,060
Average selling price – commercial concrete *(RMB per m^3)*	**308.4**	344.2

Sinoma Cement

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**22,034**	21,930
Production volume – clinker *(in thousand tonnes)*	**19,813**	21,015
Sales volume – cement *(in thousand tonnes)*	**21,790**	21,775
Sales volume – clinker *(in thousand tonnes)*	**2,547**	4,318
Average selling price – cement *(RMB per tonne)*	**370.3**	357.8
Average selling price – clinker *(RMB per tonne)*	**314.0**	330.2
Sales volume – commercial concrete *(in thousand m^3)*	**590**	730
Average selling price – commercial concrete *(RMB per m^3)*	**458.5**	464.5

Tianshan Cement

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**17,592**	16,570
Production volume – clinker *(in thousand tonnes)*	**16,282**	16,453
Sales volume – cement *(in thousand tonnes)*	**17,597**	16,638
Sales volume – clinker *(in thousand tonnes)*	**3,857**	4,849
Average selling price – cement *(RMB per tonne)*	**376.1**	435.0
Average selling price – clinker *(RMB per tonne)*	**274.1**	278.6
Sales volume – commercial concrete *(in thousand m^3)*	**2,144**	2,049
Average selling price – commercial concrete *(RMB per m^3)*	**370.9**	424.7

CEMENT SEGMENT *(CONTINUED)*

Ningxia Building Materials

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**14,618**	14,351
Production volume – clinker *(in thousand tonnes)*	**13,198**	12,586
Sales volume – cement *(in thousand tonnes)*	**13,833**	13,544
Sales volume – clinker *(in thousand tonnes)*	**2,032**	1,698
Average selling price – cement *(RMB per tonne)*	**276.6**	265.1
Average selling price – clinker *(RMB per tonne)*	**187.5**	209.1
Sales volume – commercial concrete *(in thousand m^3)*	**1,885**	1,772
Average selling price – commercial concrete *(RMB per m^3)*	**326.8**	322.7

Qilianshan

	For the year ended 31 December	
	2020	2019
Production volume – cement *(in thousand tonnes)*	**22,985**	21,294
Production volume – clinker *(in thousand tonnes)*	**18,573**	17,787
Sales volume – cement *(in thousand tonnes)*	**23,245**	21,283
Sales volume – clinker *(in thousand tonnes)*	**545**	1,383
Average selling price – cement *(RMB per tonne)*	**297.4**	280.3
Average selling price – clinker *(RMB per tonne)*	**216.3**	204.0
Sales volume – commercial concrete *(in thousand m^3)*	**1,603**	1,518
Average selling price – commercial concrete *(RMB per m^3)*	**388.6**	381.8

NEW MATERIALS SEGMENT

BNBM

	For the year ended 31 December	
	2020	2019
Gypsum board – BNBM		
Production volume *(in million m^2)*	**384.6**	356.6
Sales volume *(in million m^2)*	**386.6**	361.3
Average selling price *(RMB per m^2)*	**7.32**	7.37
Gypsum board – Taishan Gypsum		
Production volume *(in million m^2)*	**1,571.0**	1,563.1
Sales volume *(in million m^2)*	**1,549.1**	1,533.6
Average selling price *(RMB per m^2)*	**4.84**	5.07

NEW MATERIALS SEGMENT *(CONTINUED)*

China Jushi

	For the year ended 31 December	
	2020	2019
Glass fiber yarn		
Production volume *(in thousand tonnes)*	**1,913**	1,854
Sales volume *(in thousand tonnes)*	**1,989**	1,632
Average selling price *(RMB per tonne)*	**4,380**	4,638

Sinoma Science & Technology

	For the year ended 31 December	
	2020	2019
Glass fiber yarn		
Production volume *(in thousand tonnes)*	**677**	703
Sales volume *(in thousand tonnes)*	**785**	744
Average selling price *(RMB per tonne)*	**5,407**	5,585
Wind power blade		
Production volume *(MW)*	**12,369**	8,218
Sales volume *(MW)*	**12,343**	7,941
Average selling price *(RMB per MW)*	**727,348**	641,927

China Composites

	For the year ended 31 December	
	2020	2019
Wind power blade		
Production volume *(MW)*	**5,528**	2,850
Sales volume *(MW)*	**4,979**	2,888
Average selling price *(RMB per MW)*	**847,361**	699,119

Chairman's Statement

Dear shareholders,

2020 was an extraordinary year, faced with severe and complicated domestic and international environment, especially the serious impact from COVID-19. China adhered to the general keytone of striving for progress while maintaining stability, coordinated epidemic prevention and control and economic and social development, realized stable recovery of economic operation, and achieved favourable results in major goals and tasks. China recorded a year-on-year increase of 2.3% in the gross domestic product, a year-on-year increase of 2.9% in the fixed asset investment, a year-on-year increase of 0.9% in the infrastructure investment, and a year-on-year increase of 7.0% in the real estate development investment. Our building materials has achieved positive results in the overall advancement of epidemic prevention and control and the resumption of work and production. Throughout the year the overall industry has operated in a steady manner, achieved stable and rising benefits, and made comprehensive improvement in both the quality and benefits.

Mr.Cao Jianglin
Chairman
Executive Director

Chairman's Statement

In 2020, the Group has overcome the impact of COVID-19 pandemic and demand fluctuation, maintained its determination, took the initiative to adjust, plan and deploy, and focused on "stability on six fronts" ("六穩"), "security in six areas" ("六保"), "stability on three fronts, security in four areas and one enhancement" ("三穩四保一加強") and "two strivings" ("兩個力爭") to do a good job in various work such as epidemic prevention and control, operation and management, deepening reform, innovation and transformation and Party building. The Group has implemented the epidemic prevention and control work resolutely and effectively, supported the frontline, stabilized production and supply, and secured the industrial chain. The Group has carried out "management of three delicacies" ("三精管理") firmly and steadily, insisted on improving operating efficiency, optimized industry ecology, improved sales quality, and strengthened internal coordination; insisted on enhancing refined management, consolidated basic management, strengthened quality brand building, and accelerated digital transformation; insisted on streamlining the organizational structure, focused on special actions, streamlined administration with high-efficiency attributes, and enhanced risk prevention and control. The Group has consistently deepened pilot reform, consolidated the market-oriented operation mechanism, and advanced the business integration in an orderly manner in accordance with the principle of business refocusing. The Group has put efforts in innovation and transformation work in the same direction, promoted business model innovation, achieved major breakthroughs in technology research, and created new value through industrial upgrading. The Group has continuously strengthened the building of the Party, in combination with the operation, effectively transformed the advantages of the Party building into governance efficiency, and led the high-quality development by high-quality Party building. In 2020, the Group's consolidated operating revenue amounted to RMB254,762 million, representing a year-on-year increase of 0.5% whereas the profit attributable to equity holders of the Company amounted to RMB12,553 million, representing a year-on-year increase of 14.4%.

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, and our achievements were hard earned. 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 2020 Annual Report and major results to you.

In 2021, the world economic situation is still complex and severe with unbalanced and unstable recovery, and all kinds of derivative risks caused by the impact of COVID-19 pandemic cannot be ignored. The foundation of economic recovery in China is not yet solid, and the task of industry transformation and upgrading is arduous. China's macro policies should be continuous, stable and sustainable, and necessary support for economic recovery should be maintained. The strategy of expanding domestic demand should be combined with the supply side structural reform, based on domestic big circulation as well as the dual circulation of domestic and international, to realise the high-level dynamic balance where the demand drives supply while supply creates demand. China is still developing in its important period with strategic opportunities, during which CO2 Emission Peak and Carbon Neutrality are included in key tasks and environmental protection is expected to maintain a continuous increasing trend. It will provide important basic support for the development of the industry and the Group.

In the new year, the Group will actively grasp the strategic opportunity of building a new development pattern and expanding domestic demand in the first year of the 14^{th} Five-Year Plan. It will also make full preparations to meet difficulties, strive to foster opportunities in crisis and open up new situations in changing situations. It will take promoting high-quality development as the theme, and supply side structural reform as the main line, and drive, enable, promote and lead the development by innovation, reform, internationalisation and Party building, respectively. It will promote the development of basic building materials and engineering services, and accelerate the optimization and upgrading of the industry. It will vigorously promote the development of new materials business, so as to create an advantageous industrial cluster. In the new year, the Group will continue to unswervingly accelerate the cultivation to become a world-class comprehensive building materials and new material industry group with global competitiveness, enhance competitiveness, innovation capability, control, influence, and ability to resist risks, and make greater contributions to promote the strategic support role of state-owned economy and comprehensively build a modern socialist country, sparing no efforts to repay the Shareholders and the society.

Cao Jianglin
Chairman

Beijing, the PRC
26 March 2021

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	85.10%
	Aggregate	North Cement	70.00%
		Southwest Cement	79.93%
		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	China Composites	100%
	Lithium battery separator	Sinoma Advanced	99.65%
		Sinoma Jinjing	50.01%
Engineering services	Design and engineering EPC services:	Sinoma International	40.03%
	Cement production lines	China Triump	91.00%
	Glass production lines	Sinoma Mining	100%

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. On 1 March 2021, the Company signed the Equity Transfer Agreement in relation to South Cement Company Limited with Hu Zhaojuan, pursuant to which, the Company agreed to received the 0.27239% of equity interest in South Cement held by Hu Zhaojuan. The shareholding of the Company in South Cement increased from 84.82895% to 85.10134%. On 11 March 2021, South Cement has completed the change of business registration of the above transfer.

3. On 26 February 2021, the Company signed the Equity Transfer Agreement with Fang Jiancheng, pursuant to which the Company agreed to receive the 0.08576% of equity interest in Southwest Cement held by Fang Jiancheng. The shareholding of the Company in Southwest Cement creased from 79.84278% to 79.92845%. On 26 February 2021, Southwest Cement has completed the change of business registration of the above transfer.

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

5. The Company indirectly held 4.6% equity interest of North Cement through South Cement.

6. The Company currently holds 696,394,828 shares of Sinoma International, accounting for 40.03% of the total equity of Sinoma International. Up to now, Sinoma International has not completed the industrial and commercial registration of capital reduction. Based on the total share capital of 1,737,646,983 shares after capital reduction, the Company holds 40.08% of Sinoma International.

7. In March 2021, the Equity Transfer Agreement was signed between the Company, Sinoma Science & Technology, and CTG, pursuant to which 50.01% equities of Sinoma Jinjing held by the Company was transferred to CTG, At the same time, the Equity Transfer Agreement was signed between CTG and Shandong Jinjing Technology Co., Ltd., pursuant to which CTG would acquire 48.05% equity of Sinoma Jinjing held by the latter. After the acquisition, Sinoma Jinjing shall become a controlling subsidiary of CTG. So far, Sinoma Jinjing has not completed the registration of industrial and commercial changes for the above equity transfer.

Management Discussion and Analysis

Mr.Peng Shou
President
Executive Director

In 2020, the sales volume of cement and clinker of the Group decreased 0.6% year-on-year to 389 million tonnes, the sales volume of commercial concrete decreased by 0.2% year-on-year to 112 million cubic metres, the sales volume of aggregate concrete increased by 50.6% year-on-year to 79 million tonnes, the sales volume of gypsum board increased by 2.5% year-on-year to 2,015 million square metres, the sales volume of glass fiber increased by 16.4% year-on-year to 2.88 million tonnes and the sales volume of wind power blade increased by 60.0% year-on-year to 17,322 MW. The revenue from engineering services amounted to RMB39,915 million, representing a decrease of 1.1% year-on-year. The revenue of the Group amounted to RMB254,762 million, representing an increase of 0.5% year-on-year. Profit attributable to equity holders of the Company amounted to RMB12,553 million, representing an increase of 14.4% year-on-year.

CEMENT SEGMENT

In 2020, China has strengthened the counter cyclical adjustment of macro policies, launched a series of policy measures in stages, rhythmically and pertinently, and effectively overcome the adverse effects of pandemic and strong rainy season. The indexes of fixed asset investment, real estate investment and infrastructure investment have risen significantly, and the cement market has been characterized by "rapid decline, swift recovery and being stabilized". The national clinker production amounted to 1.58 billion tonnes, hitting a new record high, representing a year-on-year increase of 3.1%, and the national cement production amounted to 2.40 billion tonnes, representing a year-on-year increase of 2.5%, maintaining a high level. Regional differentiation still existed, the production in southern China maintained relatively stable at a high level, and the production in northern region recorded a positive year-on-year growth. (Data source: NBS)

In 2020, the Ministry of Industry and Information Technology (MIIT) released the Q&A on the Implementation of the Latest Measures on Capacity Replacement in the Cement and Glass Industry, consulted on the Implementation Method for Capacity Replacement in the Steel, Cement and Glass Industry (revised draft), increased the proportion of capacity replacement, and set out strict quotas on capacity replacement. The Ministry of Ecology and Environment carried out performance grading on the cement industry and imposed different shutdown restrictions on cement and clinker production lines, grinding stations and hazardous wastes treatment enterprises in response to the severely polluted weather during the yellow, orange and red warning periods. The MIIT and the Ministry of Ecology and Environment issued the Notice on Further Implementation of the Normalization of Cement Off-peak Production, strengthened the responsibility and consolidated the normalization mechanism of avoiding production in peak time. The dynamic balance of market supply and demand has been achieved through off-peak production, production restriction for environmental protection, shutdown in heavy-polluted weather, industry self-discipline and other measures. In 2020, the total profit of the cement industry amounted to RMB183.3 billion, maintaining a steady development trend. However, the progress of industry decapacity was slow, local regional supply rebounded, long-distance clinker transportation brought market instability, and the supply-side structural reform remained the major task. (Sources: NBS, MEE, MIIT and Digital Cement)

In 2020, the Group has grasped the industry demand change and development trend, deepened the supply-side structural reform which promoted off peak production implement and practised shutdown of outdated production facilities, reduction and replacement to optimize the industry ecology, and strived to build an industry ecosystem. With the transformation and upgrading as well as layout optimization, the Group has deeply implemented "Cement+" model, continuously promoted the transformation into high-end, intelligent and green. The Group has continuously promoted the "management of three delicacies", and adhered to enhancing operations, refining management and improving organisational efficiency to constantly improve the quality of development. The Group has promoted Tianshan Cement in an orderly manner to issue shares or purchase target assets in cash and raise supporting funds, and further optimized the allocation of resources. As at the end of 2020, the production capacity of cement reached 514 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

China United Cement

China United Cement has strengthened the situation analysis, enhanced the ideology of "PCP", firmly implemented off-peak production and the alleviation of PVC clinker, guided the orderly supply of the market, and strengthened the maintenance of market ecology; deepened the "Cement+" integrated collaborative operation, taken increasing the sales of commercial concrete and aggregate as the starting point, further penetrated the terminal market, and changed the pattern of homogeneous competition.

China United Cement has strengthened the research of technical process, optimized the proportion of ingredients, replaced the use of materials to reduce the cost of materials; optimized the function of platform procurement, implemented procurement in a transparent way, increased the intensity of centralized coal procurement to reduce the cost of procurement; innovated the financing mechanism, adjusted the debt structure, reasonably formulated the capital turnover plan, and strengthened the centralized management of internal funds to reduce the cost of capital; further improved the method of sharing excess profits and fully implemented the salary management system based on the post value contribution.

China United Cement has strengthened the implementation of "Cement+" strategy, realized more than 100 million tonnes of aggregate production capacity, accelerated aggregate resource reserve, and created a core profit area; strengthened intelligent and green construction to promote technology upgrading, and deeply carried out green mine construction to accelerate the transformation of production mode; strengthened the implementation of comprehensive utilization project, and enhanced the collaborative disposal capacity of cement kiln. As at the end of 2020, the production capacity of cement reached 104 million tonnes.

South Cement

South Cement has continued to promote the supply-side structural reform of the industry, unswervingly put restrictions on new production capacity, and promoted off-peak production by stages; implemented the overall coordination of clinker resources along the river and coastal areas; overcome the impact of pandemic and strong rainy season, and strengthened market planning to stabilize the market, the price and its market share.

South Cement has organized energy-saving technological transformation, and strengthened management system in a systematic manner to realise continuous decrease in comprehensive coal consumption and power consumption; given full play to the advantages of direct-supply coal, promoted market-oriented electricity trading, and grasped strategic procurement and collaborative procurement of resources, so as to reduce procurement costs; standardized basic financial management, made significant effect in fund management, and reduced the financing costs; promoted pilot reform of mixed ownership and trial of excessive profit sharing rights, and vigorously practised the professional manager system.

The key cement optimization and upgrading projects have made smooth progress, and the smart production lines of Huaikan South Cement and Deqing South Cement pilot projects have been put into operation. The commercial concrete business has made progress in project restructuring, made positive progress in the optimization and upgrading of the project, and continuously optimized the layout. The construction of aggregate project and the acquisition of mine resources were carried out smoothly. As at the end of 2020, the production capacity of cement reached 140 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

North Cement

North Cement has actively responded to the complexity of the market situation in Northeast China and the instability of the repeated pandemic, accelerated the supply-side structural reform, resolutely implemented the off-peak production, practiced the ideology of "PCP", and maintained the industry ecology. It actively recognized and responded to the changes, strengthened the market analysis, and adjusted the marketing strategy decisively, sparing no efforts to expand the market share.

North Cement has carried out the integrated management mode of production and marketing, given full play to the advantages of local resources, improved the capability to flexibly respond to market changes. It has strengthened production management, centralized procurement management, and promoted the development of logistics. It has put more efforts on the collection of receivables by establishing a long-term mechanism for clearing receivables.

The new products jointly developed such as medium heat cement, road cement, nuclear power cement and oil well cement, have been applied in large quantities in airport, water conservancy, highway, Daqing Oilfield and other projects. As at the end of 2020, the production capacity of cement reached 36.9 million tonnes.

Southwest Cement

Southwest Cement has actively responded to the challenge of pandemic and new production capacity, deeply practiced the ideology of "PCP", resolutely implemented off-peak production, promoted regional market linkage, promoted market rebalancing, and improved market ecology. It has optimized market structure, excavated key projects, key customers and civil markets, given full play to the advantages of industrial chain, promoted "Cement +" one-stop marketing mode, and consolidated the market share.

Southwest Cement has adhered to lean production, promoted management improvement with benchmarking against top enterprises, formulated annual improvement plans for key areas, important factories and key indicators. It has promoted digital centralized procurement and information process control, improved the construction of digital warehouse, and implemented procurement in a transparent and accurate way.

Southwest Cement has accelerated industrial upgrading with the whole industrial chain of "green intelligent cement production line + commercial concrete + aggregate". It has given full play to Jiahua brand and R&D advantages to innovate the integrated business model of "R&D, deployment and technical service" for special cement. It has accelerated the breakthrough in core technology, successfully solved certain technical problems such as shale gas cementing materials and high-temperature cementing materials. It has organized to tackle technical problems of Sichuan-Tibet railway, and made a breakthrough in the experiment of the application of low heat portland cement in plateau environment concrete. For the first time, the micro expansion low heat portland cement has been applied in Wudongde and Baihetan Hydropower Stations. As at the end of 2020, the production capacity of cement reached 121 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Sinoma Cement

Sinoma Cement has strived to overcome the impact of pandemic and strong rainy season, consolidated the foundation of supply-side structural reform, practiced the ideology of "PCP", adhered to off-peak production. It has closely tracked market changes, stabilized operation and ecology, grasped key projects and core market, and continuously improved its profitability through stable price, expanded quantity and steady market share.

Sinoma Cement has improved the whole factors of management system in a systematic manner, comprehensively improved the operation quality. It has focused on lean production, continuous increased investment in technological transformation and R&D. It has comprehensively optimized and upgraded the bidding and procurement system for procurement optimization and upgrading. The fund management and control has reduced fees and increased efficiency, and the fund settlement center has been successfully launched in sound operation, which comprehensively improved the fund utilization efficiency.

Sinoma Cement has comprehensively implemented "Cement+" strategy, expanded the construction of Sinoma Anhui prefabricated building project in an orderly manner, and further extended the industrial chain. It has made progress in the sludge co-processing and fly ash disposal projects in an orderly manner. It has made new breakthroughs in the internationalization strategy. Zambia companies have deepened their localized operations, optimized marketing strategies, expanded market share, and significantly improved management efficiency. As at the end of 2020, the production capacity of cement was 25.01 million tonnes.

Tianshan Cement

Tianshan Cement has actively responded to the adverse effects of repeated rounds of the pandemic in Xinjiang, coordinated the deployment of production and marketing convergence, promoted the capacity replacement of calcium carbide slag clinker production, maintained the industry ecology, and achieved new heights within Xinjiang. Faced with the impact of various factors such as the pandemic, strong rainy season and oversea clinker, Tianshan Cement has quickly adjusted its marketing strategy in Jiangsu market, increased cement sales and reduced clinker exports.

Tianshan Cement has implemented the concept of "benchmarking against top enterprises" throughout the whole process of operation and management, reduced its size of institution and achieved refinement so as to improve organizational efficiency. It also improved management refinement, deepened benchmarking, strengthened performance appraisal, and actively took measures to reduce costs and increase efficiency. The Company also strengthened comprehensive budget management, refined management and idle assets clearing, and further optimized asset structure. It implemented the separation of bidding and purchase, centralized procurement mode, actively respond to the price increase of raw coal and freight, and focused on intensive cultivation to control costs. It has continuously innovated the sales model, and realized the "one-click" sales of cement on the e-commerce platform.

Tianshan Cement has intensified the construction of green and digital factory, initiated the transformation of unattended system of truck scales, effectively improved efficiency and personnel optimization. It has practiced the concept of green environmental protection and made renovation in environmental protection processes and equipment. It has further enhanced the cooperative disposal capacity of cement kilns. As at the end of 2020, the production capacity of cement was 37.96 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Ningxia Building Materials

Ningxia Building Materials has taken the initiative to recognize and respond the changes, implemented both the prevention and control of the pandemic and the resumption of production. It has resolutely implemented off-peak production, maintained stable market health and ecology, cooperated with internal enterprises, increased online marketing, and consolidated the market share.

Ningxia Building Materials has continuously promoted "three fine management + three chain integration + intelligent manufacturing", improved the development and utilization of digital management platform, enhanced fine management and labor productivity, and continuously promoted the construction of digital "shared factories". It has enhanced the external promotion and application of the "Finding Car" (我找車), a network freight platform, with 370 thousand vehicles having joined the network. It has solved the pain point of the industry through the normal operation of the automatic loading robot system for bagged cement.

Ningxia Building Materials has comprehensively built an "intelligent, green and high-end" production line. The second generation of new dry high-standard demonstration line in Hongsibao has been ignited and put into production, enabling transformation and upgrading to reach a new level. It has steadily implemented the "Cement +" strategy, given full play to the combined advantages of "oil well cement + cementing materials" and increase market development. As at the end of 2020, the production capacity of cement was 21 million tonnes.

Qilianshan

Qilianshan has deeply practiced the operating ideology of "PCP", effectively prevented and controlled the COVID-19 pandemic, and maintained stable market share with rise in both volume and price. It has continuously practiced the supply-side structure reform, strictly advocated off-peak production and actively maintained the ecology of cement industry in Gansu and Qinghai regions.

Qilianshan has focused on technological progress, increased production and reduced consumption, actively strived for direct power supply policy, and strengthened the cost control project for all employees and all factors. It has further optimized the business and finance integration system (ERP) and intelligent internal control collaborative office system (BPM), continuously built the "Digital Qilianshan 2.0" and build a digital Qilianshan management and control system with a closed-loop management that people and property integrated with production, supply and marketing. It has promoted the construction of Qilianshan cement mall, with cement products on-line sales rate of more than 90%.

Qilianshan has practiced the "Cement+" development strategy and established an integrated operation and management system. It has utilized existing mine resources, actively sought new mineral resources and expanded aggregate business. It has firmly implemented the green development and promoted the transformation of production into green intelligence. As at the end of 2020, the production capacity of cement was 28 million tonnes.

NEW MATERIALS SEGMENT

BNBM

BNBM has made every effort to fight against the pandemic, assisted with the construction and expansion of the anti-pandemic hospital and reconstruction and expansion project at the shortest time. It has put efforts on both the anti-pandemic work and business operation, achieved all production and operation targets beyond expectations, and realised a new record high in its operating performance.

BNBM has comprehensively implemented the strategy of "one body, two wings and global layout", further consolidated the advantage of being the world's No. 1 in gypsum board business, and made a good job in "gypsum board +" supporting system business. Through two-wheel drive by new plants addition and acquisition, it has accelerated the business development, and steadily promoted the business layout. It has deepened the reorganization and integration of waterproof business, and implemented the "integrated management and regional operation". It has initiated coatings business steadily, been well positioned for its strategic layout, and actively cultivated new performance growth points.

BNBM has continued to implement the policy of one person with multiple posts and one post with multiple abilities, and further promoted the construction of "80-person base" and "50-person factory". It has carried out benchmarking management in an all-round way to reduce costs and improve product quality. It has comprehensively implemented the reform of market-oriented operating mechanism, and enterprises at the same level has taken the lead in carrying out the tenure system and contractual management of managers, and strengthened the assessment of managers and employees' competence.

China Jushi

China Jushi has actively responded to overseas pandemics and the complex situation of trade, adjusted the structure, controlled production capacity, stabilized the market and restored price, and promoted the healthy development of the fiberglass market. It has deeply practiced "management of three delicacies", made structural adjustment swiftly, and achieved a record new high of the proportion of high-end products. It has achieved cost savings through multiple sides, and realized steady growth in business performance.

China Jushi has continued to lead in intelligent manufacturing. The second phase of intelligent manufacturing at Tongxiang headquarter intelligent manufacturing base has commenced construction in an all-round way. Chengdu intelligent manufacturing base with an annual production capacity of 250,000 tonnes of fiberglass has been fully put into operation with continuous construction of digital factories. It has actively promoted scientific and technological innovation, E9 ultra-high modulus glass fiber has been officially released, and it has realized the stable production of tank kiln. It has vigorously promoted independent innovation, promoted the construction of domestic production lines, and mastered key core technologies.

China Jushi has steadily pushed forward international development to support the transnational business model of "supplying domestic market with domestic production and supplying oversea market with oversea production"; paid close attention to the frontier information of overseas market, track the dynamic of customer operation, and allocate orders reasonably according to the capacity structure.

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Science & Technology

Sinoma Science & Technology has seized the market opportunity in the blade business, released the main blade production capacity, seized the leading position in the market, expanded the proportion of high-end products, and achieved significant growth in operating performance. It has intensified scientific and technological innovation, and successfully installed the Sinoma85.6 offshore all-glass fiber blades that was independently researched and developed with the largest single MW, achieving a significant breakthrough in the mass production of onshore low-cost main blades.

Sinoma Science & Technology has actively adjusted market structure and product structure in fiberglass business, and achieved growth against the trend in production, sales and profit under the background of the global pandemic impact and increased risk challenges. It has steadily promoted the construction of high-end production capacity, and Manzhuang New Area 90,000 tonnes of high-performance glass fiber, 40,000 tonnes of alkali-resistant glass fiber production line have been put into operation. It has adhered to the independent research and development and innovation of core technologies, and low-dielectric glass fiber and super spun yarn have entered the downstream customer testing program successfully with qualification for small batch production.

Regarding the lithium diaphragm business, under the guidance of "focusing on R&D, expanding production capacity, ensuring quality and reducing costs", Sinoma Science & Technology has put efforts on external marketing and internal production and R&D, accelerated the release of production capacity, and made great improvement in the yield and production efficiency of main products. It has made its presence in overseas high-end markets and realized batch supply for important customers. It has completed the research and development of new products such as ultra-thin diaphragm, high-strength base material, high-porosity low-permeability diaphragm and oxidation-resistant diaphragm, and took the lead in batch supply of 7-micron high-end products.

China Composites

China Composites has coordinated the promotion of pandemic prevention and control as well as production and operation, comprehensively practiced the "management of three delicacies", further promoted special reduction program, continuously improved product quality, achieved growth in both volume and price, and achieved a record new high in business performance. It has seized opportunities in the wave of installment, focused on the main business, optimized the product structure, accelerated the construction of offshore wind power and low wind speed projects, made its presence in 8MW+ offshore blade industry platform, and successfully put into operation the offshore blade project with integrated wind power technology.

China Composites has continuously optimized the industrial layout of carbon fiber projects, the construction of Xining 10,000-tonne carbon fiber project has advanced in an orderly manner, and the first carbonization line has been put into trial production. It has intensified technical research, successfully solved the micro-control problem of ultra-high strength T1000G carbon fiber defects, and achieved 100-tonne engineering. The key technology and application of industrialization of Zhongfu Shenying 1,000-tonne dry-jet wet-spinning high-strength/medium-modulus carbon fiber won the "China Grand Awards for Industry".

China Composites has improved the level of informatization and intelligence, combined 6S management concept, implemented and promoted MES, built and completed SRM intelligent supply chain project to ensure product quality stability and process control.

NEW MATERIALS SEGMENT *(CONTINUED)*

Sinoma Advanced

Sinoma Advanced not only secured domestic key power transmission and transformation projects for its electroceramic products, but also developed overseas markets against the trend, and achieved continuous increase for its market share in the State Grid UHV projects. The first production line of silicon nitride ceramic products with an annual output of 100 tonnes has been successfully put into operation in China, in which the hot isostatic pressing sintered silicon nitride ceramic balls filled the gap of high-end products in China. It has built a scientific and technological innovation platform and created cluster effect, and Ceramics Institute (Shandong) mass entrepreneurship and innovation base has shown its vitality. It has continuously deepened the reform work. Sinoma Advanced completed the signing of the contract for all levels of operation and management personnel, and Nitride Ceramics has completed the initial capital contribution for equity incentive, and Jiangxi Insulator has established the system for the holding employee representatives to attend the meetings of the Board.

ENGINEERING SERVICES SEGMENT

Sinoma International

Sinoma International has made every effort to resolve the impact of the pandemic and fluctuations in demand, insisted on promoting the normalized prevention and control of the pandemic and comprehensive resumption of work and production, and achieved stable and orderly production and operation. The newly signed contracts have remained stable, and practical actions have been taken to promote the stability of the global industrial chain and smooth supply chain.

Sinoma International has enabled high-quality development by scientific and technological innovation, adhered to independent innovation and green development, and won the "China Grand Awards for Industry". It has deepened the digital and intelligent transformation, independently developed the industrial Internet empowerment and service platform, provided customers with full-cycle digital services, delivered digital twin factory solutions, and led the new development trend of the industry. It has given full play to the technical advantages, assisted the factory to save energy and reduce emissions, and successfully achieved the ultra-low emission targets of the cement industry through its benchmarking Huaikan South Cement Project.

Sinoma International has completed the signing of contractual contracts for managers at all levels, and accelerated the release of reform vitality. It has made positive progress in business restructuring, expanded its business scale and influence in cement, mining engineering as well as operation and maintenance sector, and further improved the core industrial chain.

ENGINEERING SERVICES SEGMENT *(CONTINUED)*

China Triumph

China Triumph has centred on new glass materials as the main business, vigorously developed the "four new" industries in new glass, new materials, new energy and new equipment, and implemented the overseas investment strategy by leading the world in glass technology and equipment, continuing to increase its market share in high-end glass technology, and entering into the forefront of new energy business in the world.

China Triumph has led the upgrading of glass engineering, and received recognition from European and American glass industry giants for its technical strength, and further enhanced the global influence of float glass technology of China. Vietnam's first ultra-white float glass production line was put into production. It has continued to promote green development for its new energy projects, and completed and put into operation the cadmium telluride thin diaphragm power generation glass production line project with an annual output of 300 MW. It has taken the agricultural transformation in the new era as an opportunity to develop the facility agriculture project, formed a unique new infrastructure and efficient facility agriculture system, and built the "super intelligent vegetable factory" with sustainable production, which met the global standards for high-quality agricultural products. It has actively expanded the environmental protection market for its energy conservation and environmental protection engineering, presented various bright spots in low-carbon development, and made multiple breakthroughs in overseas and cross-industry markets. It has made transformation and upgrade for its equipment manufacturing, stabilized the traditional glass equipment market, intensified the efforts on the transformation of intelligent workshops, and constantly improved the equipment manufacturing level and technical strength.

Sinoma Mining

Sinoma Mining has focused on both production and operation as well as pandemic prevention and control, and made remarkable results in the implementation of enhancing the main business and emphasizing the synergy. The number of newly signed contracts has reached a record new high and the operating performance has reached the best in history. It has practiced the concept of green development, maintained its leading place in technology, image and standards, and achieved new results in project image and green mine construction. It has solidly pushed forward the "management of three delicacies", and took new steps in high-quality development.

FINANCIAL REVIEW

Revenue of the Group increased by 0.5% to RMB254,761.8 million in 2020 from RMB253,402.6 million in 2019. Profit attributable to equity holders of the Company increased by 14.4% to RMB12,552.8 million in 2020 from RMB10,975.0 million during 2019.

Revenue

Our revenue increased by 0.5% to RMB254,761.8 million in 2020 from RMB253,402.6 million in 2019. The major reason was that the revenue of new materials segment increased by RMB10,099.5 million, partially offset by the decrease of revenue of cement segment of RMB4,468.2 million and the decrease of the revenue of engineering services segment of RMB4,351.6 million.

Cost of sales

Our cost of sales increased by 1.6% to RMB187,952.5 million in 2020 from RMB184,915.4 million in 2019. The major reason was that the cost of sales of new materials segment increased by RMB7,146.7 million, partially offset by the decrease of cost of sales of the cement segment of RMB2,890.4 million and the decrease of cost of sales of the engineering services segment of RMB1,290.6 million.

Other income

Other income of the Group increased by 23.6% to RMB5,330.8 million in 2020 from RMB4,314.2 million in 2019. The major reason was the increase of revenue from the disposal of properties, plants and equipment and other assets of RMB1,014.6 million,the increase of profits by the disposal of subsidiaries of RMB 858.8 million, the increase of VAT refund of RMB57.8 million, the increase of government grant of RMB55.8 million, partially offset by the decrease of net income arising from changes in fair value of financial assets at fair value through profit or loss of the Group of RMB1,314.3 million.

Selling and distribution costs

Selling and distribution costs decreased by 3.7% to RMB4,856.8 million in 2020 from RMB5,041.1 million in 2019. The major reasons for such decrease were the decrease of RMB92.2 million in the depreciation of fixed assets and a decrease of RMB33.9 million in travel expenses.

FINANCIAL REVIEW *(Continued)*

Administrative expenses

Administrative expenses increased by 1.3% to RMB30,424.9 million in 2020 from RMB30,046.4 million in 2019. This was primarily due to an increase of RMB1,804.4 million in allowances for impairment of fixed assets, an increase of RMB1,465.9 million in R&D and an increase of RMB744.2 million in foreign exchange losses, partially offset by a decrease of RMB1,818.3 million in litigation settlement costs, a decrease of RMB1,627.0 million in allowances for impairment of goodwill.

Finance costs

Finance costs decreased by 19.1% to RMB7,080.4 million in 2020 from RMB8,754.0 million in 2019, 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 33.1% to RMB3,273.0 million in 2020 from RMB2,458.4 million in 2019, primarily due to the increases in profits of our associates in the cement segment and profits of associate China Jushi.

Provision under expected credit loss model

Provision under the expected credit loss model decreased by 24.0% to RMB3,017.3 million in 2020 from RMB3,971.2 million in 2019.

Income tax expense

Income tax expense decreased by 7.0% to RMB8,389.9 million in 2020 from RMB9,019.3 million in 2019.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 28.9% to RMB8,100.5 million in 2020 from RMB6,283.2 million in 2019, primarily due to the increase in operating profit in new materials segment.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 14.4% to RMB12,552.8 million in 2020 from RMB10,975.0 million in 2019. Net profit margin increased from 4.3% in 2019 to 4.9% in 2020.

FINANCIAL REVIEW *(Continued)*

Cement Segment

China United Cement

Revenue

Revenue of China United Cement decreased by 4.9% to RMB47,320.7 million in 2020 from RMB49,762.5 million in 2019, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the decrease in sales volume of commercial concrete, partially offset by the increase in sales volume of cement products.

Cost of sales

Cost of sales of China United Cement decreased by 0.1% to RMB36,877.9 million in 2020 from RMB36,900.7 million in 2019, mainly attributable to the decrease in sales volume of commercial concrete as well as the decrease in coal prices, partially offset by the increase in sales volume of cement products.

Gross profit and gross profit margin

Gross profit of China United Cement decreased by 18.8% to RMB10,442.9 million in 2020 from RMB12,861.8 million in 2019. Gross profit margin of China United Cement decreased from 25.8% in 2019 to 22.1% in 2020, mainly due to the decrease in the average selling price of cement products and commercial concrete, partially offset by the decease in coal prices.

Operating profit

Operating profit of China United Cement decreased by 17.1% to RMB4,575.6 million in 2020 from RMB5,522.7 million in 2019. Operating profit margin of China United Cement decreased from 11.1% in 2019 to 9.7% in 2020, primarily due to the decrease in gross profit margin and the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss, partially offset by the decrease in allowances for impairment of property, plant and equipment and accounts receivable, and the increase in government allowances and VAT refund.

FINANCIAL REVIEW *(Continued)*

Cement Segment *(Continued)*

South Cement

Revenue

Revenue of South Cement increased by 1.1% to RMB68,312.1 million in 2020 from RMB67,563.4 million in 2019, mainly attributable to the increase in the average selling prices of cement products and commercial concrete and the increase in the sales volume of commercial concrete, partially offset by the decrease in sales volume of cement products.

Cost of sales

Cost of sales of South Cement increased by 2.1% to RMB47,717.6 million in 2020 from RMB46,755.9 million in 2019, mainly attributable to the increase in the sales volumes of commercial concrete and the increase in price of raw materials, partially offset by the decrease in the sales volume of cement products and the decrease in coal prices.

Gross profit and gross profit margin

Gross profit of South Cement decreased by 1.0% to RMB20,594.5 million in 2020 from RMB20,807.6 million in 2019. Gross profit margin of South Cement decreased from 30.8% in 2019 to 30.1% in 2020, mainly attributable to the increase in price of raw materials, partially offset by the the increase in the average selling prices of cement products and commercial concrete and the decrease in coal prices.

Operating profit

Operating profit of South Cement increased by 23.3% to RMB13,668.5 million in 2020 from RMB11,090.0 million in 2019. Operating profit margin of South Cement increased from 16.4% in 2019 to 20.0% in 2020, primarily due to the increase in gains from asset disposal, the increase in government grants, the decrease in allowances for impairment of accounts receivable and goodwill, partially offset by the decrease in gross profit margin, the increase in R&D expenses and the increase in allowances for impairment of property, plant and equipment.

North Cement

Revenue

Revenue of North Cement increased by 6.2% to RMB6,867.1 million in 2020 from RMB6,467.0 million in 2019, 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 10.9% to RMB6,086.8 million in 2020 from RMB5,488.3 million in 2019, mainly attributable to the increase in the sales volume of cement products and commercial concrete, and the increase in price of raw materials, partially offset by the decrease in coal prices.

FINANCIAL REVIEW *(Continued)*

Cement Segment *(Continued)*

North Cement *(Continued)*

Gross profit and gross profit margin

Gross profit of North Cement decreased by 20.3% to RMB780.2 million in 2020 from RMB978.7 million in 2019. Gross profit margin of North Cement decreased from 15.1% in 2019 to 11.4% in 2020, mainly attributable to the decrease in the average selling prices of cement products and commercial concrete and the increase in price of raw materials, partially offset by the decrease in coal prices.

Operating profit

Operating profit of North Cement decreased to RMB-2,929.4 million in 2020 from RMB-870.5 million in 2019. Operating profit margin of North Cement decreased from -13.5% in 2019 to -42.7% in 2020, primarily due to the decrease in gross profit margin and the increase in allowances for impairment of property, plant and equipment, and accounts receivable and goodwill.

Southwest Cement

Revenue

Revenue of Southwest Cement decreased by 11.1% to RMB26,559.6 million in 2020 from RMB29,891.6 million in 2019, mainly attributable to the decrease in the average selling prices and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of Southwest Cement decreased by 7.8% to RMB20,337.4 million in 2020 from RMB22,046.0 million in 2019, mainly attributable to the decrease in the sales volume of cement products and commercial concrete and the decrease in coal prices, partially offset by the increase in price of raw materials.

Gross profit and gross profit margin

Gross profit of Southwest Cement decreased by 20.7% to RMB6,222.2 million in 2020 from RMB7,845.5 million in 2019. Gross profit margin of Southwest Cement decreased from 26.2% in 2019 to 23.4% in 2020, mainly attributable to the decrease in the average selling prices of cement products and commercial concrete and the increase in price of raw materials, partially offset by the decrease in coal prices.

Operating profit

Operating profit of Southwest Cement decreased by 22.8% to RMB2,738.4 million in 2020 from RMB3,546.5 million in 2019. Operating profit margin of Southwest Cement decreased from 11.9% in 2019 to 10.3% in 2020, primarily due to the decrease in gross profit margin and the increase in allowances for impairment of property, plant and equipment, partially offset by the decrease in allowances for impairment of accounts receivable and goodwill.

FINANCIAL REVIEW *(Continued)*

Cement Segment *(Continued)*

Sinoma Cement

Revenue

Revenue of Sinoma Cement decreased by 7.9% to RMB9,248.6 million in 2020 from RMB10,043.6 million in 2019, mainly attributable to the decrease in the average selling prices of commercial concrete and the decrease in sales volume of cement products and commercial concrete, partially offset by the increase in the average selling prices of cement products.

Cost of sales

Cost of sales of Sinoma Cement decreased by 9.1% to RMB5,743.1 million in 2020 from RMB6,317.9 million in 2019, mainly attributable to the decrease in sales volume of cement products and commercial concrete and the decrease in coal prices, partially offset by the increase in price of raw materials.

Gross profit and gross profit margin

Gross profit of Sinoma Cement decreased by 5.9% to RMB3,505.5 million in 2020 from RMB3,725.8 million in 2019. Gross profit margin of Sinoma Cement increased from 37.1% in 2019 to 37.9% in 2020, mainly due to the increase in the average selling prices of cement products and the decrease in coal prices, partially offset by the decrease in the average selling prices of commercial concrete and the increase in price of raw materials.

Operating profit

Operating profit of Sinoma Cement decreased by 3.1% to RMB2,594.6 million in 2020 from RMB2,676.5 million in 2019. Operating profit margin of Sinoma Cement increased from 26.6% in 2019 to 28.1% in 2020, primarily due to the increase in gross profit margin and the increase in VAT refund, partially offset by the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss, and the increase in allowance for impairment of property, plant and equipment and accounts receivable.

FINANCIAL REVIEW *(Continued)*

Cement Segment *(Continued)*

Tianshan Cement

Revenue

Revenue of Tianshan Cement decreased by 10.5% to RMB8,470.5 million in 2020 from RMB9,459.4 million in 2019, mainly attributable to the decrease in the average selling prices of cement products and commercial concrete and the decrease in the sales volume of cement products, partially offset by the increase in the sales volume of commercial concrete.

Cost of sales

Cost of sales of Tianshan Cement decreased by 12.4% to RMB5,488.6 million in 2020 from RMB6,265.9 million in 2019, mainly attributable to the decrease in the sales volume of cement products and the decrease in coal prices, partially offset by the increase in the sales volume of commercial concrete.

Gross profit and gross profit margin

Gross profit of Tianshan Cement decreased by 6.6% to RMB2,982.0 million in 2020 from RMB3,193.5 million in 2019. Gross profit margin of Tianshan Cement increased from 33.8% in 2019 to 35.2% in 2020, mainly due to the decrease in coal prices, partially offset by the decrease in the average selling prices of cement products and commercial concrete.

Operating profit

Operating profit of Tianshan Cement decreased by 18.2% to RMB2,227.0 million in 2020 from RMB2,721.7 million in 2019. Operating profit margin of Tianshan Cement decreased from 28.8% in 2019 to 26.3% in 2020, primarily due to the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss, and the increase in allowances for impairment of property, plant and equipment, partially offset by the increase in gross profit margin.

FINANCIAL REVIEW *(Continued)*

Cement Segment *(Continued)*

Ningxia Building Materials

Revenue

Revenue of Ningxia Building Materials increased by 6.5% to RMB4,972.5 million in 2020 from RMB4,668.6 million in 2019, mainly attributable to the increase in the average selling prices and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of Ningxia Building Materials increased by 1.2% to RMB3,414.7 million in 2020 from RMB3,372.6 million in 2019, mainly attributable to the increase in sales volume of cement products and commercial concrete, partially offset by the decrease in coal prices.

Gross profit and gross profit margin

Gross profit of Ningxia Building Materials increased by 20.2% to RMB1,557.9 million in 2020 from RMB1,296.0 million in 2019. Gross profit margin of Ningxia Building Materials increased from 27.8% in 2019 to 31.3% in 2020, mainly due to the increase in the average selling prices of cement products and commercial concrete, and the decrease in coal prices.

Operating profit

Operating profit of Ningxia Building Materials increased by 18.0% to RMB1,242.2 million in 2020 from RMB1,052.9 million in 2019. Operating profit margin of Ningxia Building Materials increased from 22.6% in 2019 to 25.0% in 2020, primarily due to the increase in gross profit margin and the increase in VAT refund, partially offset by the decrease in government grants and the increase in allowances for impairment of property, plant and equipment.

FINANCIAL REVIEW *(Continued)*

Cement Segment *(Continued)*

Qilianshan

Revenue

Revenue of Qilianshan increased by 12.3% to RMB7,682.1 million in 2020 from RMB6,837.9 million in 2019, mainly attributable to the increase in the average selling prices and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of Qilianshan increased by 8.3% to RMB5,048.8 million in 2020 from RMB4,661.3 million in 2019, mainly attributable to the increase in sales volume of cement products and commercial concrete, partially offset by the decrease in coal prices.

Gross profit and gross profit margin

Gross profit of Qilianshan increased by 21.0% to RMB2,633.3 million in 2020 from RMB2,176.6 million in 2019. Gross profit margin of Qilianshan increased from 31.8% in 2019 to 34.3% in 2020, mainly due to the increase in the average selling prices of cement products and commercial concrete, and the decrease in coal prices.

Operating profit

Operating profit of Qilianshan increased by 15.9% to RMB1,809.5 million in 2020 from RMB1,560.6 million in 2019. Operating profit margin of Qilianshan increased from 22.8% in 2019 to 23.6% in 2020, mainly due to the increase in gross profit margin, the decrease in allowances for impairment of property, plant and equipment and goodwill, partially offset by the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss, the decrease in government grants and the increase in allowances for impairment of accounts receivable.

FINANCIAL REVIEW *(Continued)*

New Materials Segment

BNBM

Revenue

Revenue of BNBM increased by 26.9% to RMB16,242.1 million in 2020 from RMB12,801.8 million in 2019, mainly attributable to the new waterproof business for this period and 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 22.7% to RMB11,123.7 million in 2020 from RMB9,067.7 million in 2019, mainly attributable to the new waterproof business for this period and increase in the sales volume of gypsum board, partially offset by the decrease in the price of raw material and coal.

Gross profit and gross profit margin

Gross profit of BNBM increased by 37.1% to RMB5,118.4 million in 2020 from RMB3,734.1 million in 2019. Gross profit margin of BNBM increased from 29.2% in 2019 to 31.5% in 2020, mainly attributable to the decrease in the price of raw material and coal, partially offset by the decrease in the average selling price of gypsum board.

Operating profit

Operating profit of BNBM increased by 400.4% to RMB3,419.4 million in 2020 from RMB683.3 million in 2019. Operating profit margin of BNBM increased from 5.3% in 2019 to 21.1% in 2020, mainly attributable to the increase in gross profit margin, the decrease in litigation settlement expenses, the increase in government grants, partially offset by the increase in R&D expenses.

Sinoma Science & Technology

Revenue

Revenue of Sinoma Science & Technology increased by 37.7% to RMB18,392.0 million in 2020 from RMB13,353.5 million in 2019, mainly attributable to the increase in the average selling price of wind power blade and the increase in the sales volume of glass fiber yarn and wind power blade, partially offset by the decrease in the average selling price of glass fiber yarn.

Cost of sales

Cost of sales of Sinoma Science & Technology increased by 34.4% to RMB13,705.0 million in 2020 from RMB10,197.7 million in 2019, mainly attributable to the increase in the sales volume of glass fiber yarn and wind power blade.

FINANCIAL REVIEW *(Continued)*

New Materials Segment *(Continued)*

Sinoma Science & Technology *(Continued)*

Gross profit and gross profit margin

Gross profit of Sinoma Science & Technology increased by 48.5% to RMB4,687.0 million in 2020 from RMB3,155.8 million in 2019. Gross profit margin of Sinoma Science & Technology increased from 23.6% in 2019 to 25.5% in 2020, mainly attributable to the increase in the average selling price of wind power blade, partially offset by the decrease in the average selling price of glass fiber yarn.

Operating profit

Operating profit of Sinoma Science & Technology increased by 36.7% to RMB2,710.8 million in 2020 from RMB1,982.7 million in 2019. The operating profit margin of Sinoma Science & Technology decreased from 14.8% in 2019 to 14.7% in 2020, mainly attributable to the increase in R&D expenses, the increase in allowance for impairment of intangible assets, the decrease in VAT refund and government grants, partially offset by the increase in gross profit margin.

China Composites

Revenue

Revenue of China Composites increased by 71.1% to RMB5,414.1 million in 2020 from RMB3,163.7 million in 2019, 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 60.4% to RMB4,246.1 million in 2020 from RMB2,647.7 million in 2019, 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 126.4% to RMB1,168.0 million in 2020 from RMB516.0 million in 2019. Gross profit margin of China Composites increased from 16.3% in 2019 to 21.6% in 2020, mainly attributable to the increase in the average selling price of wind power blade.

Operating profit

Operating profit of China Composites increased by 102.6% to RMB591.5 million in 2020 from RMB291.9 million in 2019. The operating profit margin of China Composites increased from 9.2% in 2019 to 10.9% in 2020, mainly attributable to the increase in gross profit margin, partially offset by the increase in R&D expenses, and increase in the allowance for impairment of property, plants and equipment.

FINANCIAL REVIEW *(Continued)*

New Materials Segment *(Continued)*

Sinoma Advanced

Revenue

Revenue of Sinoma Advanced increased by 0.1% to RMB1,107.9 million in 2020 from RMB1,107.1 million in 2019, mainly attributable to the increase in the sales volume of nitrides, partially offset by the decreases in the average selling price of nitrides.

Cost of sales

The cost of sales of Sinoma Advanced increased by 0.5% to RMB931.8 million in 2020 from RMB926.8 million in 2019, mainly attributable to the increase in the sales volume of nitrides.

Gross profit and gross profit margin

Gross profit of Sinoma Advanced decreased by 2.3% to RMB176.1 million in 2020 from RMB180.3 million in 2019. Gross profit margin of Sinoma Advanced decreased from 16.3% in 2019 to 15.9% in 2020, mainly attributable to the decrease in the average selling price of nitrides.

Operating profit

Operating profit of Sinoma Advanced decreased from RMB63.6 million in 2019 to RMB-57.2 million in 2020. The operating profit margin of Sinoma Advanced decreased from 5.7% in 2019 to -5.2% in 2020, mainly attributable to the decrease in gross profit margin and the increase in R&D expenses, the increase in the allowance for impairment of accounts receivable and property, plants and equipment, partially offset by the increase in government grants.

FINANCIAL REVIEW *(Continued)*

Engineering Services Segment

Sinoma International

Revenue

Revenue of Sinoma International decreased by 7.9% to RMB22,333.4 million in 2020 from RMB24,255.8 million in 2019, mainly attributable to the decrease in volume of completed engineering services in the year.

Cost of sales

Cost of sales of Sinoma International decreased by 7.6% to RMB18,849.3 million in 2020 from RMB20,395.7 million in 2019, mainly attributable to the decrease in volume of completed engineering services in the year.

Gross profit and gross profit margin

Gross profit of Sinoma International decreased by 9.7% to RMB3,484.2 million in 2020 from RMB3,860.1 million in 2019. Gross profit margin of Sinoma International decreased from 15.9% in 2019 to 15.6% in 2020, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma International decreased by 37.1% to RMB1,059.0 million in 2020 from RMB1,683.2 million in 2019. Operating profit margin of Sinoma International decreased from 6.9% in 2019 to 4.7% in 2020, mainly attributable to the decrease in gross profit margin, the increase in foreign exchange losses, the increase in allowances for impairment of accounts receivable and goodwill, partially offset by the increase in gains on disposal of subsidiaries.

China Triumph

Revenue

Revenue of China Triumph increased by 2.2% to RMB12,887.5 million in 2020 from RMB12,609.1 million in 2019, 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 7.8% to RMB10,457.7 million in 2020 from RMB9,704.2 million in 2019, mainly attributable to the increase in volume of completed engineering services in the year.

FINANCIAL REVIEW *(Continued)*

Engineering Services Segment *(Continued)*

China Triumph *(Continued)*

Gross profit and gross profit margin

Gross profit of China Triumph decreased by 16.4% to RMB2,429.8 million in 2020 from RMB2,904.9 million in 2019. Gross profit margin of China Triumph decreased from 23.0% in 2019 to 18.9% in 2020, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of China Triumph decreased by 37.5% to RMB819.8 million in 2020 from RMB1,311.3 million in 2019. Operating profit margin of China Triumph decreased from 10.4% in 2019 to 6.4% in 2020, mainly attributable to the decrease in gross profit margin, the increase in foreign exchange losses, the increase in R&D expenses, partially offset by the decrease in the allowance for impairment of accounts receivable.

Sinoma Mining

Revenue

Revenue of Sinoma Mining increased by 27.7% to RMB5,123.0 million in 2020 from RMB4,010.9 million in 2019, mainly attributable to the increase in volume of completed engineering services in the year and the increase in the sales volume of aggregate, partially offset by the decrease in the average selling price of aggregate.

Cost of sales

Cost of sales of Sinoma Mining increased by 29.5% to RMB4,153.8 million in 2020 from RMB3,208.1 million in 2019, 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 20.7% to RMB969.3 million in 2020 from RMB802.8 million in 2019. Gross profit margin of Sinoma Mining decreased from 20.0% in 2019 to 18.9% in 2020, mainly attributable to the decrease in the average selling price of aggregate.

Operating profit

Operating profit of Sinoma Mining increased by 4.1% to RMB534.0 million in 2020 from RMB513.0 million in 2019. Operating profit margin of Sinoma Mining decreased from 12.8% in 2019 to 10.4% in 2020, mainly attributable to the decrease in gross profit margin, the increase in allowances for the impairment of accounts receivable and the increase in R&D expenses.

FINANCIAL REVIEW *(Continued)*

Liquidity and financial resources

As at 31 December 2020, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB302,728.3 million in total. The table below sets out our borrowings as at the dates shown below:

	As at 31 December	
	2020	2019 (restated)
	(RMB in millions)	
Bank loans	**115,781.9**	110,146.4
Bonds	**57,751.8**	74,809.6
Borrowings from non-financial institutions	**1,536.2**	1,276.8
Total	**175,069.9**	186,232.8

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

	As at 31 December	
	2020	2019 (restated)
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**89,684.3**	97,737.2
Between one and two years	**29,822.7**	28,471.1
Between two and three years	**36,685.1**	39,380.7
Between three and five years (inclusive of both years)	**12,340.4**	15,522.4
Over five years	**6,537.4**	5,121.4
Total	**175,069.9**	186,232.8

As at 31 December 2020, bank loans in the amount of RMB4,779.8 million were secured by assets of the Group with a total carrying value of RMB8,527.5 million.

As at 31 December 2020 and 31 December 2019, the debt to assets ratio of the Group, calculated by dividing total borrowings by total assets of the Group, were 38.4% and 41.7%, respectively.

FINANCIAL REVIEW *(Continued)*

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.

Capital Commitments

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

	As at 31 December	
	2020	2019 (restated)
	(RMB in millions)	
Capital expenditure of the Group in respect of acquisition of property, plant and equipment (contracted but not provided for)	**1,068.2**	201.1

Capital Expenditures

The following table sets out the capital expenditures of the Group for the year ended 31 December 2020 by segments:

	For the year ended 31 December 2020	
	(RMB in millions)	% of total
Cement	**18,583.1**	71.4
Commercial concrete	**1,087.9**	4.2
New materials	**5,055.9**	19.4
Engineering services	**1,024.3**	3.9
Others	**289.8**	1.1
Total	**26,041.1**	100.0

CASH FLOW FROM OPERATING ACTIVITIES

For the year 2020, net cash inflow of the Group generated from operating activities was RMB64,229.5 million. Such net cash inflow was primarily due to RMB58,854.7 million of cash flow from operating activities before the change in working capital, while trade and other payables increased by RMB7,242.4 million.

CASH FLOW FROM INVESTING ACTIVITIES

For the year 2020, net cash outflow of the Group to investing activities was RMB29,343.1 million, which was primarily due to the purchase of property, plant and equipment amounting to RMB19,288.1 million in total and purchase of intangible assets amounting to RMB8,011.6 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the year 2020, the Group had a net cash outflow to financing activities amounting to RMB28,878.1 million, primarily attributable to the repayment of borrowings amounting to RMB182,041.5 million, payment of interest amounting to RMB7,477.6 million and repayment of lease liabilities amounting to RMB1,973.8 million, which was partially offset by a total of RMB170,807.4 million for new borrowings.

OUTLOOK FOR 2021

The year 2021 is the commencing year of the "14th Five-Year Plan" and also the first year of the new journey of building a socialist modern country in an all-round way. From the international perspective, with the worldwide spread of the COVID-19 pandemic, the world economic situation remains to be complex and serious with unstable and unbalanced recovery, and the derivative risks caused by the impact of the pandemic can not be ignored; from the domestic perspective, China will accelerate the construction of a new development pattern where the domestic large cycle serves as the main body and the dual cycle of domestic and international promotes each other, and remain in the important period with strategic opportunities; from the industrial perspective, the construction of new development pattern and the domestic demand expansion strategy are expected to support the market demand to remain stable. The continuing tightening on environmental protection will promote the structural reforms on the supply side. In 2021, the Group's main goal is to make continuous improvements in its quality and efficiency, structural adjustment, innovation capability and deepening reform, and take a solid step forward in building a world-class comprehensive building materials and new materials industry group with global competitiveness. The following work, among others, shall be implemented:

1. Improve quality and enhance efficiency: focus on efficiency, practice the "management of three delicacies", pursue prominence and optimize management, fully safeguard the health of industry ecology, and deepen the supply-side structural reform, so as to achieve easier system, more efficient operation and more efficiency.

2. Focus on development: consolidate the role of cement as "ballast stone", enhance the support of new materials and engineering services business, and further consolidate the "three pillars" industrial pattern. For cement sector, further promote the "Cement+". For new materials sector, consolidate market position and establish advantageous industrial clusters. For engineering service sector, consolidate the market position, stably promote diversified projects and localization of overseas development.

3. Technology drivers: vigorously implement the innovation-driven development strategy, strengthen technological breakthrough, increase investment in R&D, fully carry out key projects, consolidate and enhance the technological leading advantages of major products.

4. Breakthroughs in reform: in accordance with the principle of refocusing, further promote business integration, release the complementary effect and values. Extend and optimize the market-oriented incentive mechanism, extend the coverage of medium and long term incentives, establish a market-oriented incentive mechanism, and continuously enhance the cohesion and vitality of enterprises.

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 for Shareholders' General, the Rules of Procedure for Board Meetings, and the Rules of Procedure for Supervisory Committee, the general meeting of Shareholders, the Board of Directors, the Supervisory Committee and the management perform their respective 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 2020 to 31 December 2020. 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 yet retired by rotation.

The former Directors, Mr. Song Zhiping and Mr. Guo Chaomin have resigned and Mr. Chang Zhangli has been 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 with effect from 30 July 2019 as the Vice Chairman of the Company and an executive Director due to retirement. 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 was effective from the approval of the Shareholders at the 2019 Annual General Meeting held on 22 May 2020 of the appointment of Mr. Li Jun as an independent non-executive Director. Shareholders elected Mr. Fu Jinguang as an executive Director at the 2020 first Extraordinary General Meeting held on 24 September 2020.

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. The standard also applies to the Supervisors of the Company. Having made specific enquiry with all Directors and Supervisors, the Company confirms that each of the Directors and Supervisors 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 2020, the Board of the Company held 14 plenary Board meetings to consider and determine various matters including overall corporate strategy, major investments 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.

The members of the Board and the attendance of the Directors at Board meetings and Shareholders' meetings of the Company during 2020 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)*	14/14	1/1	11/11	1/1	–	4/4
Peng Shou	14/14	1/1	–	–	–	4/4
Cui Xingtai	14/14	–	–	–	–	4/4
Fu Jinguang[1]	6/6	–	–	–	–	–
Non-executive Directors						
Zhan Yanjing	14/14	–	–	–	–	4/4
Chang Zhangli	14/14	–	–	–	–	4/4
Tao Zheng	14/14	–	–	–	–	4/4
Chen Yongxin	14/14	–	–	–	–	4/4
Shen Yungang	14/14	–	–	–	–	4/4
Fan Xiaoyan	14/14	–	–	–	–	4/4
Independent Non-executive Directors						
Sun Yanjun	14/14	–	11/11	1/1	–	4/4
Liu Jianwen	14/14	–	11/11	–	2/2	4/4
Zhou Fangsheng	14/14	1/1	–	1/1	–	4/4
Li Jun[2]	12/12	–	–	–	2/2	1/1
Xia Xue	14/14	–	–	–	2/2	4/4
Former Directors						
Qian Fengsheng[3]	2/2	–	–	–	–	3/3

II. THE BOARD *(CONTINUED)*

Note：

1. Mr. Fu Jinguang was appointed as an executive Director at the 2020 first Extraordinary General Meeting held on 24 September 2020. During his term of office until 31 December 2020, the Board held six Board meetings and no general meeting was held.

2. Mr. Li Jun was appointed as an independent non-executive Director at the 2019 Annual General Meeting held on 22 May 2020 to replace Mr. Qian Fengsheng. During his term of office until 31 December 2020, the Board held twelve Board meetings and one general meeting was held.

3. 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 took effect upon the approval of the appointment of Mr. Li Jun as an independent non-executive Director by the Shareholders at the 2019 Annual General Meeting held on 22 May 2020. From 1 January 2020 to the date of Mr. Qian's resignation, the Board held two Board meetings and three general meetings were held.

There is no financial, business, family relationship(s) or any other material connection among the Directors and senior executives (including the Chairman and the Chief Executive).

III. FUNCTIONS AND OPERATION OF THE BOARD

The Board of the Company is elected by Shareholders at the general meeting and reports to the 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 receives 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 Board Meetings. 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 with 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 Company has received 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 trainings for the continuous professional development of the Directors such as providing them with information materials and special reports regularly.

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

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 Finance Biweekly Report 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 and Weekly Report on Industries' Information to the Directors regularly, which covers the Company's production and results of operation, 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. Fu Jinguang, Ms. Zhan Yanjing, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, Mr. Shen Yungang, Ms. Fan Xiaoyan, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue, and the former Director Mr. Qian Fengsheng) have obtained the aforementioned relevant information for the corresponding period during their tenure.

In July 2020, the Company and the Parent organized a collective study seminar under the theme of "Deep Study and Find Gaps", and the discussions were conducted on the construction of state-owned enterprises under the rule of law, and the promotion of modernization of the corporate governance system and governance capabilities. Meanwhile taking opportunity of the 29th lecture on the rule of law organised by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), a special study was conducted on the Civil Code of the PRC that came into effect on 1 January 2021. Incorporating both theories and practices, the above trainings helped the Directors to understand relevant provisions profoundly so as to ensure 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 Directors, namely Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Fu Jinguang, Ms. Zhan Yanjing, Mr. Chang Zhangli, Mr. Tao Zheng and Mr. Chen Yongxin attended the aforementioned trainings.

During 12 November 2020 to 14 November 2020, the Company arranged independent Directors and independent Supervisors to conduct investigation on the relevant fields and subsidiaries involved in the proposals of the Board. They took trips to China Jushi, South Cement, and South Cement (Huzhou Huaikan) Company Limited, etc., and made direct and in-depth understanding and exchanges on the development history, internationalization strategy and technological innovation of such companies. All independent non-executive Directors, namely Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun, Ms. Xia Xue, and independent Supervisors Mr. Wu Weiku and Mr. Li Xuan participated in the aforementioned field trips.

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 and investment proposals of the Company, formulating plans for the establishment of the Company's internal management structure, formulating plans for the establishment of the Company's branches, devising the basic management system of the Company, 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.

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

The Strategic Steering Committee *(Continued)*

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 convening of and the attendance of meetings of the Strategic Steering Committee in 2020, please refer to the table of the attendance of the Directors during 2020 on page 64.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2020:

The fifth meeting of the fourth session of the Strategic Steering Committee of the Board considered and approved the resolutions in relation to the operation of the Company for the year 2019 and work arrangements for the year 2020.

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.

The Company formulated its board diversity policy so as to improve corporate governance. 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, which can ensure that the members of the Board have the appropriate talents, experience, and diverse perspectives and views for decision-making. 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 2020, please refer to the table of the attendance of the Directors during 2020 on page 64. Set out below is a summary of work of the Nomination Committee of the Company during 2020:

The eighth meeting of the fourth session of the Nomination Committee of the Board considered and approved the discussion about the Board structure and the independence of the independent non-executive Directors, and the resolutions in relation to the adjustment to the Directors of the fourth session of the Board, the election of the chairman of the Audit Committee of the fourth session of the Board and the adjustment to the directors of subsidiaries. The ninth to eighteenth meetings of the Nomination Committee of the fourth session of the Board considered and approved the resolutions on the adjustments to the directors and/or supervisors of the subsidiaries of the Company.

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 Remuneration and Performance Appraisal Committee in 2020, please refer to the table of the attendance of the Directors during 2020 on page 64.

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2020:

The seventh meeting of the fourth session of the Remuneration and Performance Appraisal Committee of the Board considered and approved the resolution on the remuneration of senior management members of the Company and other matters and evaluated the annual performance of senior management members (including those who are also executive Directors).

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.

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

The Audit Committee

Members

The Audit Committee of the Company comprises three Directors, of whom Mr. Li Jun (whose appointment was effective from 22 May 2020 to replace Mr. Qian Fengsheng whose resignation took effect on the same day) is the Chairman and both Mr. Liu Jianwen and Ms. Xia Xue are members. All the three members are independent non-executive Directors. Among them, Mr. Li Jun 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 2020.

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 Audit Committee in 2020, please refer to the table of the attendance of the Directors during 2020 on page 64. 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 2020:

During the Reporting Period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued review opinions on the Company's 2019 annual financial report and 2020 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 2020.

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

The Audit Committee *(Continued)*

Duties and Summary of Work *(Continued)*

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 individually or jointly holding 3% or more of the Company's shares with voting rights may directly nominate candidates for election as Directors by way of a proposed resolution in writing to the general meeting, but the number of persons nominated shall comply with the Articles of Association of the Company and shall not be greater than the number of Directors proposed to be elected. Shareholders individually or jointly holding more than 1% of the Company's shares with voting rights shall have the right to nominate candidates for election as independent Directors at general meetings. Such aforesaid proposed resolution shall be delivered to the Company at least 14 days before the date of the relevant general meeting for consideration at the general meeting. 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.

VIII. NOMINATION OF DIRECTORS *(CONTINUED)*

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. Mr. Li Jun was nominated by the Parent as a candidate for independent non-executive Director. After being reviewed by the Nomination Committee, it was considered that Mr. Li Jun met the standard and requirements for directorship of the Company. The nomination was considered and approved at the eleventh meeting of the fourth session of the Board held on 23 March 2020. The resolution on the appointment of Mr. Li Jun as an independent non-executive Director was considered and approved at the 2019 Annual General Meeting held on 22 May 2020.

Mr. Fu Jinguang was nominated by the Parent as a candidate for executive Director. After being reviewed by the Nomination Committee, it was considered that Mr. Fu Jinguang met the standard and requirements for directorship of the Company. The nomination was considered and approved at the twenty-fourth extraordinary meeting of the fourth session of the Board held on 24 July 2020. The resolution on the appointment of Mr. Fu Jinguang as an executive Director was considered and approved at the 2020 first Extraordinary General Meeting held on 24 September 2020.

IX. AUDITORS' REMUNERATION

At the eleventh meeting of the fourth session of the Board convened on 23 March 2020, 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 2020 respectively. The Board was authorized by the Annual General Meeting convened on 22 May 2020 to deal with the appointment of overseas and domestic auditors and to determine their remunerations. During the year, an aggregate of RMB11.52 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, is a joint company secretary of the Company. As for 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 of the Company. 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 individually or jointly holding 3% 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.

At the Annual General Meeting of 2019 held on 22 May 2020, eight ordinary resolutions and a total of three special resolutions in relation to, among other things, the granting of a mandate to the Board to issue new shares and to make corresponding amendments to the Articles of Association of the Company which it deems appropriate, the issue of debt financing instruments and the amendments to the Articles of Association of the Company and the Rules of Procedure for Shareholders' General Meetings, were considered and approved.

The 2020 first Class Meeting for H Shares and the 2020 first Class Meeting for Unlisted Shares both held on 22 May 2020 respectively considered and approved the special resolutions in relation to the amendments to the Articles of Association of the Company and the Rules of Procedure for Shareholders' General Meetings.

The 2020 first Extraordinary General Meeting held on 24 September 2020 considered and approved an ordinary resolution in relation to the appointment of Mr. Fu Jinguang as an executive Director and his remuneration.

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 four Shareholders' general meetings in 2020 (including one Annual General Meeting, two Class Meetings and one Extraordinary General Meeting). Please refer to the table of the attendance of the Directors during 2020 on page 64 for details of the attendance of Shareholders' meetings.

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, the Company has strived to establish a unified management platform for risk, internal control and compliance work, set up a working body for the construction and supervision of the internal control system and compliance management committee, formulated a series of management system suitable for the actual situation of the Company, and set the standards for identifying the related internal control deficiencies and the risk assessing standards.

The Company's risk management and internal control work mainly includes the following contents. The first one is the daily monitoring mechanism. As the first defensive line of daily risk management, each department of the Company has risk 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 further improved the daily monitoring mechanism for risk and internal control in terms of the establishment of functional organizations and rules construction. The second one is the assessment and supervision mechanism. The Company carried out annual internal control assessment and comprehensive risk management assessment according to the operation status. The Company has determined the quantitative and qualitative standards for internal control deficiency assessment, and relevant departments have classified deficiencies into material deficiencies, major deficiencies and general deficiencies based on the impact of the deficiency on the Company's financial report, reputation, safe production, operation, environment and laws and regulations. The Company specified the possibility of risk occurrence and the degree of risk impact as the risk assessment criteria, and relevant departments first identified the risks requiring attention from the perspective of occurrence probability and then according to the impact on the economic value, health and safety of employees, sustainable and healthy development and corporate image of the Company, rated the concerned risks into five grades from very serious to slight. Based on the above assessment results, the Company prepared two annual reports on internal control and risk respectively, which summarized and sorted out the situation of the previous year, and formulated corresponding measures for the improvement of the internal control and risk precaution of the next year. In addition, according to the regulatory requirements of the Parent, the Company organized the subsidiaries to prepare the Material Risk Tracking and Monitoring Table every quarter to realize timely monitoring and prevention of the risks the Group may face.

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

Each department of the Company participates in and is responsible for the daily monitoring and evaluation supervision mechanism; the working body for the construction and supervision of the internal control system and compliance management committee are the daily organizations to lead, coordinate and supervise the monitoring mechanism; the Audit Committee of the Board regularly listens to the comments from professional auditors and internal auditors, and independently carries out assessment on the operation management, business development and financial positions, and reviews the implementation of strategies to 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 internal audit and financial report. 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.

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 and arranging telephone conferences, 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.

Details of the amendments made in 2020 to the Articles of Association of the Company and the Rules of Procedure for Shareholders' General Meetings (Appendix to the Articles of Association of the Company) are set out below:

The eleventh meeting of the fourth session of the Board convened on 23 March 2020 considered and approved four resolutions in relation to the amendments to the Articles of Association of the Company and the Rules of Procedure for Shareholders' General Meetings. The 2019 Annual General Meeting, 2020 first Class Meeting for H Shares and 2020 first Class Meeting for Unlisted Shares held on 22 May 2020 considered and approved special resolutions in relation to the amendments to the Articles of Association of the Company and the Rules of Procedure for Shareholders' General Meetings. Details of the amendments to the Articles of Association of the Company and the Rules of Procedure for Shareholders' General Meetings were set out in the Company's circular dated 3 April 2020 and the announcement dated 22 May 2020.

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. It outlines the Group's key strategies and achievements in the area of sustainable development in 2020. For the full version of the Environmental, Social and Governance Report, please refer to the 2020 Environmental, Social and Governance Report of China National Building Material Company Limited which will be published separately in June 2021.

The year 2020 is the final year of China's efforts to complete the building of a moderately prosperous society in all respects and the "13th Five-Year Plan". It is a crucial year for achieving the first Centenary Goal and laying the foundation for the "14th Five-Year Plan" and the second Centenary Goal. The Group adheres to the philosophy of "Green Development and Realizing Green Transformation". In the new development phase, the Group continually contributes its effort to the green development in the PRC, the countries and regions of the Group's operation sites by cultivating development of novel low-carbon industries, researching and developing environmentally friendly materials, supporting clean energy, and exploring new governance model on ecological management. The Group will contribute its corporate strength to the basic realization of socialist modernization in the PRC by 2035. 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 the Group's 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 Law of the PRC on Promoting Clean Production, the Measures for Cleaner Production Review, the "13th Five-Year Plan" for the Protection of Ecological Environment, the Reform Program of the Ecological Environmental Damage Compensation System, 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, among others. The Group closely follows the key development trend in the PRC, the countries and regions of the Group's operation sites, and seizes opportunities for development.

The Group sweats and toils as it presses ahead with concrete efforts for achievements. The Group has always adhered to the path of sustainable development. In 2020, the Group 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 optimized the various processes in the management system, including the pre-incident identification and evaluation, the in-process inspection and review, and the post-event evaluation. The Group's sustainable development has been ensured by strengthening management efficiency and controlling risks from source.

In 2020, facing the challenge of COVID-19 epidemic, CNBM adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, bravely took responsibility and forged ahead. The Group overcame the impact of the epidemic and demand fluctuations, maintained its focus, took the initiative to adjust, and planned deployment. The Group focused on the stable performance of society in six key areas, namely, stability in employment, finance, foreign trade, foreign investment, domestic investment, and market expectations; guarantee of society in six key areas, namely, creating jobs, ensuring basic livelihoods, protecting market players, food and energy security, the stability of the industrial supply chain, and maintaining grass-root operations; and striving for sustained and rapid growth in the benefits of the vast majority of central state-owned enterprises as well as striving for positive growth in the overall benefits of central state-owned enterprises. In 2020, CNBM and the enterprises of the Group won honorary titles such as the "China Grand Award for Industry", "Honor Award of the China Grand Award for Industry", "Gold Award of National Quality Engineering Award", "National Green Demonstration Plant in Pre-mixed Concrete Industry", "Role Model of Central State-owned Enterprises in the Fight Against COVID-19 Epidemic", and "The Best Environmental Responsibility Award of China ESG Golden Awards 2019". In the future, the Group will unswervingly implement the new development concept and continue to promote high-quality development to be a world-class enterprise with global competitiveness.

GREEN DEVELOPMENT

The Group always 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, and attaches equal importance to cutting overcapacity and output to maintain a healthy operating environment for the industry. The Group has taken various initiatives proactively to address the issues of climate change and overcapacity, implemented the national requirements for promoting ecological progress, contributed to promote the industry's green and low-carbon circular economy development. In 2020, 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 of 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 nature. The Group advocates the concept of circular economy and actively utilizes industrial waste and urban construction waste as raw materials in the production processes. In 2020, the Group utilized more than 177.75 million tonnes of industrial waste with a year-on-year growth of 90.3%. In addition, the Group is committed to reducing the discharge of wastewater and emissions of exhausted 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 always attaches great importance 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 adheres to the philosophy of "People-oriented Development" and regards employees as the most valuable asset. As of 31 December 2020, the Group had a total of 154,096 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, the Labor Contract Law of the PRC, the Employment Promotion Law of the PRC, the Law of the PRC on the Prevention and Control of Occupational Diseases and other laws and regulations in the PRC, the countries and regions of the Group's operation sites. The Group resolutely bans the employment of child and forced labor, 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' supports and trusts 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 helps 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

In 2020, in order to prevent and control COVID-19 epidemic effectively, the Group has made a series of deployment arrangements starting from January 2020, focusing on the principles of "Tight Prevention and Control, Early Detection, Early Quarantine, More Consideration, and Stable Production". The Group made its efforts to contain the epidemic and resume work and production. Under the unified deployment and arrangement of the Parent, the Group bravely assumed its responsibilities as a central state-owned enterprise and demonstrated its spirit of humanity. On the one hand, the Group took the lead, giving full play to its comprehensive advantages, providing high-quality building materials and new materials to the frontline of the fight against the epidemic, and making every effort to ensure the construction of anti-epidemic projects in the PRC. On the other hand, the Group made vigorous efforts to resume work and production, ensuring the supply of anti-epidemic materials, minimizing the impact of the epidemic, and making positive contributions to the robust growth of enterprises and the steady development of the economy and society.

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 actively explores the markets along One Belt One Road, 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 and pursues the common development and growth of enterprises and local regions. 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 defense and security, and other public matters. In 2020, the Group's total donations amounted to more than RMB138 million with a year-on-year growth of 26%, in which more than RMB45.18 million was for anti-epidemic work. The Group's 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 for voluntary activities in various aspects such as personnel organization, work mechanism, time arrangement, 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.

Directors' Report

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2020 to its shareholders.

PRINCIPAL BUSINESS

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

RESULTS

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

DIVIDENDS

The Board hereby recommends the distribution of a final dividend of RMB3,964,342,211.14 in total (tax inclusive) for the period from 1 January 2020 to 31 December 2020 (2019: RMB2,952,169,731.70 in total (tax inclusive)) for Shareholders whose names appear on the Company's register of members on Wednesday, 26 May 2021, representing RMB0.470 per share (tax inclusive) (2019: RMB0.350 per share (tax inclusive)) based on the issued shares of the Company of 8,434,770,662 shares as at 26 March 2021. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 26 May 2021.

The Company established and implemented 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 Share and H share will be determined by applying the relevant exchange rate to the pre-tax dividend per share of RMB0.470 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, 14 May 2021.

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 2020 to 31 December 2020 (the "2020 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 Wednesday, 26 May 2021.

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 Shui [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 2020 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 Wednesday, 26 May 2021 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 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").

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

DIVIDENDS *(CONTINUED)*

As such, when distributing the 2020 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 Wednesday, 26 May 2021 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 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) 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 Wednesday, 26 May 2021 (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) (《非居民納稅人享受協定待遇管理辦法》國家稅務總局公告2019年第35號) (the "Measures on Tax Treaties") on or before Thursday, 27 May 2021, 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.

- 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.

DIVIDENDS *(CONTINUED)*

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 Thursday, 27 May 2021. 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 Tuesday, 11 May 2021 to Friday, 14 May 2021 (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 Monday, 10 May 2021 for share registration.

Shareholders whose names appear on the register of members on Wednesday, 26 May 2021 will be eligible for the final dividend. The register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (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 Thursday, 20 May 2021 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Wednesday, 30 June 2021 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 26 May 2021.

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 34 to 62 of this report.

BUSINESS REVIEW *(CONTINUED)*

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

   Pages 26 to 30 and pages 45 to 60 of this report.

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

   Pages 115 to 117 of this report.

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

   Pages 61 to 62 of this report.

5. An analysis using financial key performance indicators

   Pages 45 to 60 of this report.

6. The Company's environmental policies and performance

   Sticking to the national policy of "pollution prevention and environmental protection", the Company insisted on Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as guidance, adhered to the objective of "smart use of resources to serve the industrial construction", continuously promoting the integration of improvement and innovative transformation, striving to resolve the prominent eco-environmental problems and promoting the high-quality development of enterprises, which has made achievements in a certain extent, In accordance with the Environmental Protection Law of the People's Republic of China and with reference to conditions of the Company, the Company formulated the Administrative Measures on Eco-environmental Protection Management of CNBM, the Management Measures on the Supervision of Energy Conservation and Eco-environmental Protection, all of which were applicable to the Company. In the course of material acquisition and construction of production facilities, the Company 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 and emission reduction and cost reduction and efficiency improvement to build a resource-effective and environment-friendly enterprise. The Company also formulated the Eco-environmental Protection Responsibility System of CNBM and the Management Measures on the Energy Conservation and Eco-environmental Protection Assessment of CNBM, regarding the assessment for eco-environmental protection as an important content in the annual results assessment for the responsible person of the enterprise. Strictly implementing regulations related to environmental protection and adhering to the path of sustainable development, the Company committed itself to the realization of economic returns, social benefits and environmental benefits. During the year, the Company met all the standards of the environmental protection appraisal. For the relevant companies with environmental problems and potential issues due to historical reasons, the Company urged the relevant enterprises to complete the rectification by a specific time.

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

   In 2020, the Company has been in compliance with the Company Law of the People's Republic of China and any other applicables laws and regulations, 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

BUSINESS REVIEW *(CONTINUED)*

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 RMB172,379.76 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 2020, net carrying amount of fixed assets amounting to RMB1,964.97 million, monetary capital amounting to RMB4,995.82million and net carrying amount of accounts receivable and other assets amounting to RMB1,566.75 million have been pledged, being the condition as the grant of financing by banks. As at 31 December 2020, the pledged assets of the Company amount to RMB8,527.54million in total.

SUBSIDIARIES AND ASSOCIATES

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

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 2020)

	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 2020)

Name	Class of Shares	Number of Shares held	Percentage of total share capital (%)
Parent	Domestic Shares	628,592,008	7.45
	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	286,651,926	3.40
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 2020, 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	628,592,008			
	Domestic Shares	Long	Interest of controlled corporations	2,984,713,973			
				3,613,305,981	2	81.11	42.84
	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	3		
				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
Cinda	Domestic Shares	Long	Beneficial owner	286,651,926		6.43	3.40
Taishan Finance	Domestic Shares	Long	Interest of controlled corporations	263,318,181	4	5.91	3.12
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	4	5.91	3.12
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	5.11	2.70
Citigroup Inc.	H Shares	Long	Interest of controlled corporations	41,747,360			
	H Shares	Long	Approved lending agent	188,572,976			
				230,320,336	5	5.95	2.73
	H Shares	Short	Interest of controlled corporations	9,187,205	5	0.23	0.10
	H Shares	Lending Pool	–	188,572,976	5	4.87	2.23
BlackRock, Inc.	H Shares	Long	Interest of controlled corporations	216,549,876	6	5.59	2.56
	H Shares	Short	Interest of controlled corporations	302,000	6	0.01	0.01
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 2020, 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 3,613,305,981 Shares, 628,592,008 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. 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.

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

5. Citigroup Inc. was deemed to hold interests in a total of 230,320,336 H Shares (long position) and 9,187,205 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

    5.1 Citibank, N.A. held 214,858,973 H Shares (long position) and 350,000 H Shares (short position) in the Company. Citibank, N.A. was an indirect wholly-owned subsidiary of Citigroup Inc..

    5.2 Citigroup First Investment Management Limited held 3,800,000 H Shares (long position) in the Company. Citigroup First Investment Management Limited was a direct wholly-owned subsidiary of Citigroup Global Markets Hong Kong Holdings Limited (indirectly held as to 51.86% by Citigroup Global Markets (International) Finance GmbH (an indirect wholly-owned subsidiary of Citigroup Inc.), and 48.14% by Citigroup Global Markets Switzerland Holding GmbH (an indirect wholly-owned subsidiary of Citigroup Inc.)).

    5.3 Citigroup Global Markets Hong Kong Limited held 1,111,371 H Shares (long position) and 2,283,554 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup Inc..

    5.4 Citigroup Global Markets Inc. held 171,550 H Shares (long position) in the Company. Citigroup Global Markets Inc. was an indirect wholly-owned subsidiary of Citigroup Inc..

    5.5 Citigroup Global Markets Limited held 8,885,419 H Shares (long position) and 6,553,651 H Shares (short position) in the Company. Citigroup Global Markets Limited was a direct wholly-owned subsidiary of Citigroup Global Markets Holdings Bahamas Limited (directly held as to 50.21% by Citigroup Global Markets (International) Finance GmbH (an indirect wholly-owned subsidiary of Citigroup Inc.), and 49.62% directly by Citigroup Financial Products Inc. (an indirect wholly-owned subsidiary of Citigroup Inc.)).

    5.6 Citibank (Switzerland) AG held 939,760 H Shares (long position) in the Company. Citibank (Switzerland) AG was an indirect wholly-owned subsidiary of Citigroup Inc..

    5.7 Citibank Europe plc held 541,163 H Shares (long position) in the Company. Citibank Europe plc was an indirect wholly-owned subsidiary of Citigroup 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)

5.8 Citicorp Trust Delaware, National Association held 12,100 H Shares (long position) in the Company. Citicorp Trust Delaware, National Association was an indirect wholly-owned subsidiary of Citigroup Inc..

The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 188,572,976 H Shares. Besides, 1,586,621 H Shares (long position) and 5,885,554 H Shares (short position) of Citigroup Inc. in the Company were held through derivatives as follows:

853,250 H Shares (long position) and 278,000 H Shares (short position)	–	through physically settled listed derivatives
733,371 H Shares (long position) and 2,355,554 H Shares (short position)	–	through physically settled unlisted derivatives
3,252,000 H Shares (short position)	–	through cash settled unlisted derivatives

6. BlackRock, Inc. was deemed to hold interests in a total of 216,549,876 H Shares (long position) and 302,000 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

6.1 BlackRock Investment Management, LLC held 1,494,536 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 4,200,000 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 43,824,479 H Shares (long position) and 302,000 H Shares (short position) in the Company. BlackRock Institutional Trust Company, National Association was an indirect wholly-owned subsidiary of BlackRock Holdco 6, LLC, which in turn was indirectly held as to 90% by BlackRock, Inc..

6.4 BlackRock Fund Advisors held 64,262,850 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 1,822,000 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 34,167,331 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 1,202,000 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 1,717,750 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 2,910,993 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..

6.10 BlackRock (Netherlands) B.V. held 368,000 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..

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)

6.11 BlackRock Advisors (UK) Limited held 178,000 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 200,000 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 21,325,727 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 1,120,000 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 18,684,601 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..

6.16 BlackRock Fund Managers Limited held 18,450,535 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 347,074 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 250,000 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 24,000 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 614,000 H Shares (long position) and 94,000 H Shares (short position) of BlackRock, Inc. in the Company were held through derivatives as follows:

614,000 H Shares (long position) and 94,000 H Shares (short position)	–	through cash settled unlisted derivatives

Save as disclosed above, as at 31 December 2020, 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 2020, 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 1.62% 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 2020, the Company has publicly bought back the "17 CNBM 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 RMB3,000,000,000, the bond has been fully repurchased; the Company has publicly bought back the "17 Sinoma 02" bonds on the Shanghai Stock Exchange. The repurchase price was face value of the bond (RMB100 each bond), the cancellation amount was RMB1,212,000,000, and the remaining amount is RMB288,000,000; the Company has publicly bought back the "15 CNBM MTN001" bonds in the Shanghai Clearing House. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB5,000,000,000, the bond has been fully repurchased; the Company has publicly bought back the "17 CNBM 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 RMB3,000,000,000, 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 2020, 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 2020, 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 2020 were RMB9,807.5 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 154,096 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 endeavors 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.

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

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.

Given Sinoma International's two distributions of profit in May 2018 and June 2019 respectively, in accordance with the relevant provisions under the Equity Incentive Plan for adjustment of the exercise price, Sinoma International approved in the meeting of the board of directors of Sinoma International held on 20 March 2020 that the exercise price be changed to RMB8.837/share. 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 shares of Sinoma International Share 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 Sinoma International Share Options granted was changed from 17,424,500 shares to 16,770,220 shares.

Given Sinoma International's distribution of profit in June 2020, in accordance with the relevant provisions under the Equity Incentive Plan for adjustment of the exercise price, Sinoma International approved in the meeting of the board of directors of Sinoma International held on 18 August 2020 that the exercise price be changed from RMB8.837/share to RMB8.536/share.

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

As at 1 January 2020, there was 17,424,500 outstanding Sinoma International Share Options. Due to the aforesaid adjustment of the number of the Sinoma International Share Options, there was 16,770,220 outstanding Sinoma International Share Options as at 31 December 2020. No Sinoma International Share Option was exercised during the Reporting Period.

As 463 grantees did not exercise their options during the first exercise period (please refer to the table below for the exercise period), the cancellation of an aggregate of 5,589,931 unexercised and expired Sinoma International Share Option was approved in a board meeting of Sinoma International held on 8 February 2021. In addition, as 8 of the 463 grantees had resigned or retired etc., the cancellation of an aggregate of 343,336 Sinoma International Share Options granted to (but not exercised by) the 8 said grantees with respect to the second and the third exercise periods (please refer to the table below for the exercise periods) was approved in the board meeting of Sinoma International. After the said adjustment, the total number of grantees under the Equity Incentive Plan changed from 463 to 455. The exercise conditions for the second exercise period of the Equity Incentive Plan have been fulfilled, the number of Sinoma International Share Options exercisable during the second exercise period will be 5,416,410. It was approved in the board meeting of Sinoma International that an aggregate of 2,001 Sinoma International Share Options granted with respect to the second exercise period be cancelled due to the failure to meet the exercise conditions. After the abovementioned adjustments, the total number of Sinoma International Share Options granted but not exercised under the Equity Incentive Plan changed from 16,770,220 (as at 31 December 2020) to 10,834,952.

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

As at 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 (being 4 December 2020) 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)
Fu Jinguang	(appointed on 24 September 2020)

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)
Li Jun	(appointed on 22 May 2020)
Xia Xue	(appointed on 27 May 2016)

Supervisors

Li Xinhua	(appointed on 13 June 2018)
Wang Yumeng	(appointed on 22 May 2020)
Guo Yanming	(appointed on 13 June 2018)
Wu Weiku	(appointed on 17 October 2014)
Li Xuan	(appointed on 27 May 2016)
Zeng Xuan	(appointed on 25 March 2016)
Xu Qian	(appointed on 11 June 2020)
Yu Yuehua	(appointed on 30 July 2020)

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	12
RMB2,000,000–RMB2,500,000	1

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

The Board 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

On 22 May 2020, Mr. Qian Fengsheng ceased to serve as an independent non-executive Director of the fourth session of the Board due to personal reasons. Mr. Li Jun was appointed as an independent non-executive Director of the fourth session of the Board at the 2019 Annual General Meeting held on 22 May 2020 to replace Mr. Qian Fengsheng. Mr. Fu Jinguang was appointed as an executive Director of the fourth session of the Board at the 2020 first Extraordinary General Meeting held on 24 September 2020.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

Ms. Zhou Guoping ceased to serve as a Supervisor of the fourth session of Supervisory Committee due to work adjustment. Mr. Wang Yumeng was appointed as a Supervisor of the fourth session of Supervisory Committee at the 2019 Annual General Meeting held on 22 May 2020 to replace Ms. Zhou Guoping. On 11 June 2020, Mr. Wang Yingcai ceased to serve as a staff representative Supervisor of the fourth session of Supervisory Committee due to job change. The Company held a staff general meeting and elected Mr. Xu Qian as a staff representative Supervisor of the fourth session of Supervisory Committee. On 30 July 2020, Ms. Cui Shuhong ceased to serve as a staff representative Supervisor of the fourth session of Supervisory Committee due to job change. Ms. Yu Yuehua was elected as a staff representative Supervisor of the fourth session of Supervisory Committee at the staff general meeting of the Company.

On 27 July 2020, Mr. Song Shoushun resigned as the vice president of the Company due to personal reasons.

For details of the above changes, please refer to the Company's announcements dated 9 December 2019 and 22 March 2020, circular dated 3 April 2020, announcements dated 22 May 2020, 11 June 2020, 16 July 2020, and 30 July 2020, circular dated 4 September 2020 and announcement dated 24 September 2020.

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. Cao Jianglin, an executive Director, ceased to serve as the chairman and supervisor of the Supervisory Committee of BNBM since August 2020; Mr. Peng Shou, the president and an executive Director, has served as the chief engineer of the parent company since August 2020; Mr. Cui Xingtai, an executive Director, has served as a director of Building Materials Academy since October 2020, and a director of CBM Net Technology Co., Ltd. since April 2020; Zhan Yanjing, a non-executive director, has served as a director of CNBM Trading since February 2020; Mr. Chen Yongxin, a non-executive Director, ceased to serve as the vice chairman and a director of CNBM Investment Co., Ltd. since July 2020; Mr. Yan Jun, an independent non-executive Director, has been the chief executive officer of C.M. Capital Advisors (HK) Limited since June 2020; Ms. Xia Xue, an independent non-executive Director, has been an independent director of Shanghai Kehua Bio-engineering Co., Ltd. since June 2020.

Mr. Guo Yanming, an independent supervisor, has been the chairman of the Supervisory Committee of BBMG since August 2020; Mr. Wu Weiku, an independent supervisor, has been the independent director of ZhongRong Fund Management Company Limited since January 2021; and Mr. Li Xuan, an independent supervisor, has been the independent director of Beijing Dabeinong Technology Group Co., Ltd. since March 2020.

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 50 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 2020.

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 7.45% and total direct and indirect equity interest of 43.02% 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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; and (5) Master Agreement on Housing Leasing, 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. The transactions contemplated under the Financial Services Framework Agreement (a summary of each of which is set out below) were (i) with respect to the provision of deposit services, subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules; (ii) with respect to the loan services, fully exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules; and (iii) with respect to the other financial services (except the deposit services), subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirements under the Listing Rules.

1. Master Agreement on Purchase of Mineral

   On 30 September 2019, the Company entered into a master agreement on purchase of mineral with the Parent, for a term of three years commencing from 1 January 2020 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 details about the Master Agreement on Purchase of Mineral has been disclosed in the announcement issued by the Company on 30 September 2019. The annual cap for transactions conducted under the Master Agreement on Purchase of Mineral for the year ended 31 December 2020 (the "2020 Annual Cap") is RMB520.36 million. The Group recorded expenses of RMB75.95 million incurred in the purchase of mineral from the Parent under the Master Agreement on Purchase of Mineral for the year ended 31 December 2020.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

2. Master Agreement on Mutual Provision of Products and Services

   On 30 September 2019, 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 2020, 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 of the PRC, the guided prices issued by the relevant PRC authorities;

   (c) if no prices are prescribed by the price control authorities of the PRC 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, and on terms not less favourable than those provided by Independent Third Parties to the Company or provided by the Parent to Independent Third Parties.

    The details about the Master Agreement on Mutual Provision of Products and Services have been disclosed in the announcement issued by the Company on 30 September 2019. According to the Master Agreement on Mutual Provision of Products and Services (i) the 2020 Annual Cap for the purchase of products and services from the Parent is RMB2,592.96 million; and (ii) the 2020 Annual Cap for the provision of products and services to the Parent is RMB1,149.23 million. During the year ended 31 December 2020, the Group (i) incurred expenses of RMB781.58 million from the purchase of products and services from the Parent; and (ii) recorded revenues of RMB753.91 million from the provision of products and services to the Parent under the Master Agreement on Mutual Provision of Products and Services.

3. Master Agreement on Purchase of Equipment

    On 30 September 2019, 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 2020, whereby the Parent agreed to supply, or procure its subsidiaries to supply, roller press machine, waste heat power generation equipment, equipment required for thin-film solar energy construction project and other auxiliary equipment 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

3. Master Agreement on Purchase of Equipment *(Continued)*

   The details about the Master Agreement on Purchase of Equipment have been disclosed in the announcement issued by the Company on 30 September 2019. According to the Master Agreement on Purchase of Equipment, the 2020 annual cap for purchase of equipment from the Parent is RMB1,432.67 million. The Group incurred expenses of RMB594.30 million from the purchase of equipment from the Parent for the year ended 31 December 2020.

4. Master Agreement on Provision of Engineering Services

   On 30 September 2019, the Company entered into a master agreement on provision of engineering services ("Master Agreement on Provision of Engineering Services") with the Parent, for a term of three years commencing from 1 January 2020, 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 guided prices issued by the relevant PRC government authorities in the PRC (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 mentioned in (b) above, 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 provided by Independent Third Parties to the Parent Group or provided by the Company 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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

   The details about the Master Agreement on Provision of Engineering Services have been disclosed in the announcement issued by the Company on 30 September 2019. According to the Master Agreement on Provision of Engineering Services, the 2020 annual cap for provision of engineering services to the Parent is RMB2,001.8 million. The Group recorded revenue of RMB1,136.42 million from provision of engineering services to the Parent for the year ended 31 December 2020.

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 to provide housing leasing services to each other. The term of the agreement is three years starting from 1 January 2020. The rents of the housing to be tenanted 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

5 Master Agreement on Housing Leasing *(Continued)*

The details about the Master Agreement on Housing Leasing have been disclosed in the announcement issued by the Company on 30 September 2019. Pursuant to the Master Agreement on Housing Leasing, (i) the annual cap for leasing property from the Parent is RMB46.17 million; and (ii) the annual cap for leasing property to the Parent is RMB80 million. During the year ended 31 December 2020, the Group (i) paid rental of RMB0.69 million for leasing property from the Parent; and (ii) recorded a revenue of RMB48.34 million from leasing property to the Parent.

6 Financial Services Framework Agreement

To further broaden the Company's financing channels and strengthening capital management, on 30 September 2019, 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 three years from 1 January 2020, 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 during the same period, and 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

6 Financial Services Framework Agreement *(Continued)*

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 benchmark 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.

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 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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

6. Financial Services Framework Agreement *(Continued)*

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 2019 First Extraordinary General Meeting of the Company held on 9 December 2019. The loan services under the Financial Services Framework Agreement are 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 announcements of the Company dated 30 September 2019 and 9 December 2019 and the circular of the Company dated 23 October 2019. Pursuant to the Financial Services Framework Agreement, in 2020, (i) the maximum daily balances (including accrued interest) for deposit services are RMB16,800 million; and (ii) the annual caps on total fees for other financial services are RMB300 million. During the year ended 31 December 2020, the actual maximum daily balance of deposit of the Group is RMB10,761.14 million, and the actual expenses incurred are RMB65,500.

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.

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, Master Agreement on Housing Leasing 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;

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Annual Review of Continuing Connected Transactions *(Continued)*

(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, Master Agreement on Housing Leasing 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 2020 have followed the pricing principles of these continuing connected transactions.

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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Formation of Joint Venture in Ruichang

To promote the Company's construction aggregate business in Ruichang, on 20 April 2020, CNBM New Material, a subsidiary of the Company, entered into a Shareholders Agreement with Triumph Technology Group Company* (凱盛科技集團公司) ("Triumph Technology") and CNBM (Chengdu) Optoelectronic Materials Co., Ltd.* (成都中建材光電材料有限公司) ("CNBM (Chengdu)"), pursuant to which the parties agreed to establish a joint venture (the "Ruichang Joint Venture") in Ruichang, Jiujiang, Jiangxi Province, the PRC. Triumph Technology and CNBM (Chengdu) are both indirect subsidiaries of the Parent.

The registered capital of the Ruichang Joint Venture is RMB1,000 million, of which CNBM New Material, Triumph Technology and CNBM (Chengdu) agreed to subscribe RMB450 million, RMB450 million and RMB100 million, respectively, representing 45%, 45% and 10% of the registered capital of the Ruichang Joint Venture, respectively.

The initial capital contribution of the Ruichang Joint Venture amounts to RMB400 million in total, of which CNBM New Material, Triumph Technology and CNBM (Chengdu) agreed to fully pay in one-go in cash of RMB180 million, RMB180 million and RMB40 million, respectively by 30 April 2020 respectively. The subsequent capital contribution of the Ruichang Joint Venture amounts to RMB600 million in total, which will be paid pro rata in installments by all Ruichang Joint Venture shareholders. The time of the payment is to be agreed upon separate negotiation by all Ruichang Joint Venture shareholders.

Formation of Joint Venture in Chi Zhou

To promote the Company's construction aggregate business in Yangtze River basin area, on 22 May 2020, CNBM New Material, a subsidiary of the Company, entered into a shareholders agreement with CNBM (Anhui) Non-metallic Mining Industry Co., Ltd.* (中建材安徽非金屬礦工業有限公司) ("Anhui Non-metallic Mining", an indirect wholly-owned subsidiary of the Parent), Chizhou Transport Investment Group Co., Ltd.* (池州交通投資集團有限公司) ("Chizhou Transport"), Chizhou Jinqiao Investment Group Co., Ltd.* (池州金橋投資集團有限公司) ("Chizhou Jinqiao") and Chizhou Construction Investment Group Co., Ltd.* (池州建設投資集團有限公司) ("Chizhou Construction"), pursuant to which the parties agreed to establish a joint venture (the "Chizhou Joint Venture") in Guichi District, Chizhou, Anhui Province, the PRC.

The registered capital of the Chizhou Joint Venture is RMB1,000 million, of which CNBM New Material, Anhui Non-metallic Mining, Chizhou Transport, Chizhou Jinqiao and Chizhou Construction agreed to subscribe for RMB600 million, RMB100 million, RMB100 million, RMB100 million and RMB100 million, respectively, representing 60%, 10%, 10%, 10% and 10% of the registered capital of the Chizhou Joint Venture, respectively.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Formation of Joint Venture in Chi Zhou *(Continued)*

The initial capital contribution of the Chizhou Joint Venture amounts to RMB50 million in total, of which CNBM New Material, Anhui Non-metallic Mining, Chizhou Transport, Chizhou Jinqiao and Chizhou Construction agreed to fully pay by 30 June 2020 in one-go in cash of RMB30 million, RMB5 million, RMB5 million, RMB5 million and RMB5 million, respectively. The subsequent capital contribution of the Chizhou Joint Venture amounts to RMB950 million in total, which will be paid pro rata in installments by all Chizhou Joint Venture shareholders. The payment schedule is to be agreed upon separate negotiation by all Chizhou Joint Venture shareholders.

Acquisition of Suzhou Waterproof Institute

To achieve integration of production and research and further optimize waterproof products and improve competitiveness, on 30 December 2020, BNBM, a subsidiary of the Company, and China National Building Material Assets Management Co., Ltd. ("CNBM Assets Management", a wholly-owned subsidiary of the Parent) entered into an acquisition agreement, pursuant to which BNBM has agreed to purchase, and CNBM Assets Management has agreed to sell, the 100% equity interests in CNBM Suzhou Waterproof Institute Co., Ltd.* (中建材蘇州防水研究院有限公司) ("Suzhou Waterproof Institute"), for a consideration of RMB69.2132 million.

Upon completion of the Acquisition, Suzhou Waterproof Institute has become a subsidiary of the Company and has ceased to be a connected person of the Company. Accordingly, the continuing transactions between members of the Group and Suzhou Waterproof Institute will no longer be governed by the Master Agreement on Purchase of Equipment between the Parent and the Company dated 30 September 2019, and also no longer constitute continuing connected transactions of the Group.

The details of BNMN's acquisition of Suzhou Waterproof Institute have been disclosed in the announcement issued by the Company on 30 December 2020. As of the date of this report, the transaction has 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 2020, 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 23 March 2020, pursuant to the authorisation granted at the 2019 Annual General Meeting held on 22 May 2020, 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 2020 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 RMB133,638,102.35.

ISSUE OF DEBENTURES

During the Reporting Period, the Company issued the following debentures in an aggregate principal amount of RMB22.0 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 three tranches of renewable corporate bonds for cash in an aggregate principal amount of RMB6.0 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of one tranche of 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 three tranches of medium-term notes for cash in an aggregate principal amount of RMB3.5 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 RMB11.0 billion, par value of RMB100.

By order of the Board
Cao Jianglin
Chairman of the Board

Beijing,the PRC
26 March 2021

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 in respect of 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, the 2019 interim report, the 2019 annual report and the 2020 interim report setting out information on the subsequent development of the gypsum board litigation in the United States

In August 2019, Taishan Gypsum and Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan"), entered into a class settlement agreement (the "Settlement Agreement") with the counsels acting for the plaintiff Settlement Class (the "Settlement"), and the procedure of the Settlement proceeded normally in accordance with the Settlement Agreement.

In May 2020, the district court in the U.S. issued a formal order ruling that the claims against Taishan and Additional Released Parties and that the Released Claims are released and barred from reviving, and that the claims brought by plaintiffs who opted out from the Settlement are not released and are reserved in the litigation. This order is the final procedure of the Settlement process, and the cases of the plaintiffs who did not opt out of the case against Taishan and Additional Released Parties have closed.

In the Settlement, a total of 90 plaintiffs opted out from the Settlement, and the litigation of these plaintiffs will continue. In addition, the case of The Mitchell Co., Inc. against Knauf Gips KG is also ongoing. 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

Joint Venture with Henan Investment Group

References are made to the Company's announcements dated 27 September 2019 and 27 December 2019 in respect of the entering into a shareholders agreement ("Shareholders Agreement") between China United Cement and Henan Investment Group Co., Ltd.* (the "Henan Investment Group") to establish a joint venture (the "Joint Venture") and a supplemental agreement ("Supplemental Agreement") to adjust the registered capital of the Joint Venture.

On 30 September 2020, China United Cement and Henan Investment Group entered into a further supplemental agreement in relation to the above Shareholders Agreement and Supplemental Agreement, pursuant to which China United Cement may contribute its portion of registered capital of the Joint Venture by way of transferring equity interests in certain of its subsidiaries to the Joint Venture. As at the date of this report, this further supplemental agreement has not become effective and no definitive agreement has been reached in respect of the scope of subsidiaries to be transferred by China United Cement to the Joint Venture.

Events after the Reporting Period

On 1 February 2021, the Company has submitted an application (the "**Application**") to the China Securities Regulatory Commission (the "**CSRC**") in respect of the conversion of certain of its Domestic Shares and Unlisted Foreign Shares (collectively, the "**Unlisted Shares**") into H shares ("**H Shares**") of the Company, and the Shares directly and indirectly held by Parent will not participate in this conversion. Upon obtaining all the relevant approvals (including the approvals from CSRC and the Stock Exchange) and having complied with all applicable laws, regulations and rules, such Unlisted Shares will be converted into H Shares, and the Company will apply for the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange (the "**Conversion and Listing**"). Pursuant to the articles of association of the Company, no further shareholders' meeting or class meeting is required to be convened to approve the Conversion and Listing. As at the date of the report, the Company has not received approval from the CSRC in respect of the Application and the details of implementation plan of the Conversion and Listing have not been finalized. For details, please refer to the announcement of the Company dated 1 February 2021.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

Events after the reporting period *(Continued)*

The restructuring of cement engineering assets involve three target companies ("Cement Engineering Target Companies"), namely Beijing Triumph Building Materials Engineering Co., Ltd*, Nanjing Triumph International Engineering Company Limited* ("Nanjing Triumph") and Sinoma Mining Construction Co., Ltd*. The relevant restructuring involves (i) the sale of the respective equity interests in the relevant cement engineering target companies of the Company, China Building Materials Academy Co., Ltd* ("Building Materials Academy", a wholly-owned subsidiary of the parent company of the Company) and China Triumph International Engineering Company Limited* ("China Triumph", a subsidiary of the Company) to Sinoma International Engineering Co., Ltd.* ("Sinoma International", an A-share listed subsidiary of the Company); and (ii) the acquisitions of equity interests in Nanjing Trumph by Sinoma International from 49 minority shareholders. The relevant indicative agreement in relation to the restructuring was entered into on 30 October 2020. On 9 February 2021, the Company, Building Materials Academy and China Triumph entered into a supplemental agreement with Sinoma International, to agree on the consideration of the transactions in connection therewith under the restructuring, which is to be satisfied by the issue and allotment of new shares by Sinoma International and/or cash. On the same day, Sinoma International entered into a supplemental agreement with the minority shareholders, to agree on the consideration of the transactions in connection therewith under the restructuring. Upon completion, the Company will remain as the controlling shareholder of Sinoma International. The above indicative agreement and supplemental agreements are conditional upon the fulfilment of the relevant conditions to effectiveness. As at the date of this report, completion has not taken place. The details of the transactions regarding the restructuring of cement engineering assets have been disclosed in the announcements in relation to the restructuring issued by the Company on 17 October 2020, 19 October 2020, 30 October 2020 and 9 February 2021, respectively and an overseas regulatory announcement dated 9 February 2021.

The restructuring of cement assets involve four target companies ("Cement Assets Target Companies"), namely China United Cement Corporation*, South Cement Company Limited* ("South Cement"), Southwest Cement Company Limited* ("Southwest Cement") and Sinoma Cement Co., Ltd.*, all of which are subsidiaries of the Company. The relevant restructuring involves (i) the sale of the respective equity interests in the relevant cement asset target companies of the Company to Xinjiang Tianshan Cement Co., Ltd.* ("Tianshan Cement", an A-share listed subsidiary of the Company); and (ii) the acquisitions of equity interests in South Cement or Southwest Cement (as the case may be) from the minority shareholders. The relevant indicative agreement in relation to the restructuring was entered into on 7 August 2020. On 2 March 2021, the Company entered into a supplemental agreement with Tianshan Cement to agree on the consideration of the restructuring, which is to be satisfied by the issue and allotment of new shares by Tianshan Cement. On the same day, Sinoma International entered into a supplemental agreement with 25 minority shareholders of South Cement or Southwest Cement (as the case may be), to agree on the consideration of the transactions in connection therewith under the restructuring, which is to be satisfied by the issue and allotment of new shares by Tianshan Cement and/or cash. Upon completion, Tianshan Cement will remain as a subsidiary of the Company. The above indicative agreement and supplemental agreements are conditional upon the fulfilment of the relevant conditions to effectiveness. As at the date of this report, completion has not taken place. The details of the transactions regarding the restructuring of cement assets have been disclosed in the announcements in relation to the restructuring issued by the Company on 24 July 2020, 7 August 2020 and 2 March 2021, respectively and an overseas regulatory announcement dated 2 March 2021 and a circular dated 4 March 2021.

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 14 meetings of Board of Directors and 4 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 seven resolutions including the Supervisory Committee Working Report of the Company for 2019, the auditor's report and audited financial statements of the Company for 2019, the profit distribution plan and the final dividend distribution plan for 2019, the resolution on the adjustment of the Supervisory Committee of the Company and of supervisors and determination on the remuneration of new supervisors, the 2020 interim report and interim results announcement, the 2020 review report for interim financial information and the 2020 half-yearly report, the distribution of interim dividends for 2020 and other related matters.

Lawful operation of the Company. During the Reporting Period, the Supervisory Committee through various means such as convening meetings of the Supervisor Committee, attending Shareholders' meetings and Board's meetings, 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, there are no violations of laws or regulations in the operation of the Company, the decision-making procedures in the General Meeting and the Board Meeting are in compliance of laws, and the internal risk management and control systems are optimal. 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 and make prudent decisions. 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 interests of shareholders of the Company and the legitimate rights and interests of employees.

Supervision over financial matters. During the Reporting Period, the Supervisory Committee supervised financial position and financial risk control of the Company by reviewing the financial information, including financial reports, operating reports and the profit distribution plan, the audit report issued by the auditors, and financial system. 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 proper control of financial risk management, which has been in line with the development status and expectations of the Company. Having reviewed relevant information including the 2020 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.

In the face of COVID-19 in 2020, the Company strictly abided by the requirements of the national pandemic prevention policy, and has won the phased victory of no infection in all levels of subsidiary enterprises; in the face of the severe domestic and international economic recession caused by COVID-19, 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 maintained the positive economic growth under the severe economic environment. The Supervisory Committee is satisfied with the Company's efforts and it hopes that in 2021, the Directors and the senior management will keep strictly comply with the requirements of pandemic prevention and intensely cooperate with the national pandemic prevention work, in addition to 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
26 March 2021

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 extensive 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 from September 2009 to August 2020. 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 extensive experience in business and management in the building material industry. Mr. Peng served as the president of the Company since June 2018, a chief engineer of the Parent since August 2020, 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).

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 extensive business and management experience in building material industry. He has been a director of Building Materials Academy since October 2020, a director of Zhejiang CBM Net Technology Co., Ltd. (浙江中建網絡科技股份有限公司) since April 2020 and a director of China National Building Material New Materials Co., Ltd. (中建材新材料有限公司) since August 2018. 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 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 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).

Mr. Fu Jinguang, born in December 1973, is an executive Director and chairman of the labour union of the Company. Mr. Fu has extensive business and management experience in non-metallic materials industry. Mr. Fu has served as an executive director of the Company since September 2020, the chairman of the labour union of the Company since December 2019, the chairman of the supervisory committee of BNBW since September 2020, the director of Qilianshan, the director of Qilianshan Holdings since August 2020, and director of Sinoma International and South Cement since April 2020. He served as vice president of Sinoma from September 2016 to May 2018. He served in various positions such as the head of the office of the board of directors, head of international cooperation and marketing department, head of the general office, assistant to the general manager, secretary of the board of directors of Sinoma Parent (中國中材集團有限公司) from August 2009 to September 2016. He served as deputy head of the president office of Sinoma from August 2007 to August 2009, secretary to the general office of China National Materials Industry Group Corporation Limited (Sinoma Parent) from July 2006 to August 2007. Mr. Fu is a senior engineer.

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

DIRECTORS *(CONTINUED)*

Non-executive Directors

Ms. Zhan Yanjing, born in January 1963, is a non-executive Director of the Company. Ms. Zhan has extensive experience in financial accounting and capital operation. Ms. Zhan has served as chairman of CNBM Trading since February 2020 and 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. since September 2019, director of Sinoma Energy Conservation Ltd since September 2019 and director of CNBM Industrial Fund Management Co., Ltd. from September 2019 to June 2020. She also served as vice president and chief financial officer of CRRC Corporation Limited from May 2015 to August 2019, vice president and chief financial officer of CSR Corporation Limited from December 2007 to May 2015, chief accountant of China Southern Locomotive & Rolling Stock Industry (Group) Corporation from April 2005 to December 2007. Ms. Zhan held various positions in Beijing Foton Motor Co., Ltd. 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 of China Shipbuilding Industry Corporation 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. Ms. Zhan is currently a director of China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd. and a member of State Owned Assets Supervision and Administration Commission.

Mr. Chang Zhangli, born in December 1970, is an executive Director of the Company. Mr. Chang has extensive 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 June 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 Shanshui Cement, the vice president of China Association for Public Companies, non-executive director of China Conch Venture Holdings Limited, and the vice president of Beijing 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).

DIRECTORS *(CONTINUED)*

Non-executive Directors *(Continued)*

Mr. Tao Zheng, born in February 1975, is a non-executive Director of the Company. Mr. Tao has extensive 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 reorganization. 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 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, and a standing member of the fourth Committee of Central Enterprises Youth Union.

Mr. Chen Yongxin, born in February 1971, is a non-executive Director of the Company. Mr. Chen has extensive experience in corporate management. Mr. Chen has been a non-executive Director of the Company since May 2016, the vice chairman of CNBM Investment from April 2016 to June 2020, 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. since June 2017, and the chairman and president of China National Building Material Intelligent Internet of Things Co., Ltd. since June 2017. He served as the chairman and president of CNBM Investment from August 2014 to April 2016 and has been the chairman and general manager of CNBMIT Co., Ltd. from July 2009 to April 2015. He acted as the vice president of CNBM Investment from April 2003 to August 2014, assistant to president of BND Co., Ltd. from February 2002 to April 2003, general manager of Integrated Product Department of BND Co., Ltd. from January 2001 to February 2002, manager of China National Building Material & Equipment Import and Export Zhujiang Corporation from June 1997 to January 2002. 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.

DIRECTORS *(CONTINUED)*

Non-executive Directors *(Continued)*

Mr. Shen Yungang, born in September 1966, is a non-executive Director of the Company. Mr. Chen has accumulated extensive 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. 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 China Cinda from May 1998 to May 1999, as the manager of business department of Hyde International Investment Ltd. from May 1994 to April 1998, and worked in Capital Steel Beijing Lingyun Building Materials & Chemical Co., Ltd. from July 1990 to April 1994. Mr. Shen obtained a bachelor degree in English from Wuhan University of Technology in June 1990. He is an economist.

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. 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. He has been serving as CEO of C.M. Capital Advisors (HK) Limited since June 2020, and as Chairman of Synergy Capital Advisor 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 accumulated extensive 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 accumulated extensive 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, an independent non-executive director of Hengan International Group Company Limited ., and a director of Beijing Yining Culture Media Co., Ltd. (北京頤寧文化傳媒有限公司).

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

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(Continued)*

Mr. Li Jun, born in October 1962, is an independent non-executive Director of the Company. Mr. Li has extensive experience in accounting. Mr. Li has been serving as an independent non-executive Director of the Company since May 2020, the chairman of the board of directors of Beijing Huayu Fund Management Co., Ltd. (北京華鈺基金管理有限公司) since November 2018, and a consultant of Beijing Huazheng Junlue Management Consultancy Co., Ltd. (北京華正均略管理諮詢有限公司) from February 2017 to October 2018. He served as a deputy director of accounting department of the China Securities Regulatory Commission from March 2012 to January 2017, a deputy general manager of Dalian Commodity Exchange from August 2005 to March 2012, and a deputy director and director of the futures supervision department of the China Securities Regulatory Commission from July 1996 to July 2005. He was a chief officer of the accounting department of the Ministry of Finance of the PRC from April 1992 to June 1996, and an accountant of Shandong Yanzhou Mining Bureau (山東兗州礦務局) from August 1980 to September 1989. Mr. Li graduated from Shandong TV University majoring in industrial accounting in June 1986, and obtained a master's degree in accounting from the faculty of accounting of Dongbei University of Finance and Economics in April 1992 and a doctorate degree in finance from the Institute of Fiscal Sciences of Ministry of Finance of the PRC (財政部財政科學研究所) in July 2001. Mr. Li is a Certified Public Accountant in the PRC and a non-practising member of the PRC Certified Public Valuer. At present, Mr. Li concurrently serves as an independent director of BOCI Securities Limited and an independent director of China Railway Materials Company Limited.

Ms. Xia Xue, born in January 1968, is an independent non-executive Director of the Company. Ms. Xia has accumulated 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 a senior partner of Zhihe Partners since January 2020, 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 January 2020. 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, an independent director of Shanghai Kehua Bio-Engineering Co., Ltd. and an external director of Shanghai Hongkou Commercial (Group) Co., Ltd. (上海虹口商業(集團)有限公司).

SUPERVISORS

Mr. Li Xinhua, born in July 1964, is the chairman of supervisory committee of the Company. Mr. Li has extensive 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 May 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 as the chairman of Sinoma Science & Technology from May 2003 to May 2013. He served as a director of Sinoma Parent, Ningxia Building Materials, Qilianshan, 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 special 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), chairman of China Composites Industry Association (中國複合材料工業協會), 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).

Mr. Wang Yumeng, born in September 1967, is a Supervisor of the Company. Mr. Wang has extensive experience in corporate management. Mr. Wang has been serving as a Supervisor of the Company since May 2020, director of Triumph Science & Technology Group Co., Ltd. since September 2019 and the deputy general manager of the Parent since August 2019. He has been an employee director and chairman of the labour union of the Parent from June 2013 to August 2019, the general manager of the human resources department of the Parent from March 2010 to September 2018, the office director of the Parent from February 2007 to March 2010, the deputy general manager of the human resources department of the Parent from September 2005 to February 2007, the deputy office director of the Parent from April 2005 to September 2005, the deputy general manager of China National Materials Storage and Transportation Corporation (中國物資儲運總公司) from January 2001 to June 2002, and the secretary to the chairman, inspector, secretary to the inspector and other roles of the State Council Compliance Inspectors' General Office (國務院稽查特派員總署) from August 1998 to January 2001. Mr. Wang graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China (中央黨校函授學院) in June 1992 with a bachelor's degree in economic management, and in July 2001 with a master's degree in economic management. Mr. Wang is also a researcher.

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

SUPERVISORS *(CONTINUED)*

Mr. Guo Yanming, born in January 1962, is a Supervisor of the Company. Mr. Guo has extensive experience in corporate management. Mr. Guo has served as a Supervisor of the Company since June 2018, as chairman of the supervisory committee of BBMG Corporation since August 2020, as an employee director of BBMG Corporation from June 2017 to August 2020, 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 accumulated 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 Wharton School of the University of Pennsylvania in from September 1998 to February 1999. 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. At present, Mr. Wu concurrently serves as an independent director of Zhongrong Fund Management Co. Ltd.. 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.

SUPERVISORS *(CONTINUED)*

Mr. Li Xuan, born in March 1968, is an independent Supervisor of the Company. Mr. Li has accumulated extensive theoretical attainments and practical 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 is an independent Director of BOE Technology Group Co., Ltd., an Independent Director of Beijing DaBeiNong Technology Group Co., Ltd., 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), 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) and a member the Central Committee of Social and Legal Affairs of the Chinese Democratic League, He is also a part-time arbitrator and a lawyer.

Ms. Zeng Xuan, born in June 1982, is currently a staff representative Supervisor. Ms. Zong has extensive 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 July 2009, she served in 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 and she received her master's degree in cooperate management from the Université de Paris I in February 2021. She is an assistant economist.

Mr. Xu Qian, born in May 1981, is currently a staff representative Supervisor. Mr. Xu has extensive experience in corporate governance. Mr. Xu has been severing as a staff representative Supervisor of the Company since June 2020, as the vice chairman of the labour union of the Company from July 2018 to January 2021, as well as the director of the party community working department (黨群工作部) of the Company since July 2018. Mr. Xu served as the deputy head and head of the disciplinary supervision and audit department of China National Materials Company Limited (中國中材股份有限公司) from September 2016 to July 2018, the deputy head of the disciplinary supervision department of China National Materials Group Corporation Ltd. (中國中材集團有限公司) from February 2012 to August 2016, the senior manager of the office of the board of directors of China National Materials Company Limited (中國中材股份有限公司) from March 2010 to February 2012, and worked in the general office and the party community working department (黨群工作部) of China National Materials Group Corporation Ltd. (中國中材集團有限公司) from July 2004 to March 2010. Mr. Xu graduated from the Central University of Finance and Economics (中央財經大學) in 2010 and received his master's degree in management, and he is a senior economist.

SUPERVISORS *(CONTINUED)*

Ms. Yu Yuehua, born in February 1972, has extensive experience in project management, finance and auditing. Ms. Yu has served as the general manager of the audit department of the Company since September 2018, a supervisor of Qilianshan since August 2020, supervisor and chairman of the supervisory committee of China United (中聯水泥) since July 2020, deputy general manager (in charge) of the audit department of the Company from July 2018 to September 2018, deputy general manager (in charge) of the audit supervision department from May 2017 to July 2018, and deputy general manager of the finance department of the Company from September 2015 to May 2017. From February 2008 to September 2015, she served as a member of the professional inspection group of the supervisory board of the large key state-owned enterprises (國有重點大型企業監事會) accredited by the State Council of the People's Republic of China. From March 2004 to September 2015, she successively served as department manager and deputy director of CHUNG RUI CPAs (北京中瑞誠會計師事務所), successively served as project manager and manager of Beijing Zerui Taxation Accountant Firm* (Beijing Zhongchen Certified Public Accountants) (北京澤瑞税務師事務所(北京中辰會計師事務所)) from September 1998 to March 2004. Ms. Yu received her bachelor's degree in thermal engineering from Harbin University of Science and Technology (哈爾濱理工大學) in July 1994. She is a Chinese certified public accountant.

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 extensive 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).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Xiao Jiaxiang, born in September 1963, is a vice president of the Company. Mr. Xiao has extensive experience in business management, regional economic, especially in group strategic management in financing in international capital market. He has served as a director of Tianshan Cement since September 2020, 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 January 2006, 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 July 2004. 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).

Mr. Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated extensive 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).

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

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has extensive experience in building material industry. Mr. Cai has been a director of Tianshan Cement since September 2020, 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 chairman of China Jushi from October 2009 to June 2020, 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 accumulated extensive operating and management experience in non-metal materials. Mr. Yu has been the vice president of the Company since May 2018, the chairman of the supervisory committee of Sinoma Cement since September 2020, a supervisor of Sinoma Cement and a director of Sinoma Advanced since July 2020, a director of Sinoma International since April 2020, 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. 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 extensive experience in business and management experience in the construction material industry. Mr. Zhang has been the chairman of Sinoma Mining since May 2020, 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 extensive 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, deputy general manager of Sinoma, deputy chief engineer and deputy managing director of Lunan Cement Factory from August 1986 to August 2004, deputy general manager of Sinoma, deputy chief engineer and deputy managing director of Lunan Cement Factory. 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.

SENIOR MANAGEMENT *(CONTINUED)*

Ms. Pei Hongyan, born in December 1973, is the chief accountant and certified public accountant of the Company. She has extensive 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 extensive operating and management experience in the non-metallic materials industry. Mr. Su has been serving the head of the Office of the Company since June 2020, vice president of the Company since May 2018, chairman of the supervisory committee of Sinoma Science & Technology since January 2021, a supervisor of Qilianshan Holdings since August 2020, supervisor and chairman of the supervisory committee of Qilianshan since August 2020, director of Sinoma Advanced since May 2020 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, 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. 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 extensive experience in financial management. Mr. Yu has been vice chairman of the board of directors of Conch Venture CNBM Hong Kong Holdings Limited since August 2020, 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 has accumulated extensive experience in corporate governance. Mr. Xue has been serving as the director of China National Building Material (Shanghai) Aviation Composites Co., Ltd. (中建材(上海)航空複材有限公司) since February 2021, as the director of Hunan Chinaly New Material Co., Ltd. (湖南中鋰新材料有限公司). Since August 2019, as the Acting Chief Financial Officer of Sinoma Science & Technology from August 2018 to June 2020, as the vice president of the Company since May 2018, as the vice president of Sinoma from July 2016 to May 2018, director of Sinoma Lithium Membrane Co., Ltd. (中材鋰膜有限公司) from February 2016 to February 2021, and as the chairman of Sinoma Science & Technology 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 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 June 1996 to July 2011, and as the deputy head, head and other positions 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.

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

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Liu Yan, born in November 1965, is the vice president of the Company. Mr. Liu possesses extensive experience in corporate governance. Mr. Liu has been serving as chairman of Sinoma International since August 2020, as chairman of the supervisory committee of Sinoma Science & Technology from June 2020 to September 2020 and 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 from January 2010 to December 2020. 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 extensive experience in finance management and corporate governance. Mr. Liu has been serving as the director of China National Building Material (Shanghai) Aviation Composites Co., Ltd. (中建材(上海)航空複材有限公司) since February 2021, as the vice chairman of Zhongfu Shenying Carbon Fiber Co., Ltd. since September 2020, 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) from March 2007 to July 2007. 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.

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 145 to 334, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 2020, the Group has property, plant and equipment with aggregate carrying values of RMB172,379.76 million, accounting for approximately 37.77% 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 RMB4,857.11 million has been recorded to reduce the carrying amounts of certain property, plant and equipment of suspended production lines to their recoverable amounts, which is the higher of fair value less costs of disposal and value in use, with the assistance from independent professional valuers.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of property, plant and equipment (CONTINUED)

Refer to Note 15 to the consolidated financial statements (CONTINUED)

How our audit addressed the Key Audit Matter

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

– evaluating the independent professional valuers' competence, capabilities and objectivity.

With regard to property, plant and equipment that the recoverable amounts were determined based on value in use:

– 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.

With regard to property, plant and equipment that the recoverable amounts were determined based on fair value less cost of disposal:

– checking available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs.

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

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of goodwill

Refer to Note 18 to the consolidated financial statements

Key audit matter

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

As at 31 December 2020, the Group has goodwill of RMB33,290.32 million, accounting for approximately 7.29% 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 RMB4,039.11 million and RMB172.29 million have been recorded in respect of the goodwill allocated to the cement segment and engineering services 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 professional valuer; and

– the discount rates used and the underlying cash flows arising estimate of future revenue growth applied to the estimated future cash flows.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of goodwill (CONTINUED)

Refer to Note 18 to the consolidated financial statements (CONTINUED)

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 professional 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 key assumptions of both management and valuers based on our understanding of the business and industry;

– reconciling input data and relevant factors to supporting evidences;

– evaluating the discount rate, by assessing the cost of capital for the Company and comparable companies, as well as considering territory specific factors; and

– evaluating sensitivity analysis around the key assumptions for revenue growth rate and discount rate. We calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that it was unlikely.

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 18.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

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, 26 March 2021

Lo Wing See
Practising certificate number P04607

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	**2020** **RMB'000**	2019 RMB'000 (restated)
Revenue	6	**254,761,813**	253,402,647
Cost of sales		**(187,952,541)**	(184,915,427)
Gross profit		**66,809,272**	68,487,220
Investment and other income, net	8	**5,330,818**	4,314,167
Selling and distribution costs		**(4,856,839)**	(5,041,063)
Administrative expenses		**(30,424,945)**	(30,046,388)
Finance costs, net	9	**(7,080,362)**	(8,753,951)
Share of profits of associates	21	**3,272,981**	2,458,390
Share of profits of joint ventures	22	**1,354**	733
Impairment loss under expected credit loss model, net of reversal		**(3,017,270)**	(3,971,217)
Profit before income tax	11	**30,035,009**	27,447,891
Income tax expense	12	**(8,389,894)**	(9,019,265)
Profit for the year		**21,645,115**	18,428,626
Profit for the year attributable to:			
Owners of the Company		**12,552,782**	10,974,963
Holders of perpetual capital instruments		**991,808**	1,170,455
Non-controlling interests		**8,100,525**	6,283,208
		21,645,115	18,428,626
		RMB	*RMB*
Earnings per share – basic and diluted	14	**1.488**	1.301

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	**2020** **RMB'000**	2019 RMB'000 (restated)
Profit for the year		**21,645,115**	18,428,626
Other comprehensive (expense)/income, net of tax:	12(b)		
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit obligations		**754**	(3,938)
Change in the fair value of equity instruments at fair value through other comprehensive income, net		**2,038**	4,085
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**7,777**	(98,941)
Shares of associates' other comprehensive expense		**(49,883)**	(23,989)
Shares of joint ventures' other comprehensive expense		**(487)**	(326)
Change in the fair value on hedging instruments designated as cash flow hedges		**(1,936)**	(5,105)
Other comprehensive expense for the year, net of tax		**(41,737)**	(128,214)
Total comprehensive income for the year		**21,603,378**	18,300,412
Total comprehensive income attributable to:			
Owners of the Company		**12,528,079**	10,876,287
Holders of perpetual capital instruments		**991,808**	1,170,455
Non-controlling interests		**8,083,491**	6,253,670
Total comprehensive income for the year		**21,603,378**	18,300,412

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	**2020** **RMB'000**	2019 RMB'000 (restated)	2018 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	15	**172,379,757**	173,149,194	175,549,810
Right-of-use assets	16	**29,979,586**	31,583,266	–
Prepaid lease payments		**–**	–	19,379,617
Investment properties	17	**851,643**	974,038	902,726
Goodwill	18	**33,290,321**	37,886,421	43,657,580
Intangible assets	19	**19,074,130**	12,182,414	9,528,479
Interests in associates	21	**19,313,566**	15,875,435	13,527,327
Interests in joint ventures	22	**98,018**	98,866	80,206
Financial assets at fair value through profit or loss	23	**2,517,143**	2,569,191	1,988,882
Financial assets at fair value through other comprehensive income	24	**7,526**	8,664	7,880
Deposits	25	**4,075,507**	2,931,857	3,356,749
Trade and other receivables	27	**11,930,475**	6,323,458	5,920,820
Deferred income tax assets	34	**6,565,399**	5,850,924	6,228,675
		300,083,071	289,433,728	280,128,751
Current assets				
Inventories	26	**20,287,977**	20,021,854	19,724,172
Trade and other receivables	27	**93,080,091**	98,060,831	97,646,271
Financial assets at fair value through profit or loss	23	**6,156,222**	6,523,573	7,194,035
Derivative financial instruments	38	**16,148**	5,254	225
Amounts due from related parties	28	**1,844,800**	3,076,763	3,700,824
Pledged bank deposits	30	**4,995,816**	5,127,107	6,973,725
Cash and cash equivalents	30	**29,718,310**	24,085,121	20,929,076
		156,099,364	156,900,503	156,168,328
Assets classified as held-for-sale	31	**195,843**	90,159	11,188
		156,295,207	156,990,662	156,179,516

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000* (restated)	2018 *RMB'000* (restated)
Current liabilities				
Trade and other payables	32	**98,066,458**	89,393,495	79,232,883
Amounts due to related parties	28	**4,748,493**	5,194,240	3,697,224
Borrowings – amount due within one year	33	**89,440,797**	97,737,246	121,531,807
Obligations under finance leases		**–**	–	4,964,618
Lease liabilities	35	**633,246**	1,514,279	–
Derivative financial instruments	38	**19,338**	17,729	11,088
Employee benefits payable	37	**1,564**	3,861	4,713
Current income tax liabilities		**4,774,046**	4,309,586	4,317,478
Financial guarantee contracts	36	**64,000**	64,000	64,000
Dividend payable to non-controlling interests		**313,879**	236,629	214,779
		198,061,821	198,471,065	214,038,590
Net current liabilities		**(41,766,614)**	(41,480,403)	(57,859,074)
Total assets less current liabilities		**258,316,457**	247,953,325	222,269,677
Non-current liabilities				
Borrowings – amount due after one year	33	**85,629,115**	88,495,563	77,532,956
Deferred income		**2,234,392**	3,216,552	1,986,284
Obligations under finance leases		**–**	–	4,357,146
Lease liabilities	35	**2,697,414**	2,708,106	–
Employee benefits payable	37	**240,878**	251,392	267,442
Deferred income tax liabilities	34	**2,333,848**	2,268,419	2,441,789
		93,135,647	96,940,032	86,585,617
Net assets		**165,180,810**	151,013,293	135,684,060

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2020

	Note	**2020** **RMB'000**	2019 RMB'000 (restated)	2018 RMB'000 (restated)
Capital and reserves				
Share capital	40	**8,434,771**	8,434,771	8,434,771
Reserves		**81,805,330**	72,015,962	63,200,849
Equity attributable to:				
Owners of the Company		**90,240,101**	80,450,733	71,635,620
Holders of perpetual capital instruments	42	**18,637,177**	20,785,279	22,219,087
Non-controlling interests		**56,303,532**	49,777,281	41,829,353
Total equity		**165,180,810**	151,013,293	135,684,060

The consolidated financial statements on pages 145 to 154 were approved and authorised for issue by the Board of Directors on 26 March 2021 and were signed on its behalf by:

Cao Jianglin
Director

Peng Shou
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve (Note 41(a))	Statutory surplus reserve fund (Note 41(b))	Fair value reserve (Note 41(c))	Share option reserve (Note 41(d))	Hedging reserve (Note 41(e))	Exchange reserve (Note 41(f))	Retained earnings	Total	Perpetual capital instruments (Note 42)	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	12,621,548	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
– Adjustment for business combination under common control (Note 45)	–	–	13,952	–	–	–	–	–	(199,928)	(185,976)	–	(57,341)	(243,317)
Balance at 1 January 2019, (restated)	8,434,771	1,788,736	12,635,500	4,969,999	(6,758)	5,331	(3,755)	(250,031)	44,061,827	71,635,620	22,219,087	41,829,353	135,684,060
Profit for the year	–	–	–	–	–	–	–	–	10,974,963	10,974,963	1,170,455	6,283,208	18,428,626
Other comprehensive (expense)/income, net of tax (Note 12(b))													
Actuarial (loss)/gain 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 (expense)/income	–	–	16,436	–	–	–	–	(40,425)	–	(23,989)	–	–	(23,989)
Share of joint ventures' other comprehensive expense	–	–	(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 income/ (expense) for the year	–	–	11,535	–	3,717	–	(5,105)	(108,823)	10,974,963	10,876,287	1,170,455	6,253,670	18,300,412
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 43(b))	–	–	–	–	–	–	–	–	–	–	–	(14,220)	(14,220)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 43(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 42)	–	–	–	–	–	–	–	–	–	–	3,500,000	–	3,500,000
Redemption of perpetual capital instruments (Note 42)	–	–	(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 ventures	–	–	698	–	–	–	–	–	–	698	–	–	698
Interest paid on perpetual capital instruments (Note 42)	–	–	–	–	–	–	–	–	–	–	(1,139,843)	–	(1,139,843)
Business combination under common control	–	–	(156,319)	–	–	–	–	–	–	(156,319)	–	(47,483)	(203,802)
Deemed partial disposal of interests in subsidiaries without losing control (Note 44(b))	–	–	26,026	–	–	–	–	–	–	26,026	–	3,379,374	3,405,400
Decrease in non-controlling interests as result of acquisition of additional interests in subsidiaries without change in control (Note 44(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	12,071,447	7,185,250	(3,041)	9,722	(8,860)	(344,104)	51,316,812	80,450,733	20,785,279	49,777,281	151,013,293

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve (Note 41(a))	Statutory surplus reserve fund (Note 41(b))	Fair value reserve (Note 41(c))	Share option reserve (Note 41(d))	Hedging reserve (Note 41(e))	Exchange reserve (Note 41(f))	Retained earnings	Total	Perpetual capital instruments (Note 42)	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 2019													
As previous reported	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
– Adjustment for business combination under common control (Note 45)	-	-	13,952	-	-	-	-	-	(199,132)	(185,180)	-	(58,439)	(243,619)
Balance at 1 January 2020, (restated)	8,434,771	1,788,736	12,071,447	7,185,250	(3,041)	9,722	(8,860)	(344,104)	51,316,812	80,450,733	20,785,279	49,777,281	151,013,293
Profit for the year	-	-	-	-	-	-	-	-	12,552,782	12,552,782	991,808	8,100,525	21,645,115
Other comprehensive (expense)/income, net of tax (Note 12(b))													
Actuarial (loss)/gain on defined benefit obligations	-	-	(906)	-	-	-	-	-	-	(906)	-	1,660	754
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	1,855	-	-	-	-	1,855	-	183	2,038
Currency translation differences	-	-	-	-	-	-	-	25,299	-	25,299	-	(17,522)	7,777
Share of associates' other comprehensive (expense)/income	-	-	(71,974)	-	-	-	-	22,091	-	(49,883)	-	-	(49,883)
Share of joint ventures' other comprehensive expense	-	-	(293)	-	-	-	-	-	-	(293)	-	(194)	(487)
Change in the fair value on hedging instruments designated as cash flow hedges	-	-	-	-	-	-	(775)	-	-	(775)	-	(1,161)	(1,936)
Total comprehensive income/(expense) for the year	-	-	(73,173)	-	1,855	-	(775)	47,390	12,552,782	12,528,079	991,808	8,083,491	21,603,378
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	(2,952,170)	(2,952,170)	-	-	(2,952,170)
Dividends paid to the non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,520,036)	(3,520,036)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 43(a))	-	-	-	-	-	-	-	-	-	-	-	773,004	773,004
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	402,760	402,760
Appropriation to statutory reserve	-	-	-	2,274,854	-	-	-	-	(2,274,854)	-	-	(1,745)	(1,745)
Issue of perpetual capital instruments, net of issuance cost (Note 42)	-	-	-	-	-	-	-	-	-	-	6,000,000	-	6,000,000
Redemption of perpetual capital instruments (Note 42)	-	-	(54,914)	-	-	-	-	-	-	(54,914)	(8,141,447)	-	(8,196,361)
Share of reserve in associates	-	-	(20,148)	-	-	-	-	-	-	(20,148)	-	125	(20,023)
Interest paid on perpetual capital instruments (Note 42)	-	-	-	-	-	-	-	-	-	-	(998,463)	-	(998,463)
Business combination under common control	-	-	8	-	-	-	-	-	-	8	-	(8)	-
Deemed partial disposal of interests in subsidiaries without losing control (Note 44(b))	-	-	18,709	-	-	-	-	-	-	18,709	-	1,128,872	1,147,581
Decrease in non-controlling interests as result of acquisition of additional interests in subsidiaries without change in control (Note 44(a))	-	-	(25,259)	-	-	-	-	-	-	(25,259)	-	(9,669)	(34,928)
Recognition of equity-settled share-based payments	-	-	-	-	-	2,207	-	-	-	2,207	-	3,308	5,515
De-registration of a subsidiary	-	-	(4,061)	-	-	-	-	-	-	(4,061)	-	1.686	(2,375)
Others	-	-	312,583	-	-	-	-	-	(15,666)	296,917	-	(335,537)	(38,620)
Balance at 31 December 2020	8,434,771	1,788,736	12,225,192	9,460,104	(1,186)	11,929	(9,635)	(296,714)	58,626,904	90,240,101	18,637,177	56,303,532	165,180,810

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000 (restated)
Operating activities		
Profit before income tax	**30,035,009**	27,447,891
Adjustments for:		
Dividend from equity instruments	**(167,178)**	(134,996)
Discount on acquisition of interests in subsidiaries	**(5,529)**	(8,309)
(Gain)/loss on disposal of subsidiaries, net	**(149,391)**	709,376
Decrease/(increase) in fair value of financial assets at fair value through profit or loss, net	**212,692**	(1,101,620)
(Gain)/loss on disposal of other investments	**(65,378)**	16,886
Waiver of payables	**192,228**	239,496
Finance costs	**7,998,630**	9,543,273
Interest income	**(918,268)**	(789,322)
Depreciation of property, plant and equipment and investment properties	**10,340,625**	10,327,138
Depreciation of right-of-use assets	**2,474,730**	2,566,296
Amortisation of intangible assets	**1,681,841**	1,244,697
Impairment loss on goodwill	**4,211,401**	5,838,505
Impairment loss on property, plant and equipment	**4,857,114**	3,058,300
Impairment loss on right-of-use assets	**10,559**	1,594
Impairment loss on intangible assets	**105,591**	70,033
Impairment loss on interests in associates	**15**	149,192
Gain on disposal of property, plant and equipment, investment properties and intangible assets, net	**(1,063,563)**	(49,002)
Impairment loss under expected credit loss model, net of reversal	**3,017,270**	3,971,217
Write down of inventories	**366,972**	176,529
Net of foreign exchange loss/(gain)	**657,387**	(86,796)
Share of profits of associates	**(3,272,981)**	(2,458,390)
Share of profits of joint ventures	**(1,354)**	(733)
Deferred income released to the consolidated statement of profit or loss	**(1,672,199)**	(380,933)
Fair value change of derivative financial instruments	**(11,563)**	(4,399)
Defined benefit cost included in current profit and losses	**14,491**	18,487
Share-based payment expense	**5,514**	10,968

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000* (restated)
Operating cash flows before working capital changes	**58,854,665**	60,375,378
Increase in inventories	**(629,878)**	(199,803)
Decrease in trade and other receivables	**5,304,717**	3,049,331
Decrease/(increase) in amounts due from related parties	**610,206**	(516,802)
Increase in trade and other payables	**7,242,434**	5,828,888
(Decrease)/increase in amounts due to related parties	**(220,006)**	1,357,030
Increase in deferred income	**669,571**	1,606,181
Cash generated from operations	**71,831,709**	71,500,203
Income tax paid	**(8,520,457)**	(8,872,341)
Interest received	**918,268**	789,322
Net cash generated from operating activities	**64,229,520**	63,417,184
Investing activities		
Purchase of financial assets at fair value through profit or loss	**(16,383,647)**	(7,516,522)
Purchase of property, plant and equipment	**(19,288,095)**	(22,465,627)
Payments for right-of-use assets	**(547,636)**	(859,625)
Purchase of intangible assets	**(8,011,554)**	(4,023,531)
Purchase of investment properties	**(30,513)**	(46,926)
Proceed on disposal of property, plant and equipment, investment properties and intangible assets	**6,861,624**	2,469,336
Acquisition of interests in associates	**(1,087,723)**	(1,424,209)
Acquisition of interests in joint ventures	**–**	(25,007)
Dividend received from associates	**951,586**	752,142
Proceed from disposal of associate	**186,875**	625,993
Proceed from disposal of joint venture	**–**	7,452
Proceed from disposal of subsidiaries, net of cash and cash equivalents	**621,613**	108,659
Proceed on disposal of financial assets at fair value through profit or loss	**16,590,354**	8,708,295
Proceed on disposal of financial assets at fair value through other comprehensive income	**3,536**	4,021
Proceed from disposal of assets held-for-sale	**90,159**	11,188
Proceed from disposal of right-of-use assets	**527,567**	120,628
Proceed from disposal of intangible assets	**131,351**	131,162
Dividend received from equity investments	**167,178**	134,996
Payments for rental deposits	**(177,969)**	(203,771)
Deposits paid	**(3,897,538)**	(2,728,086)
Deposits refunded	**2,931,857**	3,356,749

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Investing activities (continued)		
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(1,332,903)**	(1,645,651)
Business combination under common control	**–**	(203,802)
Decrease in advance to related parties	**409,415**	1,235,588
Other payments for investing activities	**(8,189,939)**	(5,079,788)
Decrease in pledged bank deposits	**131,291**	1,906,812
Net cash used in investing activities	**(29,343,111)**	(26,649,524)
Financing activities		
Proceed from issue of perpetual capital instruments, net of issuance cost	**6,000,000**	3,500,000
Redemption of perpetual capital instruments	**(8,141,447)**	(5,009,420)
Interest paid	**(7,477,644)**	(8,329,351)
Interest paid on perpetual capital instruments paid	**(998,463)**	(1,139,843)
Dividend paid to shareholders	**(2,952,170)**	(1,518,259)
Dividend paid to non-controlling interests of subsidiaries	**(3,445,045)**	(3,258,857)
Payment for acquisition of additional interests in subsidiaries	**(34,928)**	(603,346)
Contributions from non-controlling interests	**402,760**	381,601
Net borrowings raised	**170,807,405**	178,594,310
Repayment of borrowings	**(182,041,479)**	(191,884,898)
Repayment of lease liabilities	**(1,973,762)**	(7,309,804)
Decrease in amounts due to related parties	**(170,882)**	(338,016)
Deemed partial disposal of interest in subsidiaries without losing control	**1,147,581**	3,405,400
Net cash used in financing activities	**(28,878,074)**	(33,510,483)
Net decrease in cash and cash equivalents	**6,008,335**	3,257,177
Exchange losses on cash and cash equivalents	**(375,146)**	(101,132)
Cash and cash equivalents at beginning of the year	**24,085,121**	20,929,076
Cash and cash equivalents at end of the year	**29,718,310**	24,085,121

The accompanying notes are an integral part of these 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 20. 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 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020, for the preparation of the consolidated financial statements:

Amendments to IAS1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and amendments to IFRSs in the current year 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 Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group as the Group's assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

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 and the related Amendments[1]
Amendment to IFRS 16	COVID-19–Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 ("IFRS 2"), leasing transactions that are accounted for in accordance with IFRS 16 Lease ("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 ("IAS 36").

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation *(Continued)*

Business combination under common control

On 15 December 2020, Xingtai China United Cement Company Limited ("Xingtai United") (an indirect subsidiary of the Company) entered into an equity transfer agreement to acquire 98.545% equity interest of Xingtai Xinlei Building Material Company Limited ("Xingtai Xinlei") from China National Building Material Assets Management Corporation ("CNBM Assets Management") (a 100% direct subsidiary of the Parent) at cash consideration of RMB1, (the "Xinlei Acquisition"), The Xinlei Acquisition was completed in December 2020 and thus Xingtai Xinlei has become a subsidiary of the Group.

As CNBM Assets Management and the Company are controlled by the Parent, the Xinlei 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 2019 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2019. The details of the restated balances have been disclosed in Note 45 to the consolidated financial statements.

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 BASIS OF PREPARATION AND 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 into line with the Group's accounting policies.

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

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

3 BASIS OF PREPARATION AND 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 Financial Instruments ("IFRS 9"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 Business combinations or asset acquisitions

3.3.1 Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations or asset acquisitions *(Continued)*

3.3.2 Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3.3.3 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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

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);

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations or asset acquisitions *(Continued)*

3.3.3 Business combination involving entity not under common control *(Continued)*

- 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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations or asset acquisitions *(Continued)*

3.3.3 Business combination involving entity not under common control *(Continued)*

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 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.

3.3.4 Merger accounting for business combination involving businesses under common control

Business combination involving businesses 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 items 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations or asset acquisitions *(Continued)*

3.3.4 Merger accounting for business combination involving businesses under common control *(Continued)*

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 other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, 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.

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 3.3.3 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.4 Goodwill *(Continued)*

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.

3.5 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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 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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

3.6 Non-current assets held for sale

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

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

3.7 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers *(Continued)*

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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price) *(Continued)*

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases

Definition of a lease

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, 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.

The Group as a lessee

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

- 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.

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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.

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 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessor *(Continued)*

Classification and measurement of leases (Continued)

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the 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.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessor *(Continued)*

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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.

3.10 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 (attributed to non-controlling interests as appropriate).

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.10 Foreign currencies *(Continued)*

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 is re-attributed to non-controlling interests and is 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.

3.11 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.

Any specific borrowing that remains 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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 related to income 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. Such grants are presented under 'investment and other income, net'.

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.

3.13 Retirement benefits costs, termination benefits 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.13 Retirement benefits costs, termination benefits and short-term employee benefits *(Continued)*

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.14 Share-based payments

Equity-settled share-based payments 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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Taxation *(Continued)*

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.

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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" 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.

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.17 Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets 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. A leased property which is recognised as a right-of-use asset 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.

3.18 Intangible assets

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.

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).

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.18 Intangible assets *(Continued)*

Intangible assets acquired in a business combination *(Continued)*

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 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.

3.19 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 asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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.

3.20 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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 or loss are recognised immediately in profit or loss.

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.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

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 BASIS OF PREPARATION AND 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 performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, contract assets, amounts due from related parties, pledged bank deposits and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with and 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 in which case, 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;

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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, finance lease 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;

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (CONTINUED)

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

- 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, if any.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets (Continued)

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 fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity and perpetual capital instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, amount due to related parties, borrowings, and dividend payable to non-controlling interests are subsequently measured at amortised cost, using the effective interest method.

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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss. Unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the mature of hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

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.

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.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/ or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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, net' line item.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

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.

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

(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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.25 Comparatives

In order to better reflect the operation results and allow a more informative presentation of the Group's results to the users of consolidated financial statements, management of the Group has reconsidered the presentation in the consolidated statement of profit or loss. Certain expenses that relate to satisfying performance obligations in contracts with customers have been reclassified as cost of sales. Accordingly, the relevant comparative amount of RMB8,099.44 million for the year ended 31 December 2019 included in selling and distribution costs has been reclassified to cost of sales in order to conform with current year's presentation.

In addition, as stated in Note 3.1 and 45, comparative figures have also been restated to reflect the effect of business combination under common control.

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% (2019: 37.83%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The remaining 62.17% equity interests of BNBM are owned by thousands of shareholders that are unrelated to the Group. Details of BNBM are set out in Note 20.

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

4.1 Critical judgements in applying accounting policies *(Continued)*

Control over principal subsidiaries *(Continued)*

Sinoma International Engineering Company Limited ("Sinoma International")

Sinoma International is a subsidiary of the Group although the Group has only 40.03% (2019: 40.03%) equity interests and voting rights in Sinoma International. Sinoma International is listed on the stock exchange of Shanghai, PRC. The remaining 59.97% equity interests of Sinoma International are owned by thousands of shareholders that are unrelated to the Group. Details of Sinoma International are set out in Note 20.

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% (2019: 47.56%) equity interests and voting rights in Ningxia Building Materials. Ningxia Building Materials is listed on the stock exchange of Shanghai, PRC. The remaining 52.44% equity interests of Ningxia Building Materials are owned by thousands of shareholders that are unrelated to the Group. Details of Ningxia Building Materials are set out in Note 20.

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

Tianshan Cement is a subsidiary of the Group although the Group has only 45.87% (2019: 45.87%) equity interests and voting rights in Tianshan Cement. Tianshan Cement is listed on the stock exchange of Shenzhen, PRC. The remaining 54.13% equity interests of Tianshan Cement are owned by thousands of shareholders that are unrelated to the Group. Details of Tianshan Cement are set out in Note 20.

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

Qilianshan Cement is a subsidiary of the Group although the Group has only 25.04% (2019: 25.04%) voting rights in Qilianshan Cement through the directly-hold shareholding of the Company and the indirectly-hold shareholding of a subsidiary of the Company. Qilianshan Cement is listed on the stock exchange of Shanghai, PRC. The remaining 74.96% voting rights are owned by thousands of shareholders that are unrelated to the Group. Details of Qilianshan Cement are set out in Note 20.

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)*

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

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.

Significant influence over associates

Shanghai Yaohua Pikington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司) ("Shanghai Yaohua")

Note 21 describes that Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (2019: 12.74%) equity interests in Shanghai Yaohua. The Group has significant influence over Shanghai Yaohua by virtue of the contractual right to appoint 1 out of the 8 directors to the board of directors of that company.

China Shanshui Cement Group limited (中國山水水泥集團有限公司) ("Shanshui Cement")

Note 21 describes the Group has significant influence over Shanshui Cement by virtue of the contractual right to appoint 1 out of 5 directors to the board of directors of that company since 23 May 2018 and Shanshui Cement becomes an associate of the Group. The Group has decreased the equity interests in Shanshui Cement to 12.94% from 16.67% since 30 October 2018.

4.2 Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

4.2 Key sources of estimation uncertainty *(Continued)*

Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial market.

As at 31 December 2020, the carrying amounts of property, plant and equipment, right-of-use assets, and intangible assets subject to impairment assessment were RMB172,379.76 million, RMB29,979.59 million and RMB19,074.13 million (2019: RMB173,149.19 million, RMB31,583.27 million and RMB12,182.41 million) respectively, after taking into account the impairment losses. Details of the impairment are disclosed in Note 15,16 and 19.

Write down of inventories

Inventories are stated at lower of cost and net realisable value. During the year, allowance of approximately RMB366.97 million (2019: approximately of RMB176.53 million) is made to write down the cost of inventories to their net realisable values.

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

4.2 Key sources of estimation uncertainty *(Continued)*

Write down of inventories *(Continued)*

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 2020, the carrying amount of goodwill is approximately RMB33,290.32 million (2019: approximately RMB37,886.42 million). Details of the recoverable amount calculation are disclosed in Note 18.

Deferred tax asset

As at 31 December 2020, a deferred tax asset of approximately RMB935.96 million (2019: approximately RMB1,776.23 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 RMB25,320.22 million (2019: approximately RMB17,707.39 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 5(b) and Note 27.

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 17.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and capital risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group seeks to minimise the effects of some of these risks by using derivative financial instruments.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency risk, interest rate risk and equity price risk. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group's functional currency is RMB in which most of the transactions are denominated. However, certain cash and cash equivalents and borrowings are denominated in foreign currencies. Collections of the Group's revenue from overseas operations and payments for purchases of certain machinery and equipment and certain expenses are also denominated in foreign currencies.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. During the year, management of the Group has entered into certain foreign currency forward contracts, however they do not qualify for hedge accounting, therefore, they are deemed as financial assets or financial liabilities held for trading. The particulars of the outstanding foreign currency forward contracts as at the end of the reporting period are disclosed in Note 38.

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	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**107,677**	127,316	**4,042,739**	5,322,323
European Dollar ("EUR")	**2,927,245**	3,416,633	**5,766,865**	6,125,873
Hong Kong Dollar ("HKD")	**–**	694,471	**127,699**	813,493
Papua New Guinea Kina ("PGK")	**–**	–	**19,274**	33,962
Nigerian Naira ("NGN")	**5,309**	17,345	**251,575**	115,131
Indian Rupee ("INR")	**–**	241,088	**34,920**	398,814
Indonesian Rupiah ("IDR")	**13,748**	260,862	**75,352**	278,492
Australian Dollar ("AUD")	**–**	–	**6,812**	8,716
British Pound ("GBP")	**–**	–	**4,351**	2,862
Russian Ruble ("RUB")	**20,312**	20,142	**110,385**	198,796
Japanese Yen ("JPY")	**–**	1,816	**22,596**	22,813
South African Rand ("ZAR")	**58,101**	6	**47,337**	42,796
Others	**356,788**	295,534	**663,732**	1,217,782

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

	2020	2019
	RMB'000	*RMB'000*
USD	**182,629**	224,625
EUR	**131,789**	117,144
HKD	**5,741**	5,146
PGK	**895**	1,468
NGN	**11,429**	4,228
INR	**1,621**	6,820
IDR	**2,859**	763
AUD	**316**	377
GBP	**202**	124
RUB	**4,180**	7,725
JPY	**1,049**	908
ZAR	**(500)**	1,850
Others	**–**	34,254
	342,210	405,432

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.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

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.

(i) Total interest revenue/income from financial assets that are measured at amortised cost or at FVTOCI is as follows:

	2020 ***RMB'000***	2019 *RMB'000* (restated)
Interest revenue Financial assets at amortised cost	**918,268**	789,322

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

	2020 ***RMB'000***	2019 *RMB'000* (restated)
Financial liabilities at amortised cost	**7,998,630**	9,543,273

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period, which amounted RMB68,432.07 million (2019: RMB70,649.18 million) were outstanding for the whole year. A 126 basis point (2019: 126 basis points) increase or decrease in variable-rate bank borrowings and interest rate swaps designated to hedge cash flow interest rate risk are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2020 would have decreased by RMB621.39 million (2019: RMB664.32 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate bank borrowings.

(iii) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through other comprehensive income in Note 24 and financial assets at fair value through profit or loss in Note 23 as at 31 December 2020. 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 2020	**High/low 2020**	31 December 2019	High/low 2019
Hong Kong Stock Exchange – Hang Seng Index	**27,231**	**29,056/21,696**	28,189	30,780/24,896
Shenzhen Stock Exchange – Component Index	**14,471**	**14,471/9,692**	10,430	10,541/7,011
Shanghai Stock Exchange – Composite Index	**3,473**	**3,473/2,660**	3,050	3,271/2,440

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.

	2020		2019	
	Carrying amount of equity investments *RMB'000*	**Increase in net profit** *RMB'000*	Carrying amount of equity investments *RMB'000* (restated)	Increase in net profit *RMB'000* (restated)
Investments listed in: Hong Kong, Shenzhen and Shanghai Stock Exchange	**5,200,837**	**374,805**	5,609,189	376,603

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 2020 and 2019, 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 are no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

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

In order to 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.

(ii) Bills receivable, 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 receivable, other receivables, deposits, amounts due from related parties, pledged bank deposits and cash and cash equivalents based on 12m ECL.

For other receivables, deposits and amounts due from related parties, the management makes periodic assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The credit risk on other receivables deposits and amounts due from related parties is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change 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.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

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.

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 has 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)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2020	Notes	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** *RMB'000*
Trade and other receivables	27				
– Trade receivables		N/A	Note	Lifetime ECL (provision matrix)	57,832,404
– Contract assets		N/A	Note	Lifetime ECL (provision matrix)	12,391,714
– Bills receivable		N/A	Low risk	12m ECL	20,879,113
– Other receivables, deposits and prepayments		N/A	Low risk	12m ECL	31,201,969
Deposits	25	N/A	Low risk	12m ECL	4,074,507
Amounts due from related parties	28	N/A	Low risk	12m ECL	2,509,398
Cash and cash equivalents	30	BBB to AA-	N/A	12m ECL	29,718,310
Pledged bank deposits	30	BBB to AA-	N/A	12m ECL	4,995,816

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

2019	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts *RMB'000*
Trade and other receivables	27				
– 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 receivable			Low risk	12m ECL	23,260,609
– Other receivables, deposits and prepayments		N/A	Low risk	12m ECL	31,324,699
Deposits	25	N/A	Low risk	12m ECL	2,931,857
Amounts due from related parties	28	N/A	Low risk	12m ECL	3,982,891
Cash and cash equivalents	30	BBB to AA-	N/A	12m ECL	24,085,121
Pledged bank deposits	30	BBB to AA-	N/A	12m ECL	5,127,107

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.

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 2020 and 31 December 2019.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

As at 31 December 2020	Weighted average loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Within two months	**10.35%**	**62,983,182**	**6,518,537**	**56,464,645**
More than two months but within one year	**19.88%**	**2,721,707**	**541,171**	**2,180,536**
Between one and two years	**43.31%**	**1,482,410**	**642,101**	**840,309**
Between two and three years	**61.63%**	**1,222,783**	**753,653**	**469,130**
Over three years	**80.72%**	**1,814,036**	**1,464,291**	**349,745**
		70,224,118	**9,919,753**	**60,304,365**

As at 31 December 2019	Weighted average loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Within two months	9.73%	57,960,372	5,638,637	52,321,735
More than two months but within one year	17.14%	2,831,917	485,285	2,346,632
Between one and two years	41.25%	1,240,790	511,766	729,024
Between two and three years	59.71%	947,573	565,803	381,770
Over three years	73.70%	1,546,854	1,140,094	406,760
		64,527,506	8,341,585	56,185,921

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 ended 31 December 2020, impairment allowance on trade receivables and contract assets is provided based on the provision matrix. Impairment allowance of approximately RMB1,834.94 million (2019 (restated): RMB1,676.08 million) and RMB37.22 million (2019 (restated): RMB263.31 million) was made on credit-impaired debtor for trade receivables and contract assets respectively.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Movement in lifetime ECL that has been recognised for trade receivables and contract assets, under the simplified approach is as follows:

	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**8,341,585**	6,668,188
Impairment loss under expected credit loss model, net of reversal	**1,872,163**	1,939,386
Additions from acquisition of subsidiaries	**10,513**	136,575
Amounts written off as uncollectible	**(283,151)**	(390,839)
Disposal of subsidiaries	**(21,357)**	(11,725)
As at 31 December	**9,919,753**	8,341,585

Movement of the loss allowances for bills receivable, other receivables, deposits, prepayments, deposits, amounts due from related parties, cash and cash equivalents and pledge bank deposits are as follows:

	2020	2019
	RMB'000	*RMB'000*
As at 1 January		
As previous reported	**7,105,785**	5,536,852
Business combination under common control	**12,530**	7,703
As at 1 January, as restated	**7,118,315**	5,544,555
Impairment loss under expected credit loss model, net of reversal	**1,145,107**	2,031,831
Additions from acquisition of subsidiaries	**3,664**	19,235
Amounts written off as uncollectible	**(175,809)**	(368,952)
Disposal of subsidiaries	**(51,798)**	(108,354)
As at 31 December	**8,039,479**	7,118,315

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 2020, the Group has net current liabilities and capital commitments of approximately RMB41,766.61 million (2019: approximately RMB41,480.40 million) and approximately RMB1,068.15 million (2019: approximately RMB201.09 million) (Note 47), 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 2020, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB302,728.26 million (2019: approximately RMB257,200.00 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 is 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
As at 31 December 2020									
Trade and other payables	–	98,066,458	–	–	–	–	–	98,066,458	98,066,458
Amounts due to related parties									
– Interest-free	–	2,360,603	–	–	–	–	–	2,360,603	2,360,603
– Fixed rate	5.20%	2,512,060	–	–	–	–	–	2,512,060	2,387,890
Borrowings									
– Fixed rate bank loans	4.73%	31,629,997	2,640,708	11,493,448	2,786,160	467,540	571,595	49,589,448	47,349,803
– Variable rate bank loans	5.24%	39,493,795	11,038,324	14,495,982	420,933	3,459,399	3,109,480	72,017,913	68,432,073
– Other borrowings from non-financial institutions	5.60%	577,085	385,425	276,945	219,549	161,149	2,122	1,622,275	1,536,246
– Bonds	5.03%	22,485,854	17,274,915	12,261,457	1,706,461	3,740,454	3,187,564	60,656,705	57,751,790
Leases liabilities	4.63%	611,476	423,963	327,737	196,225	192,724	2,129,900	3,882,025	3,330,660
Dividends payable to non-controlling interests	–	313,879	–	–	–	–	–	313,879	313,879
Financial guarantee contracts	5.35%	67,424	–	–	–	–	–	67,424	64,000
		198,118,631	31,763,335	38,855,569	5,329,328	8,021,266	9,000,661	291,088,790	281,593,402
Derivative financial instruments – net settlement									
Foreign exchange forward contracts	–	20	–	–	–	–	–	20	20
Interest rate swaps	–	19,318	–	–	–	–	–	19,318	19,318
		19,338	–	–	–	–	–	19,338	19,338

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Effective interest rate %	Within one year RMB'000 (restated)	One to two years RMB'000 (restated)	Two to three years RMB'000 (restated)	Three to four years RMB'000 (restated)	Four to five years RMB'000 (restated)	After five years RMB'000 (restated)	Total undiscounted cashflow RMB'000 (restated)	Carrying amount RMB'000 (restated)
As at 31 December 2019									
Trade and other payables	–	89,393,495	–	–	–	–	–	89,393,495	89,393,495
Amounts due to related parties									
– Interest-free	–	4,978,417	–	–	–	–	–	4,978,417	4,978,417
– Fixed rate	5.20%	227,046	–	–	–	–	–	227,046	215,823
Borrowing									
– Fixed rate bank loans	4.73%	34,453,002	1,674,840	2,479,591	395,230	2,050,299	321,259	41,374,221	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
Dividends payable to non-controlling interests	–	236,629	–	–	–	–	–	236,629	236,629
Financial guarantee contracts	5.35%	67,424	–	–	–	–	–	67,424	64,000
		202,162,199	27,603,684	41,897,464	7,132,554	9,627,785	7,015,212	295,438,898	285,343,558
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)*

5.2 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 33, cash and cash equivalents disclosed in Note 30, 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 2020.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments	–	16,148	–	16,148
Financial assets at fair value through profit or loss	5,193,311	–	3,480,054	8,673,365
Financial assets at fair value through other comprehensive income	7,526	–	–	7,526
Total assets	5,200,837	16,148	3,480,054	8,697,039
Liabilities				
Derivative financial instruments	–	19,338	–	19,338
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities	–	19,338	64,000	83,338

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

During the year ended 31 December 2020, there were no significant transfers between levels of the financial assets and financial liabilities.

During the year ended 31 December 2020, 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.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 Fair value measurements of financial instruments *(Continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(Continued)*

The fair value of financial instruments 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 2020	Fair value as at 31 December 2019	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to Fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB2,221,098,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,809,976,000	Discounted cash flows– for year 2020 and 2019 Key unobservable inputs are: Expected yields of 0.6 to 3.9% (2019: 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 (i))*	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 RMB1,258,956,000	Unlisted equity shares, amounts of RMB1,682,263,000	Market comparable companies- for year 2020 Key unobservable input: Discount rate for lack of marketability 30.3% *(Note (ii))* Net assets value- for year 2020 and 2019 The effects of unobservable inputs are not significant	The higher the discount rate, the lower the fair value

Note:

(i) 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.

(ii) The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variable held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the group's other comprehensive income by RMB8.82 million.

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)*

Reconciliation of level 3 fair value measurements

	Financial assets at fair value through profit or loss *RMB'000*
At 1 January 2019	4,508,378
Total gains recognised in profit or loss	46,336
Addition	7,478,204
Disposals	(8,540,679)
At 31 December 2019	3,492,239
Total gains recognised in profit or loss	3,526
Addition	10,674,430
Disposals	(10,690,141)
As at 31 December 2020	3,480,054

(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

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Sale of goods	**220,128,856**	219,153,279
Provision of engineering services	**30,014,413**	31,849,944
Rendering of other services	**4,618,544**	2,399,424
	254,761,813	253,402,647

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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB63,581.63 million (2019: 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 2020 and 2019.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

Year ended 31 December 2020

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	127,496,550	51,110,289	40,965,172	3,745,607	1,429,782	–	224,747,400
Over time	–	–	–	30,014,413	–	–	30,014,413
	127,496,550	51,110,289	40,965,172	33,760,020	1,429,782	–	254,761,813
Inter-segment sales *(Note)*	1,555,612	29,678	656,119	6,154,971	2,238,123	(10,634,503)	–
	129,052,162	51,139,967	41,621,291	39,914,991	3,667,905	(10,634,503)	254,761,813
Adjusted EBITDA	37,521,589	5,197,574	7,772,891	240,533	(2,507,750)	–	48,224,837
Depreciation and amortisation	(10,757,855)	(674,031)	(2,335,178)	(503,762)	(120,382)	–	(14,411,208)
Unallocated other income, net							61,080
Unallocated administrative expenses							(33,673)
Share of profits/ (losses) of associates	1,743,695	(22,314)	49,812	23,040	1,478,748	–	3,272,981
Share of profits/ (losses) of joint ventures	(1,026)	–	2,380	–	–	–	1,354
Finance costs, net	(4,843,675)	(1,041,314)	(570,879)	(268,082)	(327,139)	–	(7,051,089)
Unallocated finance costs, net							(29,273)
Profit before income tax							30,035,009
Income tax expense							(8,389,894)
Profit for the year							21,645,115

Note: The inter-segment sales were carried out with reference to market prices.

7 SEGMENTS INFORMATION (CONTINUED)

(a) Operating segments (Continued)

For the year ended 31 December 2020 *(Continued)*

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits or losses of associates, share of profit or losses of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the year under evaluation compared to relying on one of the measures.

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to sales activities of each segment with the exception of corporate expense payables.

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information							
Capital expenditure:							
Property, plant and equipment	12,816,352	905,143	4,515,700	804,236	242,278	–	19,283,709
Right-of-use assets	989,146	120,278	293,721	36,303	42,740	–	1,482,188
Intangible assets	7,419,322	61,827	361,036	168,543	826	–	8,011,554
Unallocated							34,899
	21,224,820	1,087,248	5,170,457	1,009,082	285,844	–	28,812,350
Acquisition of subsidiaries	1,590,489	1,237,486	182,045	314,566	–	–	3,324,586
Depreciation and amortisation							
Property, plant and equipment	7,416,175	497,792	1,830,829	423,105	87,331	–	10,255,232
Right-of-use assets	2,157,654	146,186	116,736	39,029	15,125	–	2,474,730
Intangible assets	1,184,026	30,053	407,613	41,628	17,926	–	1,681,246
Unallocated							85,988
	10,757,855	674,031	2,355,178	503,762	120,382	–	14,497,196

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

For the year ended 31 December 2020 *(Continued)*

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Impairment loss under expected credit loss model, net of reversal	1,309,025	813,108	701,983	162,325	30,829	–	3,017,270
Impairment of goodwill	4,039,111	–	–	172,290	–	–	4,211,401
Impairment of property, plant and equipment	4,276,263	369,983	196,781	12,241	1,846	–	4,857,114
Write down/(reversal of write down) of inventories	162,589	1,670	193,714	(2,313)	11,312	–	366,972
Consolidated statement of financial position							
Assets							
Segment assets	219,562,304	47,061,694	58,658,156	58,288,394	5,464,043	–	389,034,591
Interests in associates	9,995,580	40,451	6,116,844	342,910	2,817,691	–	19,313,566
Interests in joint ventures	10,511	–	87,507	–	–	–	98,018
Unallocated assets							47,932,103
Total consolidated assets							456,378,278
Liabilities							
Segment liabilities	116,869,910	16,239,371	28,086,719	47,303,805	6,265,317	–	214,765,122
Unallocated liabilities							76,432,346
Total consolidated liabilities							291,197,468

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

Year ended 31 December 2019

	Cement *RMB'000* *(restated)*	Concrete *RMB'000* *(restated)*	New materials *RMB'000* *(restated)*	Engineering services *RMB'000* *(restated)*	Others *RMB'000* *(restated)*	Eliminations *RMB'000* *(restated)*	Total *RMB'000* *(restated)*
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	131,129,113	51,945,927	30,865,699	6,261,626	1,350,338	–	221,552,703
Over time	–	–	–	31,849,944	–	–	31,849,944
	131,129,113	51,945,927	30,865,699	38,111,570	1,350,338	–	253,402,647
Inter-segment sales (Note)	15,553,545	492	3,197	2,264,168	2,163,163	(19,984,565)	–
	146,682,658	51,946,419	30,868,896	40,375,738	3,513,501	(19,984,565)	253,402,647
Adjusted EBITDA	37,681,313	3,409,728	5,017,503	3,724,098	(2,063,100)	–	47,769,542
Depreciation and amortisation	(10,144,312)	(961,143)	(2,042,540)	(550,549)	(359,114)	–	(14,057,658)
Unallocated other income, net							59,278
Unallocated administrative expenses							(28,443)
Share of profits/(losses) of associates	1,322,930	(7,359)	(45,422)	9,183	1,179,058	–	2,458,390
Share of profit/(losses) of joint ventures	(1,064)	–	1,797	–	–	–	733
Finance costs, net	(6,405,881)	(916,779)	(506,356)	(505,788)	(405,788)	–	(8,740,592)
Unallocated finance costs, net							(13,359)
Profit before income tax							27,447,891
Income tax expense							(9,019,265)
Profit for the year							18,428,626

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 2019 *(Continued)*

	Cement *RMB'000* *(restated)*	Concrete *RMB'000* *(restated)*	New materials *RMB'000* *(restated)*	Engineering services *RMB'000* *(restated)*	Others *RMB'000* *(restated)*	Eliminations *RMB'000* *(restated)*	Total *RMB'000* *(restated)*
Other information							
Capital expenditure:							
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	3,522,166	49,051	376,999	71,993	3,322	–	4,023,531
Unallocated							59,510
	18,859,079	1,683,825	5,860,239	998,123	412,145	–	27,872,921
Acquisition of subsidiaries	662,982	84,969	2,924,160	53	–	–	3,672,164
Depreciation and amortisation							
Property, plant and equipment	7,090,897	765,641	1,659,194	427,688	304,627	–	10,248,047
Right-of-use assets	2,151,492	170,800	113,097	88,179	42,728	–	2,566,296
Intangible assets	901,923	24,702	270,249	34,682	11,759	–	1,243,315
Unallocated							80,473
	10,144,312	961,143	2,042,540	550,549	359,114	–	14,138,131

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits or losses of associates, share of profits or 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.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2019 *(Continued)*

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 (restated)*	Concrete *RMB'000 (restated)*	New materials *RMB'000 (restated)*	Engineering services *RMB'000 (restated)*	Others *RMB'000 (restated)*	Eliminations *RMB'000 (restated)*	Total *RMB'000 (restated)*
Impairment loss under expected credit loss model, net of reversal	2,949,789	767,800	(95,704)	278,926	70,406	–	3,971,217
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	234,136,823	38,197,655	54,896,037	55,386,247	3,897,215	–	386,513,977
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							43,936,112
Total consolidated assets							446,424,390
Liabilities							
Segment liabilities	121,480,315	15,746,527	25,580,470	45,042,333	7,696,819	–	215,546,464
Unallocated liabilities							79,864,633
Total consolidated liabilities							295,411,097

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:

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Adjusted EBITDA for reportable segments	**50,732,587**	49,832,642
Adjusted EBITDA for other segments	**(2,507,750)**	(2,063,100)
Total segments profit	**48,224,837**	47,769,542
Depreciation of property, plant and equipment	**(10,255,232)**	(10,248,046)
Amortisation of right-of-use assets	**(2,474,730)**	(2,566,296)
Amortisation of intangible assets	**(1,681,246)**	(1,243,316)
Corporate items	**27,407**	30,835
Operating profit	**33,841,036**	33,742,719
Finance costs, net	**(7,080,362)**	(8,753,951)
Share of profits of associates	**3,272,981**	2,458,390
Share of profits of joint ventures	**1,354**	733
Profit before income tax	**30,035,009**	27,447,891

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

	2020	2019
	RMB'000	*RMB'000*
		(restated)
PRC	**249,150,635**	221,522,151
Europe	**1,732,184**	13,433,459
Middle East	**235,301**	475,911
Southeast Asia	**789,797**	5,021,395
Oceania	**16,740**	15,452
Africa	**674,356**	9,497,612
Americas	**1,208,822**	1,108,628
Others	**953,978**	2,328,039
	254,761,813	253,402,647

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2020 and 2019.

8 INVESTMENT AND OTHER INCOME, NET

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Dividends from financial assets at fair value through profit or loss	**167,178**	134,996
Discount on acquisition of interests in subsidiaries (Note 43(a))	**5,529**	8,309
Government subsidies:		
– VAT refunds (Note (a))	**1,606,730**	1,548,904
– Government grants (Note (b))	**1,314,344**	1,258,573
– Interest subsidy	**2,913**	3,576
Gain/(loss) on disposal of subsidiaries, net (Note 43(b))	**149,391**	(709,376)
Gain on disposal of associates, net	**1,337**	126,678
Gain/(loss) on disposal of other investments	**65,378**	(16,886)
(Decrease)/increase in fair value of financial assets at fair value through profit or loss, net	**(212,692)**	1,101,620
Increase in fair value of derivative financial instruments, net	**11,563**	4,399
Net rental income from:		
– Investment properties (Note 17)	**60,863**	60,088
– Land and building	**57,346**	57,445
– Equipment	**147,642**	141,612
Gain/(loss) on disposal of property, plant and equipment		
– Gain/(loss) on disposal of properties	**651,931**	(13,418)
– Others	**97,674**	62,420
Gain on disposal of intangible assets	**313,958**	–
Technical and other service income	**398,092**	285,230
Claims received	**144,676**	134,778
Waiver of payables	**192,228**	239,496
Others	**154,737**	(114,277)
	5,330,818	4,314,167

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

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Interest expenses on bank borrowings	**4,761,745**	5,518,851
Interest expenses on bonds, other borrowings	**3,231,141**	3,873,560
Interest on lease liabilities	**255,121**	399,906
Less: interest capitalised to construction in progress	**(249,377)**	(249,044)
	7,998,630	9,543,273
Interest income:		
– interest on bank deposits	**(432,006)**	(461,694)
– interest on loans receivables	**(486,262)**	(327,628)
	(918,268)	(789,322)
Finance costs, net	**(7,080,362)**	8,753,951

Borrowing costs capitalised for the year ended 31 December 2020 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.13% (2019: 2.88%) per annum to expenditure on the qualifying assets.

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

(a) Directors' and supervisors' emoluments

Year ended 31 December 2020

	Fees *RMB'000*	Salaries, allowance and benefits-in-kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement plan contributions *RMB'000*	Share appreciation rights *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Peng Shou	–	1,183	960	4	–	2,147
Mr. Cui Xingtai	–	956	960	4	–	1,920
Mr. Fu Jinguang (Note d)	–	233	240	–	–	473
Non-executive directors						
Mr. Chang Zhangli	–	–	–	–	–	–
Mr. Tao Zheng	–	–	–	–	–	–
Mr. Chen Yongxin	–	–	–	–	–	–
Mr. Shen Yungang	–	–	–	–	–	–
Mr. Fan Xiaoyan	–	–	–	–	–	–
Ms. Zhan Yanjing	–	–	–	–	–	–
Independent non-executive directors						
Mr. Sun Yanjun	300	–	–	–	–	300
Mr. Liu Jianwen	300	–	–	–	–	300
Mr. Zhou Fangsheng	300	–	–	–	–	300
Mr. Qian Fengsheng (Note e)	125	–	–	–	–	125
Mr. XiaXue	300	–	–	–	–	300
Mr. Li Jun (Note a)	188	–	–	–	–	188
Supervisors						
Mr. Li Xinhua	–	–	–	–	–	–
Ms. Zhou Guoping (Note e)	–	–	–	–	–	–
Mr. Guo Yanming	–	–	–	–	–	–
Ms. Cui Shuhong (Note g)	–	546	560	3	–	1,109
Mr. Wang Yingcai (Note f)	–	494	660	4	–	1,158
Ms. Zeng Xuan	–	529	300	4	–	833
Ms. Yu Yuehua (Note c)	–	217	125	–	–	342
Mr. Wang Yumeng (Note a)	–	–	–	–	–	–
Mr. Xu Qian (Note b)	–	249	150	–	–	399
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Li Xuan	200	–	–	–	–	200
	1,913	4,407	3,955	19	–	10,294

Notes:

(a) Appointed on 22 May 2020.
(b) Appointed on 11 June 2020.
(c) Appointed on 30 July 2020.
(d) Appointed on 24 September 2020.
(e) Resigned on 22 May 2020.
(f) Resigned on 11 June 2020.
(g) Resigned on 30 July 2020.

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

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

Year ended 31 December 2019

	Fees *RMB'000*	Salaries, allowance and benefits-in-kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement plan contributions *RMB'000*	Share appreciation rights *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Peng Jianxin (Note 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	–	–	–	–	–	–
Mr. 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
Mr. XiaXue	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

Notes:

(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)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2019: none) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments in respect of five (2019: five) individuals were as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and benefits-in-kind	**4,630**	3,457
Discretionary bonuses	**11,562**	12,053
Retirement plant contributions	**35**	227
	16,227	15,737

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

	Number of the five highest paid individuals	
	2020	2019
Nil – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**–**	–
HKD1,500,001 – HKD2,000,000	**–**	–
HKD2,000,001 – HKD2,500,000	**–**	–
HKD2,500,001 – HKD3,000,000	**–**	–
HKD3,000,000 – HKD3,500,000	**3**	3
HKD3,500,000 – HKD4,000,000	**2**	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):

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Depreciation of:		
Property, plant and equipment	**10,306,948**	10,298,693
Investment properties	**33,677**	28,445
Right-of-use assets	**2,474,730**	2,566,296
	12,815,355	12,893,434
Amortisation of intangible assets	**1,681,841**	1,244,697
Total depreciation and amortisation	**14,497,196**	14,138,131
Impairment loss on goodwill	**4,211,401**	5,838,505
Impairment loss on property, plant and equipment	**4,857,114**	3,058,300
Impairment loss on intangible assets	**105,591**	70,033
Impairment loss on right-of use assets	**10,559**	1,594
Impairment loss on investments in associates	**15**	149,192
Cost of inventories recognised as expenses	**177,400,527**	163,734,048
Gain on disposal of property, plant and equipment, investment properties, intangible assets, net	**(1,063,563)**	(49,002)
Auditor's remuneration		
– Audit services	**7,377**	7,385
– Non-audit services	**4,143**	4,516
Total auditor's remuneration	**11,520**	11,901
Staff costs including directors' remunerations		
Salaries, bonus and other allowances	**18,326,640**	17,509,414
Equity-settled share-based payment expenses	**5,514**	10,968
Retirement plan contributions	**1,047,726**	1,744,184
Total staff costs	**19,379,880**	19,264,566
Write down of inventories	**366,972**	176,529
Net foreign exchange loss/(gains)	**657,387**	(86,796)

12 INCOME TAX EXPENSE

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

	2020 **RMB'000**	2019 RMB'000
Current income tax	**9,075,747**	8,797,528
Deferred income tax (Note 34)	**(685,853)**	221,737
	8,389,894	9,019,265

PRC income tax is calculated at 25% (2019: 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:

	2020 **RMB'000**	2019 RMB'000 (restated)
Profit before income tax	**30,035,009**	27,447,891
Tax at domestic income tax rate of 25% (2019: 25%)	**7,508,752**	6,861,973
Tax effect of:		
Share of profits of associates	**(818,245)**	(614,598)
Share of profits of joint ventures	**(338)**	(183)
Expenses not deductible for tax purposes	**2,511,756**	2,026,412
Income not taxable for tax purposes	**(2,825,324)**	(1,786,207)
Tax effect of tax losses not recognised	**1,637,148**	2,529,148
Utilisation of previously unrecognised tax losses	**(436,552)**	(45,243)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment (Note)	**(9,997)**	(11,913)
Effect of different tax rates of subsidiaries	**822,694**	59,876
	8,389,894	9,019,265

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

	2020 Before taxation *RMB'000*	Taxation credited/ (charged) (Note 34) *RMB'000*	Net of taxation *RMB'000*	2019 Before taxation *RMB'000* (restated)	Taxation credited/ (charged) (Note 34) *RMB'000* (restated)	Net of taxation *RMB'000* (restated)
Actuarial gain/(loss) on defined benefit obligations	**620**	**134**	**754**	(4,743)	805	(3,938)
Change in the fair value of equity instruments at fair value through other comprehensive income	**2,399**	**(361)**	**2,038**	4,804	(719)	4,085
Currency translation differences	**7,777**	**–**	**7,777**	(98,941)	–	(98,941)
Share of associates' other comprehensive expense	**(49,883)**	**–**	**(49,883)**	(23,989)	–	(23,989)
Share of joint ventures' other comprehensive expense	**(487)**	**–**	**(487)**	(326)	–	(326)
Change in the fair value on hedging instruments designated as cash flow hedges	**(2,278)**	**342**	**(1,936)**	(6,006)	901	(5,105)
Other comprehensive (expense)/income	**(41,852)**	**115**	**(41,737)**	(129,201)	987	(128,214)

13 DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Dividends paid – RMB0.35 (2019: RMB0.18) per share by the Company	**2,952,170**	1,518,259
Proposed final dividend – RMB0.47 (2019: RMB0.35) per share by the Company (see below)	**3,964,342**	2,952,170

The final dividend of RMB3,964,342,211.14 in total (pre-tax) has been proposed by the board of directors on 26 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:

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Profit attributable to owners of the Company	**12,552,782**	10,974,963

	2020	2019
	'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 2019					
As previously reported	13,460,110	107,763,855	108,604,502	6,749,676	236,578,143
Business combination under common control (Note 45)	–	9,562	6,053	780	16,395
As at 1 January 2019, as restated	13,460,110	107,773,417	108,610,555	6,750,456	236,594,538
Additions	17,561,098	2,432,497	2,040,346	431,686	22,465,627
Acquisition of subsidiaries (Note 43(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)	(1,591,366)	(3,772,129)	(1,415,131)	(7,725,901)
Disposal of subsidiaries (Note 43(b))	(352,253)	(194,821)	(301,623)	(12,798)	(861,495)
Transfer from investment properties (Note 17)	–	21,294	–	–	21,294
Transfer to investment properties (Note 17)	–	(64,832)	–	–	(64,832)
Reclassified as held-for-sale (Note 31)	–	(123,329)	(188,434)	(374)	(312,137)
As at 31 December 2019	19,417,849	114,127,509	113,788,195	5,832,559	253,166,112

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 2020					
As previously reported	19,417,849	114,117,946	113,782,142	5,831,779	253,149,716
Business combination under common control (Note 45)	–	9,563	6,053	780	16,396
As at 1 January 2020, as restated	19,417,849	114,127,509	113,788,195	5,832,559	253,166,112
Additions	15,343,476	1,466,503	2,205,406	272,710	19,288,095
Acquisition of subsidiaries (Note 43(a))	414,196	1,020,258	747,567	33,634	2,215,655
Transfer from construction in progress	(11,227,800)	4,302,193	6,884,221	41,386	–
Transfer to construction in progress for reconstruction	81,817	(42,848)	(79,714)	(877)	(41,622)
Disposals	(3,497,127)	(3,040,764)	(4,787,773)	(1,279,412)	(12,605,076)
Disposal of subsidiaries (Note 43(b))	(217,323)	(897,422)	(1,157,244)	(5,393)	(2,277,382)
Transfer from investment properties (Note 17)	–	178,207	–	–	178,207
Transfer to investment properties (Note 17)	–	(59,261)	–	–	(59,261)
Reclassified as held-for-sale (Note 31)	–	(445,049)	(734,871)	(3,260)	(1,183,180)
As at 31 December 2020	20,315,088	116,609,326	116,865,787	4,891,347	258,681,548

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	756,776	22,219,287	45,690,476	3,879,078	72,545,617
Business combination under common control (Note 45)	–	3,935	3,404	464	7,803
As at 1 January 2019, as restated	756,776	22,223,222	45,693,880	3,879,542	72,553,420
Charge for the year	–	3,392,733	6,366,232	539,728	10,298,693
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 43(b))	–	(35,251)	(78,443)	(9,865)	(123,559)
Transfer from investment properties (Note 17)	–	9,901	–	–	9,901
Transfer to investment properties (Note 17)	–	(23,311)	–	–	(23,311)
Reclassified as held-for-sale (Note 31)	–	(87,528)	(135,094)	(356)	(222,978)
As at 31 December 2019	734,391	26,155,134	49,675,695	3,451,698	80,016,918

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 2020					
As previously reported	734,391	26,150,985	49,672,065	3,451,160	80,008,601
Business combination under common control (Note 45)	–	4,149	3,630	538	8,317
As at 1 January 2020, as restated	734,391	26,155,134	49,675,695	3,451,698	80,016,918
Charge for the year	–	3,282,408	6,591,728	432,812	10,306,948
Disposals	(171,487)	(1,595,253)	(3,942,186)	(1,135,050)	(6,843,976)
Impairment loss recognised	290,226	2,360,313	2,119,968	86,607	4,857,114
Transfer to construction in progress for reconstruction	–	(4,225)	(36,991)	(406)	(41,622)
Disposal of subsidiaries (Note 43(b))	(19,242)	(375,649)	(638,396)	(4,735)	(1,038,022)
Transfer from investment properties (Note 17)	–	59,465	–	–	59,465
Transfer to investment properties (Note 17)	–	(14,930)	–	–	(14,930)
Transfer from construction in progress	(1,606)	1,606	–	–	–
Reclassified as held-for-sale (Note 31)	–	(332,733)	(664,197)	(3,174)	(1,000,104)
As at 31 December 2020	832,282	29,536,136	53,105,621	2,827,752	86,301,791
Carrying amount					
As at 31 December 2020	19,482,806	87,073,190	63,760,166	2,063,595	172,379,757
As at 31 December 2019 (restated)	18,683,458	87,972,375	64,112,500	2,380,861	173,149,194

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.

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 the reporting date, the carrying amount of the Group's property, plant and equipment pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Land and buildings	**814,623**	909,750
Plant and machinery	**1,150,350**	1,378,762
Total	**1,964,973**	2,288,512

At 31 December 2020, land and buildings with carrying amount of approximately RMB3,202.39 million (2019: approximately RMB10,362.02 million) are still in the process of applying the title certificates.

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Impairment assessment

Shutdown of production lines

In following a series of the government's policies on environmental protection and capacity replacement, some production lines in different subsidiaries of the Group have been suspended during the year or to be suspended in the near future.

Except for certain assets of the production lines that can be used by other business within the Group, with assistance from independent professional valuers, the recoverable amounts for the rest of production lines' assets, and concluded that the recoverable amount from the use or sale of these assets as scrap was lower than their carrying amount.

The recoverable amounts are based on the higher of the value in use for the remaining timeframe before the scheduled shutdown and the fair value less costs of disposal for these assets from the use or sale of these assets as scrap.

The key assumptions used in estimating the value in use of these production lines are similar. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering the remaining periods of these assets before their scheduled shutdown with a pre-tax discount rate of 10%-16% (2019:14%). Cash flow projections during the budget period 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.

The key assumptions used in estimating the fair value less costs of disposal of the rest of production lines' assets that have already been shutdown are based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The valuation was categorised as Level 2 fair value measurement.

Accordingly, impairment loss of approximately RMB 4,857.11 million (2019: approximately RMB3,058.30 million) has been recognised in respect of these property, plant and equipment.

16 RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased Properties *RMB'000*	Plant and machinery *RMB'000*	Motor Vehicles *RMB'000*	Total *RMB'000*
As at 31 December 2020					
Carrying amount	**19,711,297**	**2,828,287**	**7,213,325**	**226,677**	**29,979,586**
As at 31 December 2019 (restated)					
Carrying amount	20,237,142	2,236,642	8,859,091	250,391	31,583,266
For the year ended 31 December 2020					
Depreciation charge	**(570,513)**	**(241,406)**	**(1,616,589)**	**(46,222)**	**(2,474,730)**
Impairment loss recongnised	**(10,559)**	**–**	**–**	**–**	**(10,559)**
For the year ended 31 December 2019 (restated)					
Depreciation charge	(598,688)	(243,017)	(1,693,548)	(31,043)	(2,566,296)
Impairment loss recongnised	(1,594)	–	–	–	(1,594)

	2020 *RMB'000*	2019 *RMB'000*
Expense relating to short-term leases	**340,546**	254,272
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**2,169**	833
Variable lease payments not included in the measurement of lease liabilities	**273**	123
Total cash outflow for leases	**2,316,750**	7,565,032
Additions to right-of-use assets	**1,482,188**	1,336,837
Acquisition of subsidiary	**181,150**	272,221

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 with no extension and termination options. 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 RMB14.66 million (2019: RMB149.68 million) in which the Group is in the process of obtaining.

The Group regularly entered into short-term leases for office, plant and machinery and motor vehicles. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Impairment loss of approximately RMB10.56 million (2019: approximately RMB1.60 million) has been recognised in relation to shutdown of production lines. For details, please refer to Note 15.

As at 31 December 2020, the Group has pledged right-of-use assets with a carrying amount of RMB242.43 million (2019: 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 INVESTMENT PROPERTIES

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Cost		
As at 1 January		
As previously reported	**1,324,379**	1,207,108
Business combination under common control (Note 45)	**3,961**	3,961
As restated	**1,328,340**	1,211,069
Additions	**30,513**	46,926
Acquired on acquisition of subsidiaries (Note 43(a))	**–**	11,081
Disposal	**(40,764)**	(6,655)
Transfer from property, plant and equipment (Note 15)	**59,261**	64,832
Transfer to property, plant and equipment (Note 15)	**(178,207)**	(21,294)
Transfer from right-of-use assets	**–**	22,381
Transfer to right-of-use assets	**(12,955)**	–
As at 31 December	**1,186,188**	1,328,340
Depreciation		
As at 1 January		
As previously reported	**352,690**	306,825
Business combination under common control (Note 45)	**1,612**	1,518
As restated	**354,302**	308,343
Charge for the year	**33,677**	28,445
Disposal	**(3,803)**	(313)
Transfer from property, plant and equipment (Note 15)	**14,930**	23,311
Transfer to property, plant and equipment (Note 15)	**(59,465)**	(9,901)
Transfer to right-of-use assets	**–**	4,417
Transfer from right-of-use assets	**(5,096)**	–
As at 31 December	**334,545**	354,302
Carrying amount		
As at 31 December	**851,643**	974,038

17 INVESTMENT PROPERTIES *(CONTINUED)*

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2019: 2.38%) per annum.

The fair value of the Group's investment properties as at 31 December 2020 was approximately RMB2,440.44 million (2019: approximately RMB2,621.68 million). The fair value has been arrived at on the basis of a valuation carried out by independent local valuers not connected with the Group.

The fair value was determined based on either the income capitalization approach or direct comparison approach. For income capitalisation approach, the market rentals of all leasable units of the properties are assessed by reference to the rentals achieved in the leasable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted, ranging from 5.0% to 7.5%, is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The higher the capitalisation rate, the lower the fair value. For direct comparison approach, the fair value was estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

At the end of the reporting period, investment properties with carrying amount of RMB77.41 million (2019: RMB90.46 million), were assessed by Income capitalisation approach, which categorised under level 3 fair value hierarchy, with fair value of RMB370.50 million (2019: RMB381.07 million); the remaining investment properties were assessed by direct comparison approach, which were categorised under level 2 fair value hierarchy, with fair value of RMB2,069.94 million (2019: RMB2,240.61 million).

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB78.66 million (2019 (restated): approximately RMB74.56 million). Direct operating expenses arising on the investment properties amounted to approximately RMB17.80 million (2019 (restated): approximately RMB14.47 million).

18 GOODWILL

	2020 **RMB'000**	2019 RMB'000
As at 1 January	**37,886,421**	43,657,580
Arising from acquisition of subsidiaries (Note 43(a))	**254,210**	352,795
De-registration of a subsidiary	**(432,858)**	(184,148)
Disposal of subsidiaries (Note 43(b))	**(215,280)**	(99,778)
Impairment loss recognised	**(4,211,401)**	(5,838,505)
Exchange difference	**9,229**	(1,523)
As at 31 December	**33,290,321**	37,886,421

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:

	2020 **RMB'000**	2019 RMB'000
Cement	**25,807,632**	28,972,099
Concrete	**6,197,731**	7,475,794
New materials	**438,984**	438,804
Engineering services	**785,441**	938,393
Others	**60,533**	61,331
	33,290,321	37,886,421

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

18 GOODWILL *(CONTINUED)*

During the year ended 31 December 2020, the Group recognised impairment loss of RMB4,039.11 million (2019: RMB5,624.98 million), RMBnil (2019: RMBnil), RMBnil million (2019: RMB24.24 million), RMB172.29 (2019: RMBnil million) and RMBnil million (2019: RMB189.28) in relation to goodwill allocated to the CGU of cement operation, concrete operation, new materials operation, engineering services operation and other operations respectively. Prolonged losses have been incurred by certain subsidiaries of the cement segment, new materials segment and engineering services 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 0%–10% (2019: 5%), and discount rate of 10%–16% (2019: 14%). 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.

New materials, Engineering services and 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 0%–8% (2019: 10%), and discount rates of 11%–14% (2019: 11%–12%). Their sets of cash flows beyond the five year period are extrapolated using zero growth rate. These growth rates are based on the industry growth forecasts and do not exceed the average long-term growth rates for the relevant industry. Cash flow projections during the budget period for these operations are also based on the budgeted sales and expected gross margins during the budget period. Expected cashflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each CGU or groups of CGUs to exceed its recoverable amount.

19 INTANGIBLE ASSETS

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Cost			
As at 1 January 2019			
As previously reported	12,227,653	1,939,493	14,167,146
Business combination under common control (Note 45)	3,673	–	3,673
As restated	12,231,326	1,939,493	14,170,819
Additions	3,410,627	612,904	4,023,531
Acquisition of subsidiaries (Note 43(a))	36,440	81,766	118,206
Disposals	(199,785)	(2,507)	(202,292)
Disposals of subsidiaries (Note 43(b))	(49,550)	(591)	(50,141)
Exchange difference	–	(5,689)	(5,689)
Reclassified as held-for-sale (Note 31)	(1,462)	–	(1,462)
As at 31 December 2019	15,427,596	2,625,376	18,052,972
Cost			
As at 1 January 2020			
As previously reported	**15,423,806**	**2,625,376**	**18,049,182**
Business combination under common control (Note 45)	**3,790**	**–**	**3,790**
As restated	**15,427,596**	**2,625,376**	**18,052,972**
Additions	**7,202,192**	**809,362**	**8,011,554**
Acquisition of subsidiaries (Note 43(a))	**914,012**	**13,769**	**927,781**
Disposals	**(128,055)**	**(84,779)**	**(212,834)**
Disposals of subsidiaries (Note 43(b))	**(333,271)**	**(51,834)**	**(385,105)**
Exchange difference	**–**	**8,458**	**8,458**
As at 31 December 2020	**23,082,474**	**3,320,352**	**26,402,826**

19 INTANGIBLE ASSETS *(CONTINUED)*

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Amortisation and impairment			
As at 1 January 2019			
As previously reported	3,601,685	1,038,207	4,639,892
Business combination under common control (Note 45)	2,448	–	2,448
As restated	3,604,133	1,038,207	4,642,340
Charge for the year	855,952	388,745	1,244,697
Disposals	(68,699)	(2,430)	(71,129)
Disposals of subsidiaries (Note 43(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 (Note 31)	(726)	–	(726)
As at 31 December 2019	4,448,035	1,422,523	5,870,558
Amortisation and impairment			
As at 1 January 2020	**4,444,245**	**1,422,523**	**5,866,768**
As previously reported			
Business combination under common control (Note 45)	**3,790**	**–**	**3,790**
As restated	**4,448,035**	**1,422,523**	**5,870,558**
Charge for the year	**1,157,608**	**524,233**	**1,681,841**
Disposals	**(48,655)**	**(32,828)**	**(81,483)**
Disposals of subsidiaries (Note 43(b))	**(199,643)**	**(51,834)**	**(251,477)**
Impairment loss recognised	**10,583**	**95,008**	**105,591**
Exchange difference	**–**	**3,666**	**3,666**
As at 31 December 2020	**5,367,928**	**1,960,768**	**7,328,696**

19 INTANGIBLE ASSETS *(CONTINUED)*

	Mining rights	Patents and trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount			
As at 31 December 2020	**17,714,546**	**1,359,584**	**19,074,130**
As at 31 December 2019	**10,979,561**	**1,202,853**	**12,182,414**

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 2020, the management conducted a review of the Group's intangible assets and determined that certain assets in relation to shutdown will not generate future benefit to the Group. Accordingly, impairment loss of approximately RMB105.59 million (2019: approximately RMB70.03 million) has been recognised in respect of those intangible assets. For details, please refer to Note 15.

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019, which are established and operated in the PRC, are as follows:

Name of subsidiary	Legal status	Nominal value of paid-in capital	Attributable equity interest to the Company				Principal activities
			Direct		Indirect		
			2020	2019	**2020**	2019	
			%	%	**%**	%	
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**	84.83	**–**	–	Production and sale of cement
Shanghai South Cement Company Limited	Limited liability company	RMB5,000,000	**–**	–	**84.83**	84.83	Production and sale of cement

Name of subsidiary	Legal status	Nominal value of paid-in capital	Attributable equity interest to the Company Direct 2020 %	Direct 2019 %	Indirect 2020 %	Indirect 2019 %	Principal activities
Zhejiang South Cement Company Limited	Limited liability company	RMB4,500,000	**–**	–	**84.83**	84.83	Production and sale of cement
Hunan South Cement Company Limited	Limited liability company	RMB5,000,000,000	**–**	–	**84.83**	84.83	Production and sale of cement
South New Materials Technology Company Limited	Limited liability company	RMB1,000,000,000	**–**	–	**84.83**	84.83	Production and sale of composite materials
Jiangxi South Cement Company Limited	Limited liability company	RMB3,000,000,000	**–**	–	**84.83**	84.83	Production and sale of cement
Huzhou South Cement Company Limited	Limited liability company	RMB1,000,000,000	**–**	–	**84.83**	84.83	Production and sale of cement
North Cement Company Limited	Limited liability company	RMB4,000,000,000	**70.00**	70.00	**3.90**	3.90	Production and sale of cement
South West Cement Company Limited ("Southwest Cement")	Limited liability company	RMB10,000,000,000	**79.84**	79.84	**–**	–	Production and sale of cement
Sichuan Southwest Cement Company Limited	Limited liability company	RMB3,000,000,000	**–**	–	**79.84**	79.84	Production and sale of cement
Chongqing Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	**–**	–	**79.84**	79.84	Production and sale of cement
Guizhou Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	**–**	–	**79.84**	79.84	Production and sale of cement
Yunnan Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	**–**	–	**79.84**	79.84	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

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019, 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 2020 %	Direct 2019 %	Indirect 2020 %	Indirect 2019 %	Principal activities
Tianshan Cement (Note (i))	Joint stock company with limited liability	RMB1,048,722,959	**45.87**	45.87	**–**	–	Production and sale of cement
Ningxia Building Materials (Note (ii))	Joint stock company with limited liability	RMB478,181,042	**47.56**	47.56	**–**	–	Production and sale of cement
Qilianshan Cement (Note (iii))	Joint stock company with limited liability	RMB776,290,282	**–**	–	**19.26**	19.26	Production and sale of cement
BNBM (Note (iv, v))	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 (vi))	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 (vii))	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

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019, 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				Principal activities
			Direct		Indirect		
			2020	2019	**2020**	2019	
			%	%	**%**	%	
Lianyuangang Zhongfu Lianzhong Composite Material Group Company Limited	Limited liability company	RMB261,307,535	**–**	–	**60.24**	60.24	Production and sale of composite materials
Sinoma International (Note (viii))	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
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

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Notes:

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

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

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

(iv) 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.

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

(vi) The entity is considered to be controlled by the Company because it is a subsidiary of another Company's subsidiary.

(vii) Sinoma Science & Technology is a joint stock company listed on the Shenzhen Stock Exchange.

(viii) Sinoma International is a joint stock company listed on the Shanghai Stock Exchange.

As at 31 December 2020, certain subsidiaries of the Company which had outstanding issued debt securities as follows:

Name	Total face value of debt securities *RMB'000*	Maturity date
China United	2,000,000	28 August 2023 -13 November 2023
South Cement	7,700,000	16 April 2021 - 20 August 2022
Southwest Cement	4,000,000	17 June 2022 – 10 August 2023
Sinoma Science & Technology	500,000	16 April 2021
BNBM	500,000	19 April 2021
Sinoma International	1,000,000	11 January 2021
CTG	700,000	6 September 2021
China Triumph	2,800,000	25 January 2021 - 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.

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(i) BNBM and its subsidiaries (Non-controlling interest holding%: 62.17%)

	2020	2019
	RMB'000	*RMB'000*
Current assets	**6,931,913**	6,458,054
Non-current assets	**16,075,777**	15,029,847
Current liabilities	**(5,003,347)**	(6,256,552)
Non-current liabilities	**(563,495)**	(702,669)
Non-controlling interests	**(786,156)**	(589,523)
Equity attributable to owners of the Company	**(16,654,692)**	(13,939,157)
Revenue	**16,242,053**	12,801,788
Expenses	**(13,218,036)**	(12,346,484)
Profit for the year	**3,024,017**	455,304
Profit attributable to owners of the Company	**2,859,867**	439,707
Profit attributable to the non-controlling interests	**164,150**	15,597
Profit for the year	**3,024,017**	455,304
Other comprehensive (expense)/income attributable to owners of the Company	**(5,375)**	687
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive (expense)/income for the year	**(5,375)**	687
Total comprehensive income attributable to owners of the Company	**2,854,492**	440,394
Total comprehensive income attributable to the non-controlling interests	**164,150**	15,597
Total comprehensive income for the year	**3,018,642**	455,991
Dividends paid to non-controlling interests	**9,315**	10,605
Net cash inflow from operating activities	**1,838,587**	1,984,246
Net cash outflow from investing activities	**(1,065,497)**	(1,436,302)
Net cash outflow from financing activities	**(783,677)**	(451,466)
Net cash (outflow)/inflow	**(10,587)**	96,478

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(ii) Sinoma International and its subsidiaries (Non-controlling interest holding%: 59.77%)

	2020 RMB'000	2019 RMB'000
Current assets	**28,896,551**	27,760,044
Non-current assets	**5,277,568**	5,141,034
Current liabilities	**(20,557,000)**	(19,289,045)
Non-current liabilities	**(2,378,283)**	(2,968,068)
Non-controlling interests	**(458,731)**	(459,458)
Equity attributable to owners of the Company	**(10,780,105)**	(10,184,507)
Revenue	**22,333,448**	24,255,808
Expenses	**(21,215,239)**	(22,662,758)
Profit for the year	**1,118,209**	1,593,050
Profit attributable to owners of the Company	**1,133,350**	1,591,959
Profit attributable to the non-controlling interests	**(15,141)**	1,091
Profit for the year	**1,118,209**	1,593,050
Other comprehensive expense attributable to owners of the Company	**(13,655)**	(8,071)
Other comprehensive expense attributable to the non-controlling interests	**(13,524)**	(827)
Other comprehensive expense for the year	**(27,179)**	(8,898)
Total comprehensive income attributable to owners of the Company	**1,119,695**	1,583,889
Total comprehensive (expense)/income attributable to the non-controlling interests	**(28,665)**	264
Total comprehensive income for the year	**1,091,030**	1,584,153
Dividends paid to non-controlling interests	**3,405**	–
Net cash inflow from operating activities	**1,748,636**	250,831
Net cash inflow from investing activities	**142,084**	245,868
Net cash outflow from financing activities	**(200,598)**	(336,134)
Net cash inflow	**1,690,122**	160,565

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(iii) Qilianshan Cement and its subsidiaries (Non-controlling interest holding%: 80.74%)

	2020	2019
	RMB'000	*RMB'000*
Current assets	**2,424,965**	2,278,013
Non-current assets	**8,869,852**	8,701,612
Current liabilities	**(1,860,010)**	(2,721,009)
Non-current liabilities	**(603,570)**	(594,982)
Non-controlling interests	**(7,820,525)**	(6,846,611)
Equity attributable to owners of the Company	**(1,010,712)**	(817,023)
Revenue	**7,682,092**	6,837,906
Expenses	**(6,119,561)**	(5,522,908)
Profit for the year	**1,562,531**	1,314,998
Profit attributable to owners of the Company	**194,712**	162,116
Profit attributable to the non-controlling interests	**1,367,819**	1,152,882
Profit for the year	**1,562,531**	1,314,998
Other comprehensive income attributable to owners of the Company	**105**	158
Other comprehensive income attributable to the non-controlling interests	**1,366**	1,244
Other comprehensive income for the year	**1,471**	1,402
Total comprehensive income attributable to owners of the Company	**194,817**	162,274
Total comprehensive income attributable to the non-controlling interests	**1,369,185**	1,154,126
Total comprehensive income for the year	**1,564,002**	1,316,400
Dividends paid to non-controlling interests	**434,110**	273,663
Net cash inflow from operating activities	**2,277,047**	2,048,171
Net cash outflow from investing activities	**(682,474)**	(1,103,799)
Net cash outflow from financing activities	**(777,954)**	(1,056,801)
Net cash inflow/(outflow)	**816,619**	(112,429)

21 INTERESTS IN ASSOCIATES

	2020 **RMB'000**	2019 RMB'000
Cost of investments in associates		
– listed in the PRC	**1,495,189**	1,440,949
– listed in Hong Kong	**685,814**	799,322
– unlisted	**6,731,179**	5,399,415
Share of post-acquisition profit, net of dividend received	**10,401,384**	8,235,749
	19,313,566	15,875,435
Fair value of listed investments	**23,096,441**	12,870,644
Share of profits of associates	**3,272,981**	2,458,390

As at 31 December 2020, the cost of investments in associates included goodwill of associates of approximately RMB610.67 million (2019: approximately RMB610.67 million).

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2020, which in the opinion of the directors are material to the Group. The associates as listed below are established and operated in the PRC 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		Principal activities
		2020	2019	
		%	%	
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") (Note (ii))	RMB2,000,000,000	**49.00**	49.00	Sales of production of cement
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") (Note (iii))	RMB1,000,000,000	**50.00**	50.00	Production of cement
Shanghai Yaohua Pikington Gloass Group Co., Ltd. ("Shanghai Yaohua") (Note (iv))	RMB934,916,069	**12.74**	12.74	Production of glass fiber
Gansu Shangfeng Cement Co., Ltd. ("Gansu Shangfeng") (Note (v), (vi))	RMB813,619,871	**14.40**	14.40	Production of cement
China Shanshui Cement Group Limited ("Shanshui Cement") (Note (vii), (viii))	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) Shandong Quan Xing changed its Chinese legal name.

(iii) Nanfang Wanniangqing was considered as an associate of the Group because South Cement can only nominate 2 out of 5 directors of the Board of Directors. Therefore, the Group only have significant influence but not control in Nanfang Wannianqing.

(iv) 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.

(v) Gansu shangfang is a joint stock company listed on the Shenzhen stock Exchange.

(vi) Gansu Shangfeng was considered as an associate of the Group because South Cement has virtue of its contractual right to appoint 1 out of 5 directors to the board of directors of that Company.

(vii) Shanshui Cement is a joint stock company listed on the Hong Kong Stock Exchange.

(viii) 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 2019.

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

All of the above associates are accounted for using the equity method in the consolidated financial statements.

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

	2020 **RMB'000**	2019 RMB'000
Current assets	**11,102,192**	8,562,225
Non-current assets	**25,635,077**	24,453,964
Current liabilities	**(11,545,910)**	(11,065,153)
Non-current liabilities	**(6,845,159)**	(5,857,672)
Non-controlling interests	**(909,613)**	(433,909)
Revenue	**11,666,197**	10,493,293
Profit for the year	**2,409,764**	2,124,550
Other comprehensive (expense)/income for the year	**(305,208)**	70,934
Total comprehensive income for the year	**2,104,556**	2,195,484
Dividends received from the associate during the year	**182,318**	212,547

21 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:

	2020 ***RMB'000***	2019 *RMB'000*
Net assets of the associate	**18,346,200**	16,093,364
Non-controlling interests of the associate	**(909,613)**	(433,909)
	17,436,587	15,659,455
Proportion of the Group's ownership interest in China Jushi	**26.97%**	26.97%
Group's share of net assets of the associate	**4,702,648**	4,223,355
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**4,721,341**	4,242,048

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(ii) Shangdong Quan Xing

	2020	2019
	RMB'000	*RMB'000*
Current assets	**2,675,030**	2,667,918
Non-current assets	**3,500,309**	3,496,896
Current liabilities	**(2,445,673)**	(2,469,183)
Non-current liabilities	**(460,935)**	(428,735)
Non-controlling interests	**(351,419)**	(411,596)
Revenue	**3,406,390**	3,296,201
Profit for the year	**890,140**	665,883
Total comprehensive income for the year	**890,140**	665,883
Dividends received from the associate during the year	**–**	–

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

	2020	2019
	RMB'000	*RMB'000*
Net assets of the associate	**3,268,731**	3,266,896
Non-controlling interests of the associate	**(351,419)**	(411,596)
	2,917,312	2,855,300
Proportion of the Group's ownership interest in Shangdong Quan Xing	**49%**	49%
Group's share of net assets of associate	**1,429,483**	1,399,097
Carrying amount of the Group's interest in Shangdong Quan Xing	**1,429,483**	1,399,097

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iii) Nanfang Wannianqing

	2020 **RMB'000**	2019 RMB'000
Current assets	**3,604,138**	3,158,395
Non-current assets	**3,250,013**	3,012,174
Current liabilities	**(1,440,747)**	(1,589,512)
Non-current liabilities	**(137,122)**	(21,852)
Non-controlling interests	**(891,711)**	(843,920)
Revenue	**6,655,555**	6,894,177
Profit for the year	**1,436,963**	1,337,359
Other comprehensive income for the year	**707**	–
Total comprehensive income for the year	**1,437,670**	1,337,359
Dividends received from the associate during the year	**250,000**	150,000

21 INTERESTS IN ASSOCIATES (CONTINUED) (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:

	2020	2019
	RMB'000	*RMB'000*
Net assets of the associate	**5,276,282**	4,559,745
Non-controlling interests of the associates	**(891,711)**	(843,920)
	4,384,571	3,715,825
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Group share of net assets of the associate	**2,192,286**	1,857,913
Carrying amount of the Group's interest in Nanfang Wannianqing	**2,192,286**	1,857,913

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

	2020	2019
	RMB'000	*RMB'000*
The Group's share of profits from continuing operations	**1,468,418**	1,151,830
The Group's share of other comprehensive expense	**23,340**	(41,205)
The Group's share of total comprehensive income	**1,491,758**	1,110,625
Aggregate carrying amount of the Group's interests in these associates	**10,970,457**	8,376,377

22 INTERESTS IN JOINT VENTURES

	2020	2019
	RMB'000	*RMB'000*
Cost of investments in joint ventures		
– unlisted	**103,854**	107,711
Share of post-acquisition profit, net of dividend received	**(5,836)**	(8,845)
	98,108	98,866
Share of profits of joint ventures	**1,354**	733

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

As at 31 December 2020, the Group has interests in a number of individually immaterial joint ventures, in the opinion of the directors, no individual joint venture principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The financial information and carrying amount in aggregate, of the Group's interests in joint ventures that are not individually material are set out below:

	2020	2019
	RMB'000	*RMB'000*
The Group's share of profits from continuing operations	**1,354**	733
The Group's share of other comprehensive expense	**(487)**	(326)
The Group's share of total comprehensive income	**867**	407
Aggregate carrying amount of the Group's interests in these joint venture	**98,018**	98,866

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss :		
– Investment funds listed outside Hong Kong	**–**	344
– Equity shares listed outside Hong Kong	**3,255,237**	3,611,312
– Equity shares listed in Hong Kong	**1,938,074**	1,988,869
– Structured deposits (Note i)	**2,221,098**	1,809,976
– Unlisted equity shares	**1,258,956**	1,682,263
	8,673,365	9,092,764

	2020	2019
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current portion	**2,517,143**	2,569,191
Current portion	**6,156,222**	6,523,573
	8,673,365	9,092,764

Note i: During the years ended 31 December 2020 and 2019, the Group entered into certain investments with certain financial institutions. The investments, based on respective contracts, have maturity dates within 3 months.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Equity shares listed in Hong Kong	**7,526**	8,664

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 (2019: RMBnil).

25 DEPOSITS

	2020	2019
	RMB'000	*RMB'000*
Investment deposits for acquisition of subsidiaries	**148,396**	907,735
Investment deposits for acquisition of associates	**–**	74,124
Deposits paid to acquire property, plant and equipment	**3,239,521**	1,288,601
Deposits paid to acquire intangible assets	**305,850**	457,626
Deposits paid to acquire right-of-use assets	**381,740**	203,771
	4,075,507	2,931,857

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

26 INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**9,423,681**	8,812,499
Work-in-progress	**4,221,792**	4,267,635
Finished goods	**6,468,944**	6,729,876
Consumables	**173,560**	211,844
	20,287,977	20,021,854

27 TRADE AND OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000 (restated)
Trade receivables, net of allowance for credit losses (Note (b))	**48,796,838**	45,602,953
Bills receivable (Note (c))	**20,806,519**	23,196,545
Contract assets (Note 29)	**11,507,527**	10,582,968
Other receivables, deposits and prepayments	**23,899,682**	25,001,823
	105,010,566	104,384,289

	2020 **RMB'000**	2019 RMB'000 (restated)
Analysed for reporting purposes:		
Non-current portion	**11,930,475**	6,323,458
Current portion	**93,080,091**	98,060,831
	105,010,566	104,384,289

Notes:

(a) The carrying amounts of the trade and other receivables approximate to their fair values. As at 1 January 2019, trade receivables from contacts with customers amounted to RMB44,627.20 million.

(b) The Group normally allowed an average of credit periods 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 net of allowance for credit losses presented based on the invoice date is as follows:

	2020 **RMB'000**	2019 RMB'000
Within two months	**10,396,607**	11,141,513
More than two months but within one year	**25,648,694**	23,860,594
Between one and two years	**8,708,542**	6,258,452
Between two and three years	**2,533,560**	2,626,781
Over three years	**1,509,435**	1,715,613
	48,796,838	45,602,953

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

27 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

	2020	2019
	RMB'000	*RMB'000*
		(restated)
RMB	**103,325,463**	103,244,129
EUR	**–**	76,216
USD	**–**	535,382
HKD	**60,710**	358,434
Others	**–**	170,127
	103,386,173	104,384,289

(e) As at 31 December 2020, approximately RMB61.13 million (2019: approximately RMB202.80 million) of the trade receivables and approximately RMB1,263.18 million (2019: approximately RMB1,053.39 million) of bills receivable are pledged to secure bank loans granted to the Group.

Details of impairment assessment of trade and other receivables are set out in Note 5.1 (b).

28 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**760,580**	1,083,943
– Associates	**341,060**	553,739
– Joint ventures	**1,250**	102
– Non-controlling interests of subsidiaries	**69,019**	356,671
	1,171,909	1,994,455
Non-trading in nature:		
– Fellow subsidiaries	**257,265**	430,981
– Associates	**199,948**	255,211
– Joint ventures	**73**	18
– Immediate holding company	**96**	79,956
– Non-controlling interests of subsidiaries	**215,509**	316,142
	672,891	1,082,308
	1,844,800	3,076,763
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**1,759,467**	1,961,779
– Associates	**55,780**	29,228
– Joint ventures	**1,520**	271
– Immediate holding company	**10**	–
– Non-controlling interests of subsidiaries	**39,530**	85,035
	1,856,307	2,076,313
Non-trading in nature:		
– Fellow subsidiaries	**2,215,851**	2,329,587
– Associates	**22,819**	61,594
– Immediate holding company	**136,688**	32,486
– Non-controlling interests of subsidiaries	**516,828**	694,260
	2,892,186	3,117,927
	4,748,493	5,194,240

28 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 2020, amounts due from related parties of approximately RMB242.54 million (2019: approximately RMB263.30 million) carry the variable interest rate of 4.35% (2019: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2020, amounts due to related parties of approximately RMB2,360.61 million (2019: approximately RMB2,269.91 million) carry the fixed interest rate of 5.20% (2019: 5.20%) per annum. The remaining balances of amounts due to related parties are interest-free.

29 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 ***RMB'000***	2019 *RMB'000*
Arising from performance under construction contracts, included in trade and other receivables (Note 27)	**11,069,610**	10,220,409
Retention receivables, included in trade and other receivables (Note 27)	**437,917**	362,559
	11,507,527	10,582,968

As at 1 January 2019, 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.

29 CONTRACT ASSETS AND CONTRACT LIABILITIES *(CONTINUED)*

(a) Contract assets *(Continued)*

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.

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

	2020 ***RMB'000***	2019 *RMB'000*
Billings in advance of performance from construction contracts, included in trade and other payables (Note 32)	**5,222,128**	3,773,502
Advance from customers, included in trade and other payables (Note 32)	**10,028,665**	11,802,624
	15,250,793	15,576,126

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.

29 CONTRACT ASSETS AND CONTRACT LIABILITIES *(CONTINUED)*

(b) Contract liabilities *(Continued)*

Movements in contract liabilities:

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**15,576,126**	13,769,363
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	**(15,576,126)**	(13,769,363)
Increase in contract liabilities as a result of billing in advance of project contract work and advance from customers	**15,250,793**	15,576,126
Balance at 31 December	**15,250,793**	15,576,126

30 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:

	2020	2019
	RMB'000	*RMB'000*
USD	**2,798,027**	2,845,716
EUR	**811,622**	514,880
ZAR	**46,590**	41,763
RUB	**106,330**	197,448
VND	**63,595**	51,647
HKD	**123,699**	157,981
INR	**34,920**	96,496
NGN	**237,326**	89,221
GBP	**4,351**	2,862
Others	**394,913**	538,296
	4,621,373	4,536,310

30 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS *(CONTINUED)*

As at 31 December 2020, the Group pledged approximately RMB4,995.82 million (2019: approximately RMB5,127.11 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% (2019: range from 0.35% to 2.80%) per annum.

31 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 2020, the remaining assets are planned to be delivered at the end of 2021.

During 2019, 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. The investment transaction has been completed during the year.

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.

31 ASSETS CLASSIFIED AS HELD-FOR-SALE *(CONTINUED)*

The major classes of assets classified as held-for-sale are as follows:

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment (Note 15)	**183,076**	89,159
Intangible assets (Note 19)	**–**	736
Right-of-use assets	**12,767**	264
Total assets classified as held-for-sale	**195,843**	90,159

32 TRADE AND OTHER PAYABLES

The ageing analysis of trade and other payables, based or invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Within two months	**9,535,860**	8,639,630
More than two months but within one year	**24,477,477**	21,533,785
Between one and two years	**4,165,161**	3,113,555
Between two and three years	**1,276,167**	1,161,256
Over three years	**2,202,115**	2,356,792
Trade payables	**41,656,780**	36,805,018
Bills payable	**16,071,950**	16,756,506
Contract liabilities (Note 29)	**15,250,793**	15,576,126
Other payables	**25,086,935**	20,255,845
	98,066,458	89,393,495

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

33 BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank borrowings:		
– Secured	**4,779,835**	2,910,311
– Unsecured	**111,002,041**	107,236,052
	115,781,876	110,146,363
Bonds	**57,751,790**	74,809,614
Borrowings from other financial institutions	**1,536,246**	1,276,832
	175,069,912	186,232,809

	2020	2019
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current	**85,629,115**	88,495,563
Current	**89,440,797**	97,737,246
	175,069,912	186,232,809

33 BORROWINGS *(CONTINUED)*

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

	2020	2019
	RMB'000	*RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**30,201,468**	29,991,962
Between one and two years	**2,521,443**	4,495,785
Between two and three years	**10,974,361**	2,367,603
Between three and four years	**2,660,327**	377,380
Between four and five years	**446,424**	1,957,700
More than five years	**545,780**	306,750
	47,349,803	39,497,180
Variable rate bank borrowings repayable:		
Within one year	**37,527,362**	44,937,193
Between one and two years	**10,488,715**	5,819,762
Between two and three years	**13,774,213**	13,879,361
Between three and four years	**399,975**	1,298,440
Between four and five years	**3,287,152**	2,934,931
More than five years	**2,954,656**	1,779,496
	68,432,073	70,649,183
Bonds and other borrowings repayable:		
Within one year	**21,955,465**	22,808,091
Between one and two years	**16,812,588**	18,155,516
Between two and three years	**11,936,502**	23,133,795
Between three and four years	**1,832,642**	4,848,972
Between four and five years	**3,713,922**	4,104,962
More than five years	**3,036,917**	3,035,110
	59,288,036	76,086,446
	175,069,912	186,232,809

33 BORROWINGS *(CONTINUED)*

	2020	2019
	RMB'000	*RMB'000*
Effective interest rate per annum:		
Fixed rate borrowings	**1.00% to 5.22%**	1.00% to 6.36%
Variable rate borrowings	**1.00% to 5.22%**	1.00% to 6.36%

The carrying amount of borrowings approximate to their fair value.

As at 31 December 2020, bank borrowings of approximately RMB57,736.93 million (2019: approximately RMB57,736.93 million) were guaranteed by independent third parties.

The borrowings denominated in EUR, USD, GBP, JPY, AUD, INR and HKD of approximately RMB4,344.81 million, RMB1,181.16 million, RMB33.86 million, RMB6.81 million, RMB3.69 million and RMB nil respectively (2019: approximately RMB4,645.88 million, RMB1,309.69 million, RMB nil, RMB nil million, RMB4.03 million, RMB17.17 million, and RMB2,905.01 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB4,779.84 million (2019: approximately RMB2,910.31 million) are secured by the following assets of the Group:

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment (Note 15)	**1,964,973**	2,288,512
Right-of-use assets (Note 16)	**242,434**	518,183
Cash and cash equivalents (Note 30)	**4,995,816**	5,127,107
Trade receivables (Note 27)	**61,131**	202,803
Bills receivable (Note 27)	**1,263,183**	1,053,394
	8,527,537	9,189,999

34 DEFERRED INCOME TAX

The followings are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments investment on at FVTOCI *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 2019	(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 43(a))	–	(39,024)	(5,632)	–	30,025	938	39,245	–	2,403	27,955
Arising from disposal of subsidiaries (Note 43(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 and 1 January 2020	**(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**
Arising from acquisition of subsidiaries (Note 43(a))	**-**	**13,794**	**(62,307)**	**-**	**1,788**	**575**	**-**	**-**	**(36,753)**	**(82,903)**
Arising from disposal of subsidiaries (Note 43(b))	**-**	**47,280**	**-**	**-**	**(15,697)**	**(7,273)**	**-**	**-**	**18,678**	**42,988**
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	**(2,962)**	**101,600**	**85,659**	**-**	**403,813**	**893,674**	**(842,315)**	**2,436**	**43,948**	**685,853**
Credit to the consolidated other comprehensive income (Note 12(b))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**115**	**115**
Exchange realignment	**-**	**-**	**-**	**-**	**328**	**4**	**2,047**	**-**	**614**	**2,993**
As at 31 December 2020	**(199,865)**	**(400,280)**	**(1,114,397)**	**(353,301)**	**2,075,807**	**2,441,105**	**935,960**	**6,095**	**840,427**	**4,231,551**

34 DEFERRED INCOME TAX *(CONTINUED)*

	2020 **RMB'000**	2019 RMB'000
For presentation purpose:		
Deferred income tax assets	**6,565,399**	5,850,924
Deferred income tax liabilities	**(2,333,848)**	(2,268,419)
	4,231,551	3,582,505

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:

	2020 **RMB'000**	2019 RMB'000
Unused tax losses expiring in:		
2020	**–**	3,350,134
2021	**2,707,349**	2,827,943
2022	**4,688,328**	3,663,686
2023	**5,597,632**	5,403,636
2024	**5,407,943**	2,459,989
2025	**6,918,963**	–
	25,320,215	17,705,388

35 LEASE LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**633,246**	1,514,279
More than one year but less than two years	**360,699**	671,067
More than two years but less than five years	**577,389**	797,955
More than five years	**1,759,326**	1,239,084
	3,330,660	4,222,385
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(633,246)**	(1,514,279)
Amount due for settlement after 12 months shown under non-current liabilities	**2,697,414**	2,708,106

36 FINANCIAL GUARANTEE CONTRACTS

	2020	2019
	RMB'000	*RMB'000*
As at 1 January and 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 (2019: approximately RMB64.00 million) is recognised as a liability.

37 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.

37 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

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.

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 report dated 22 February 2021 for the present value of the defined benefit obligation as at 31 December 2020 was issued by Mr. Alex Tschai, consulting director, Principal Actuary of Mercer Consulting (China) Ltd. and 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:

	2020	2019
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	**1.09%**	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.

37 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

The actuarial valuation showed that the market value of plan assets was RMBnil (2019: RMBnil) and that the actuarial value of these assets represented 0% (2019: 0%) of the benefits that had accrued to members.

Amounts recognised in profit or loss or other comprehensive income in respect of the defined benefit plan are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Service cost:		
– Current service cost	**(2,147)**	(868)
– Past service cost and (gains)/losses from settlements	**9,486**	11,536
Net interest expenses	**7,152**	7,819
Components of defined benefit cost recognised in profit or loss	**14,491**	18,487
Remeasurement of net defined benefit liabilities:		
Actuarial (gains) recognised for the year	**(620)**	4,743
Components of defined benefit cost recognised in other comprehensive income	**(620)**	4,743
Total	**13,871**	23,230

The net interest expenses of approximately RMB7.15 million (2019: RMB7.82 million) are included in administrative expenses in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

37 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

The movements of employee benefit payable are as follows:

	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**255,253**	272,155
Interest cost	**7,152**	7,819
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	**(2,147)**	(868)
– Actuarial (gains)/losses recognised for the year	**(620)**	4,743
– Past service cost, including losses on curtailments	**9,486**	11,536
Benefits paid	**(26,682)**	(40,132)
As at 31 December	**242,442**	255,253

	2020	2019
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current portion	**240,878**	251,392
Current portion	**1,564**	3,861
	242,442	255,253

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 of other respective assumptions occurring at the end other reporting period, while holding all other assumptions constant.

37 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

– If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by RMB10.29 million (increase by RMB10.29 million) (2019: increase by RMB10.62 million (increase by RMB10.62 million)),

– If the benefits increase rates increase (decrease) by 0.5%, the defined benefit obligation would increase by RMB10.36 million (decrease by RMB10.36 million) (2019: decrease by RMB10.73 million (decrease by RMB10.73 million)).

– If the mortality changes to 95% of original assumption, the defined benefit obligation would increase by RMB3.12 million (decrease by RMB3.12 million) (2019: increase by RMB3.12 million (decrease by RMB3.12 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 (2019: 10.2 years).

The Group expects to make a contribution of RMB67.99 million (2019: RMB61.68 million) to the defined benefit plan during the next financial year.

38 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 **RMB'000**	2019 RMB'000
Derivative financial assets		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**16,148**	5,254
Derivative financial liabilities		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**20**	688
Derivatives that are designated and effective as hedging instruments carried at fair value:		
– Interest rate swaps	**19,318**	17,041
	19,338	17,729

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

31 December 2020

Notional amounts	**Maturities**	**Exchange rates**
Sell USD3,000,000	8 March 2021	RMB6.9202: USD1
Sell USD2,000,000	17 September 2021	RMB6.9100: USD1
Sell USD2,000,000	22 September 2021	RMB6.9000: USD1
Sell USD2,000,000	29 March 2021	RMB6.8370: USD1
Sell USD2,000,000	22 September 2021	RMB6.9400: USD1
Sell USD2,000,000	13 October 2021	RMB6.9600: USD1
Sell USD672,000	29 January 2021	EUR1.2267: USD1
Sell USD384,000	26 February 2021	EUR1.2274: USD1
Sell USD192,000	15 April 2021	EUR1.2287: USD1
Sell USD192,000	15 February 2022	EUR1.2373: USD1
Sell USD192,000	15 November 2022	EUR1.2451: USD1

38 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

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 USD1,000,000	13 July 2020	RMB6:9879: USD1
Sell USD1,500,000	11 August 2020	RMB6:9879: USD1
Sell USD1,500,000	13 September 2020	RMB6:9879: USD1

Major terms of interest rate swaps are as follow:

31 December 2020

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

31 December 2019

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

39 SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of a 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.

39 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Equity-settled share option scheme of a subsidiary of the Company *(Continued)*

At 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the Equity Incentive Plan was 10,836,953 (31 December 2019: 17,424,500), representing 0.62% (31 December 2019: 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.

Details of the terms and movements of the share options granted pursuant to the Equity Incentive Plan for the years ended 31 December 2020 and 2019 are as follows:

Category of participants	Date of grant	Exercise period	Exercise price per Sinoma International Share *RMB*	Outstanding at 1 January 2020 *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 2020 *RMB'000*
Directors and employees (463 in total) of Sinoma International and its subsidiaries	7 December 2017	From 7 December 2019 to 6 December 2020	8.837	5,808,166	–	–	(218,235)	(5,589,931)	–
		From 7 December 2020 to 6 December 2021	8.837	5,808,167	–	–	(218,022)	–	5,590,145
		From 7 December 2021 to 6 December 2022	8.837	5,808,167	–	–	(218,023)	–	5,590,144
Exercisable at the end of the year				17,424,500	–	–	(654,280)	(5,589,931)	11,180,289
Weighted average exercise price									8.837

39 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Equity-settled share option scheme of the subsidiary of the Company *(Continued)*

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	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2019
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

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Exercise price	RMB8.837
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.

39 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Equity-settled share option scheme of the subsidiary of the Company *(Continued)*

The Group recognised the total expense of RMB5.52 million for the year ended 31 December 2020 (2019: RMB10.97 million) in relation to share options granted by Sinoma International.

During the year ended 31 December 2020, Sinoma International repriced certain of its outstanding options. The exercise price was reduced from RMB9.27 to the then current market price of RMB8.837. The incremental fair value will be expensed over the remaining vesting period of 2 years.

40 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 2019, 31 December 2019, 1 January 2020 and 31 December 2020	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.

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.

41 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 derivative financial instruments securities held at the end of the reporting period.

(d) Share option reserve

The share option reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policies as set out in Note 3.14. 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.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3.10.

42 PERPETUAL CAPITAL INSTRUMENTS

	Principal *RMB'000*	**Distribution/ appropriation** *RMB'000*	**Total** *RMB'000* (restated)
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
Balance as at 1 January 2020	**20,475,263**	**310,016**	**20,785,279**
Issuance of perpetual capital instruments	**6,000,000**	**–**	**6,000,000**
Redemption of perpetual capital instruments	**(8,141,447)**	**–**	**(8,141,447)**
Profit attributable to holders of perpetual capital instruments	**–**	**991,808**	**991,808**
Distributions made to holders of perpetual capital instruments	**–**	**(998,463)**	**(998,463)**
Balance as at 31 December 2020	**18,333,816**	**303,361**	**18,637,177**

During the year ended 31 December 2020, the Company issued the perpetual interest-bearing debentures in an aggregate principal amounts of RMB6,000 million with coupon rates ranging from 3.65% to 4.10%. The net proceeds after deducting the issuance cost amounted to approximately RMB6,000 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.

Interest payment of RMB998.46 million (2019: RMB1,139.84 million) has been paid by the Group to the holders of the above-mentioned perpetual capital instruments for the year ended 31 December 2020.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2020, the Group acquired 14 (2019: 28) subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the equity investment management and production and sale of cement, concrete and new materials.

These acquisitions have been accounted for using the acquisition method.

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

	2020 *RMB'000*	2019 *RMB'000*
Net assets acquired:		
Property, plant and equipment (Note 15)	**2,215,655**	3,270,656
Right-of-use assets	**181,150**	272,221
Investment properties	**–**	11,081
Intangible assets (Note 19)	**927,781**	118,206
Deferred income tax assets (Note 34)	**4,103**	72,065
Inventories	**92,198**	315,690
Trade and other receivables	**710,643**	2,869,778
Amounts due from the related parties	**24,038**	97,419
Pledged bank deposits	**–**	60,194
Cash and cash equivalents	**191,820**	232,217
Trade and other payables	**(1,630,516)**	(2,705,234)
Current income tax liabilities	**721**	(66,498)
Dividend payable to non-controlling interests	**(2,259)**	(41,217)
Amounts due to the related parties	**(97)**	(521,513)
Borrowings	**(71,177)**	(488,034)
Lease liabilities	**–**	(33,890)
Deferred income tax liabilities (Note 34)	**(87,006)**	(44,110)
Deferred income	**(25,212)**	(5,070)
Net assets	**2,531,842**	3,413,961
Non-controlling interests	**(773,004)**	(1,142,783)
Discount on acquisition of interests in subsidiaries (Note 8)	**(5,529)**	(8,309)
Interest transferred from interests in associates	**–**	(7,452)
Goodwill (Note 18)	**254,210**	352,795
Total consideration	**2,007,519**	2,608,212

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

	2020	2019
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**1,524,723**	1,877,868
Other payables	**378,469**	730,344
Transferred from prepayment	**104,327**	–
	2,007,519	2,608,212
Net cash outflow arising on acquisition:		
Cash consideration paid	**(1,524,723)**	(1,877,868)
Less: Cash and cash equivalents acquired	**191,820**	232,217
	(1,332,903)	(1,645,651)

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 RMB98,49 million and RMB8.01 million respectively attributable to the additional business mainly generated by these newly acquired companies.

Had these business combinations been effected at 1 January 2020, the revenue of the Group would be approximately RMB256,852.36 million and profit for the year of the Group would be approximately RMB22,504.39 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:

Bozhou Southwest Cement Limited ("播州西南水泥有限公司") ("Bozhou Southwest")

On 1 August 2020, Southwest Cement acquired 100% equity interest of Bozhou Southwest for consideration of approximately RMB836.89 million. The acquired subsidiary is principally engaged in production and sale of cement.

The transaction has been completed during the year.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

Bozhou Southwest Cement Limited (“播州西南水泥有限公司”) (“Bozhou Southwest”) *(Continued)*

Net assets acquired in the transactions are as follows:

	2020 Fair value *RMB’000*
Net assets acquired:	
Property, plant and equipment	**745,739**
Right-of-use assets	**74,226**
Intangible assets	**64,116**
Deferred income tax assets	**13,231**
Inventories	**39,076**
Trade and other receivables	**223,203**
Cash and cash equivalents	**33,702**
Trade and other payables	**(529,916)**
Current income tax liabilities	**(1,789)**
Deferred income	**(2,522)**
Net assets	**659,066**
Goodwill	**177,822**
Total consideration	**836,888**
Total consideration satisfied by:	
Cash	**836,888**
Net cash inflow arising on acquisition:	
Cash consideration paid	**836,888**
Less: Cash and cash equivalents acquired	**(223,203)**
	613,685

Included in the revenue and profit for the year are approximately RMB214.95 million and RMB5.29 million respectively attributable to the additional business generated by acquired subsidiaries.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

Hunan Lefutian New Materials Limited ("湖南樂福田新材料有限公司") ("Hunan Lefutian")

On 31 December 2020, South Cement acquired 51% equity interest of Hunan Lefutian for consideration of approximately RMB532.08 million. The acquired subsidiary is principally engaged in production and sale of aggregate concrete.

The transaction has been completed during the year.

Net assets acquired in the transactions are as follows:

	2020 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	326,101
Right-of-use assets	20,299
Intangible assets	614,458
Deferred income tax assets	364
Trade and other receivables	98,658
Cash and cash equivalents	378
Trade and other payables	(8,390)
Current income tax liabilities	(1,152)
Net assets	1,050,716
Non-controlling interests	(514,851)
Discount on acquisition of interests in subsidiary	(3,785)
Total consideration	532,080
Total consideration satisfied by:	
Cash	532,080
Net cash inflow arising on acquisition:	
Cash consideration paid	532,080
Less: Cash and cash equivalents acquired	(378)
	531,702

Included in the revenue and loss for the year are approximately RMB37.53 million and RMB6.90 million respectively attributable to the additional business generated by acquired subsidiaries.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

During the year ended 31 December 2020, the Group disposed its equity interest in 4 (2019: 10) subsidiaries to third parties. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	2020	2019
	RMB'000	*RMB'000*
Net assets disposed of:		
Property, plant and equipment (Note 15)	**1,239,360**	737,936
Right-of-use assets	**141,618**	65,475
Goodwill (Note 18)	**215,280**	99,778
Intangible assets (Note 19)	**133,628**	37,090
Deferred income tax assets (Note 34)	**17,256**	24
Inventory	**88,981**	41,282
Trade and other receivables	**110,992**	114,469
Amounts due from related parties	**236,380**	2,694
Cash and cash equivalents	**60,077**	11,734
Trade and other payables	**(1,063,231)**	(197,493)
Current income tax liabilities	**(90,109)**	423
Dividend payable to minority shareholders	**–**	(1,425)
Amounts due to related parties	**(54,956)**	(43,511)
Borrowings	**–**	(29,400)
Deferred income	**(4,744)**	(50)
Deferred income tax liabilities (Note 34)	**(60,244)**	11,562
Non-controlling interests	**–**	(14,220)
Net assets disposal of	**970,288**	836,368

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(Continued)*

	2020	2019
	RMB'000	*RMB'000*
Consideration received:		
Cash received	**681,690**	120,393
Deferred cash consideration	**25,576**	–
	707,266	120,393
Gain on disposal of subsidiaries:		
Consideration received and receivable	**707,266**	120,393
Net assets disposed of	**(970,288)**	(836,368)
Investment in associates retained	**412,413**	6,599
Gain/(loss) on disposal of subsidiaries, net (Note 8)	**149,391**	(709,376)
Net cash inflow arising from disposal of subsidiaries:		
Cash consideration	**681,690**	120,393
Cash and cash equivalents disposed of	**(60,077)**	(11,734)
Net cash inflow from disposal of subsidiaries	**621,613**	108,659

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(Continued)*

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

Wuhu South Cement Limited ("蕪湖南方水泥有限公司") ("Wuhu South")

On 30 April 2020, South Cement disposed of 100% equity interest of Wuhu South for consideration of approximately RMB412.39 million. The disposed subsidiary is principally engaged in production and sale of cement. The transaction has been completed during the year.

Net assets disposed in the transactions, and gain on disposal arising, are as follows:

	2020 Fair value *RMB'000*
Net assets disposed of:	
Property, plant and equipment	**1,144,958**
Right-of-use assets	**105,055**
Goodwill	**215,280**
Intangible assets	**133,628**
Deferred income tax assets	**1,608**
Inventories	**42,491**
Trade and other receivables	**52,169**
Cash and cash equivalents	**14,519**
Trade and other payables	**(733,441)**
Current income tax liabilities	**(30,589)**
Amounts due to related parties	**(44,396)**
Deferred income tax liabilities	**(39,253)**
Net assets disposed of	**862,029**
Consideration received	
Cash received	**412,386**
Gain on disposal of subsidiary:	
Consideration received and receivable	**412,386**
Net assets disposed of	**(862,029)**
Investment in association retained	**396,214**
Loss on disposal of subsidiary, net	**(53,429)**
Net cash inflow arising from disposal of subsidiary:	
Cash consideration	**412,386**
Cash and cash equivalents disposed of	**(14,519)**
	397,867

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2020, the Group acquired additional issued shares of 4 (2019: 5) subsidiaries for a consideration of approximately RMB34.93 million (2019: RMB603.35 million). The carrying amount of the non-controlling interests in these subsidiaries on the date of acquisition was approximately RMB9.67 million (2019: RMB370.59 million). The Group recognised a decrease in non-controlling interests of approximately RMB9.67 million (2019: RMB370.59 million) and a decrease in equity attributable to owners of the Group of approximately RMB25.26 million (2019: decrease in equity attributable to owners of the Group of approximately RMB232.76 million).

	2020	2019
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**9,669**	370,586
Consideration paid to non-controlling interests	**(34,928)**	(603,346)
Excess of consideration paid recognised within parent's equity	**(25,259)**	(232,760)

Details of the Group's significant acquisition of additional interests in subsidiaries during both years are as follows:

Anxian Galaxy Mining Assets Development Company Limited ("安縣銀河礦產資源開發有限責任公司") ("Anxian Galaxy")

During the year ended 31 December 2020, the Group acquired additional equity interests in Anxian Galaxy for a consideration of approximately RMB8.92 million. After that, the Group's effective equity interests in Anxian Galaxy increased from 51.00% to 100.0%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB2.14 million. The Group recognised a decrease in non-controlling interests of approximately RMB2.14million and a decrease in equity attributable to owners of the Company of approximately RMB6.78 million.

Luojiang Lisen Cement Company Limited ("羅江利森水泥有限公司") ("Luojiang Lisen")

During the year ended 31 December 2020, the Group acquired additional equity interests in Luojiang Lisen for a consideration of approximately RMB9.65 million. After that, the Group's effective equity interests in Luojiang increased from 90.00% to 100.0%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB6.45 million. The Group recognised a decrease in non-controlling interests of approximately RMB6.45 million and a decrease in equity attributable to owners of the Company of approximately RMB3,20 million.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(Continued)*

Shaoguansi Qujiang Shunxiang Concrete Company Limited ("韶關市曲江順翔混凝土有限公司") ("Qujiang Shunxiang")

During the year ended 31 December 2020, the Group acquired additional equity interests in Qujiang for a consideration of approximately RMB26.36 million. After that, the Group's effective equity interests in Anxian Galaxy increased from 70.00% to 92.26%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB6.31 million. The Group recognised a decrease in non-controlling interests of approximately RMB6.31 million and a decrease in equity attributable to owners of the Company of approximately RMB20.05 million.

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 RMB2.84 million.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(Continued)*

Xianjiang Xinjian Tunhe Cement Company Limited ("新疆屯河水泥有限責任公司") ("Xinjian 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 RMB4.17 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.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2020	2019
	RMB'000	*RMB'000*
Carrying amount of equity interest obtained by non-controlling interests	**(1,128,872)**	(3,379,374)
Capital contributed by non-controlling interests	**1,147,581**	3,405,400
Gain on disposal within equity	**18,709**	26,026

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the year ended 31 December 2020 and 2019 are as follows:

Concrete and cement subsidiaries of CNBM Investment ("中建材投資的水泥及商混子公司")

During the period ended 31 December 2020, CNBM Investment, a wholly owned subsidiary of the Company, entered into sales agreement with South Cement, a partially owned subsidiary of the Company, pursuant to which South Cement agreed to purchase 51.00% interests of 9 subsidiaries in the concrete and cement segments from CNBM Investment at a consideration of RMB221.46 million. After the transaction, the Group's effective equity interests in the 9 subsidiaries were diluted from 100.00% to 92.26%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB111.72 million and increase in non-controlling interests of approximately RMB109.74 million.

Anyang Ching United Cement Company Limited ("安陽中聯水泥有限公司")

During the year ended 31 December 2020, Anyang Ching United Cement Company Limited ("Anyang Cement"), a wholly owned subsidiary of the Company, entered into a capital increase agreement with an independent third party ("Anyang investor"), pursuant to which the Anyang investor agreed to contribute RMB791.43 million to Anyang Cement. After that, the Group's effective equity interests in Anyang Cement were diluted from 100.00% to 53.66%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB92.82 million and an increase in non-controlling interests of approximately RMB884.25 million.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control *(Continued)*

Fuzhoushi Dongxiangqu South New Material Company Limited ("撫州市東鄉區南方新材料有限公司")

During the year ended 31 December 2020, Fuzhoushi Dongxiangqu South New Material Company Limited ("Fuzhoushi New Material"), a partially owned subsidiary of the Company, entered into a capital increase agreement with two independent third parties ("Fuzhoushi investors"), pursuant to which the Fuzhoushi investors agreed to contribute RMB113.73 million to Fuzhoushi New Material. After that, the Group's effective equity interests in Fuzhoushi New Material were diluted from 67.86% to 43.26%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB0.02 million and increase in non-controlling interests of approximately RMB113.71 million.

Hangzhou Guorui Concrete Company Limited ("杭州國瑞混凝土有限公司")

During the year ended 31 December 2020, Hangzhou Guorui Concrete Company Limited ("Hangzhou Concrete"), a partially owned subsidiary of the Company, entered into a capital increase agreement with an independent third party ("Hangzhou investor"), pursuant to which the Hangzhou investor agreed to contribute RMB20.96 million to Hangzhou Concrete. After that, the Group's effective equity interests in Hangzhou Concrete were diluted from 84.83% to 43.26%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB0.20 million and an increase in non-controlling interests of approximately RMB21.16 million.

44 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.

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.

45 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 3.1, the acquisitions of Xingtai Xinlei has been accounted for based on merger accounting. Accordingly, the assets and liabilities of Singtai Xinlei 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 Xingtai Xinlei on a combined basis. The details of the restated balances are stated as below.

45 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 2018 and 2019 are as follows:

As at 31 December 2018

	The Group excluding Xingtai Xinlei *RMB'000*	Xingtai Xinlei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current assets				
Property, plant and equipment	175,541,218	8,592	–	175,549,810
Prepaid lease payments	19,346,755	32,862	–	19,379,617
Investment properties	900,283	2,443	–	902,726
Goodwill	43,657,580	–	–	43,657,580
Intangible assets	9,527,254	1,225	–	9,528,479
Interests in associates	13,527,327	54,594	(54,594)	13,527,327
Interest in joint ventures	80,206	–	–	80,206
Financial assets at fair value through profit or loss	1,988,882	–	–	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	6,228,675	–	–	6,228,675
	280,083,629	99,716	(54,594)	280,128,751
Current assets				
Inventories	19,724,172	–	–	19,724,172
Trade and other receivables	97,619,959	26,312	–	97,646,271
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	3,955,535	–	(254,711)	3,700,824
Pledged bank deposits	6,973,725	–	–	6,973,725
Cash and cash equivalents	20,927,220	1,856	–	20,929,076
	156,394,871	28,168	(254,711)	156,168,328
Assets classified as held-for-sale	11,188	–	–	11,188
	156,406,059	28,168	(254,711)	156,179,516

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2018 *(Continued)*

	The Group excluding Xingtai Xinlei *RMB'000*	Xingtai Xinlei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities				
Trade and other payables	79,212,826	20,057	–	79,232,883
Amounts due to related parties	3,697,224	254,711	(254,711)	3,697,224
Borrowings – amount due within one year	121,531,807	–	–	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	4,317,478	–	–	4,317,478
Financial guarantee contracts	64,000	–	–	64,000
Dividend payable to non-controlling interests	214,779	–	–	214,779
	214,018,533	274,768	(254,711)	214,038,590
Net current liabilities	(57,612,474)	(246,600)	–	(57,859,074)
Total assets less current liabilities	222,471,155	(146,884)	(54,594)	222,269,677
Non-current liabilities				
Borrowings – amount due after one year	77,532,956	–	–	77,532,956
Deferred income	1,944,445	41,839	–	1,986,284
Obligations under finance leases	4,357,146	–	–	4,357,146
Employee benefits payable	267,442	–	–	267,442
Deferred income tax liabilities	2,441,789	–	–	2,441,789
	86,543,778	41,839	–	86,585,617
Net assets/(liabilities)	135,927,377	(188,723)	(54,594)	135,684,060
Capital and reserves				
Share capital	8,434,771	11,000	(11,000)	8,434,771
Reserves	63,386,825	(199,723)	13,747	63,200,849

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2018 *(Continued)*

	The Group excluding Xingtai Xinlei *RMB'000*	Xingtai Xinlei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Equity attributable to:				
Owners of the Company	71,821,596	(188,723)	2,747	71,635,620
Holders of perpetual capital instruments	22,219,087	–	–	22,219,087
Non-controlling interests	41,886,694	–	(57,341)	41,829,353
Total equity/(deficit)	135,927,377	(188,723)	(54,594)	135,684,060

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2019 *(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 2019 are as follows:

As at 31 December 2019

	The Group excluding Xingtai Xinlei	Xingtai Xinlei	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	173,141,115	8,079	–	173,149,194
Right-of-use assets	31,551,144	32,122	–	31,583,266
Investment properties	971,689	2,349	–	974,038
Goodwill	37,886,421	–	–	37,886,421
Intangible assets	12,182,414	–	–	12,182,414
Interests in associates	15,875,435	55,705	(55,705)	15,875,435
Interest in joint ventures	98,866	–	–	98,866
Financial assets at fair value through profit or loss	2,569,191	–	–	2,569,191
Financial assets at fair value through other comprehensive income	8,664	–	–	8,664
Deposits	2,931,857	–	–	2,931,857
Trade and other receivables	6,323,458	–	–	6,323,458
Deferred income tax assets	5,850,924	–	–	5,850,924
	289,391,178	98,255	(55,705)	289,433,728

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2019 *(Continued)*

	The Group excluding Xingtai Xinlei *RMB'000*	Xingtai Xinlei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current assets				
Inventories	20,021,854	–	–	20,021,854
Trade and other receivables	98,054,401	6,430	–	98,060,831
Financial assets at fair value through profit or loss	6,523,573	–	–	6,523,573
Derivative financial instruments	5,254	–	–	5,254
Amounts due from related parties	3,251,516	3,000	(177,753)	3,076,763
Pledged bank deposits	5,127,107	–	–	5,127,107
Cash and cash equivalents	24,082,935	2,186	–	24,085,121
	157,066,640	11,616	(177,753)	156,900,503
Assets classified as held-for-sale	90,159	–	–	90,159
	157,156,799	11,616	(177,753)	156,990,662
Current liabilities				
Trade and other payables	89,285,125	108,370	–	89,393,495
Amounts due to related parties	5,197,240	174,753	(177,753)	5,194,240
Borrowings – amount due within one year	97,737,246	–	–	97,737,246
Lease liabilities	1,514,279	–	–	1,514,279
Derivative financial instruments	17,729	–	–	17,729
Employee benefits payable	3,861	–	–	3,861
Current income tax liabilities	4,309,586	–	–	4,309,586
Financial guarantee contracts	64,000	–	–	64,000
Dividend payable to non-controlling interests	236,629	–	–	236,629
	198,365,695	283,123	(177,753)	198,471,065
Net current liabilities	(41,208,896)	(271,507)	–	(41,480,403)
Total assets less current liabilities	248,182,282	(173,252)	(55,705)	247,953,325

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2019 *(Continued)*

	The Group excluding Xingtai Xinlei *RMB'000*	Xingtai Xinlei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current liabilities				
Borrowings – amount due after one year	88,495,563	–	–	88,495,563
Deferred income	3,201,890	14,662	–	3,216,552
Lease liabilities	2,708,106	–	–	2,708,106
Employee benefits payable	251,392	–	–	251,392
Deferred income tax liabilities	2,268,419	–	–	2,268,419
	96,925,370	14,662	–	96,940,032
Net assets/(liabilities)	151,256,912	(187,914)	(55,705)	151,013,293
Capital and reserves				
Share capital	8,434,771	11,000	(11,000)	8,434,771
Reserves	72,201,142	(198,914)	13,734	72,015,962
Equity attributable to:				
Owners of the Company	80,635,913	(187,914)	2,734	80,450,733
Holders of perpetual capital instruments	20,785,279	–	–	20,785,279
Non-controlling interests	49,835,720	–	(58,439)	49,777,281
Total equity/(deficit)	151,256,912	(187,914)	(55,705)	151,013,293

45 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 2019 are as follows:

For the year ended 31 December 2019

	The Group excluding Xingtai Xinlei *RMB'000*	Xingtai Xinlei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Revenue	253,403,375	8,672	(9,400)	253,402,647
Cost of sales	(184,912,855)	(11,972)	9,400	(184,915,427)
Gross profit	68,490,520	(3,300)	–	68,487,220
Investment and other income, net	4,296,774	17,393	–	4,314,167
Selling and distribution costs	(5,041,063)	–	–	(5,041,063)
Administrative expenses	(30,036,814)	(9,574)	–	(30,046,388)
Finance costs, net	(8,753,957)	6	–	(8,753,951)
Share of profits of associates	2,458,390	1,110	(1,110)	2,458,390
Share of losses of joint ventures	733	–	–	733
Impairment losses under expected credit loss model, net of reversal	(3,966,390)	(4,827)	–	(3,971,217)
Profit/(loss) before income tax	27,448,193	808	(1,110)	27,447,891
Income tax expense	(9,019,265)	–	–	(9,019,265)
Profit/(loss) for the year	18,428,928	808	(1,110)	18,428,626
Profit/(loss) for the year attributable to:				
Owners of the Company	10,974,167	808	(12)	10,974,963
Holders of perpetual capital instruments	1,170,455	–	–	1,170,455
Non-controlling interests	6,284,306	–	(1,098)	6,283,208
	18,428,928	808	(1,110)	18,428,626

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

	Impacted on earnings per share of the Group *RMB*
Reported figures before restatement	1.301
Restatement arising from business combination of entities under common control	–
Restated	1.301

The effect of business combinations of entities under common control described above on the Group's net profit for the year ended 31 December 2019 is as follows:

	Impact on net profit of the Group *RMB*
Reported figures before restatement	18,428,928
Restatement arising from business combination of entities under common control	(302)
Restated	18,428,626

46 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, the 2019 interim report, the 2019 annual report and the 2020 interim report setting out information on the subsequent development of the gypsum board litigation in the United States.

In August 2019, Taishan Gypsum and Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan"), entered into a class settlement agreement (the "Settlement Agreement") with the counsels acting for the plaintiff Settlement Class (the "Settlement"), and the procedure of the Settlement proceeded normally in accordance with the Settlement Agreement.

In May 2020, the district court in the U.S. issued a formal order ruling that the claims against Taishan and Additional Released Parties and that the Released Claims are released and barred from reviving, and that the claims brought by plaintiffs who opted out from the Settlement are not released and are reserved in the litigation. This order is the final procedure of the Settlement process, and the cases of the plaintiffs who did not opt out of the case against Taishan and Additional Released Parties have closed.

In the Settlement, a total of 90 plaintiffs opted out from the Settlement, and the litigation of these plaintiffs will continue. In addition, the case of The Mitchell Co., Inc. against Knauf Gips KG is also ongoing. 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.

47 COMMITMENTS

	2020	2019
	RMB'000	*RMB'000*
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
– Purchase of property, plant and equipment	**1,068,152**	201,088

48 OPERATING LEASING ARANGMENTS

The Group as lessor

All of the properties and machineries held for rental purposes have committed lessees for the next one year to twenty years.

Undiscounted lease payments receivable on leases are as followers:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**121,626**	96,044
In the second year	**64,434**	62,550
In the third year	**39,656**	41,318
In the fourth year	**34,408**	26,602
In the fifth year	**26,151**	16,687
After five years	**14,265**	20,454
	300,540	263,655

49 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 28) *RMB'000*	**Borrowings (Note 33)** *RMB'000*	**Lease liabilities (Note 35)** *RMB'000*
As 1 January 2019	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
At 1 January 2020	**3,117,927**	**186,232,809**	**4,222,385**
Financing cash flows	**(170,882)**	**(11,234,074)**	**(1,973,762)**
Acquisition of subsidiaries	**97**	**71,177**	**–**
Disposal of subsidiaries	**(54,956)**	**–**	**–**
New leases entered	**–**	**–**	**934,552**
Early termination of leases	**–**	**–**	**(107,636)**
Interest expenses	**–**	**–**	**255,121**
At 31 December 2020	**2,892,186**	**175,069,912**	**3,330,660**

50 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.

50 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:

	2020 *RMB'000*	2019 *RMB'000* (restated)
Provision of production supplies to		
– The Parent Group	**716,056**	500,252
– Associates	**367,205**	2,639,025
– Joint ventures	**14,815**	3,276
– Non-controlling interests of subsidiaries	**–**	32,822
	1,098,076	3,175,375
Provision of support services to		
– The Parent Group	**37,854**	12,359
– Associates	**–**	14,799
– Joint ventures	**–**	37
	37,854	27,195
Rental income received from		
– The Parent Group	**48,341**	66,085
– Associates	**–**	27,169
	48,341	93,254
Rendering of engineering service to the Parent Group	**1,136,424**	519,874
Interest income received from the Parent Group	**78,821**	46,495

50 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(Continued)*

	2020 **RMB'000**	2019 RMB'000
Provision of production supplies by		
– The Parent Group	**444,708**	603,113
– Associates	**56,816**	20,051
– Joint ventures	**4,210**	2,109
– Non-controlling interests of subsidiaries	**16,824**	59,089
	522,558	684,362
Provision of support services by		
– The Parent Group	**41,904**	38,570
– Associates	**19,559**	2,602
– Non-controlling interests of subsidiaries	**11,860**	811
	73,323	41,983
Supplying of equipment by		
– The Parent Group	**594,302**	1,261,567
– Associates	**25,625**	–
– Joint ventures	**77**	–
	620,004	1,261,567
Interest expense paid to the Parent Group	**85,111**	205,215
Provision of engineering services by		
– The Parent Group	**294,964**	393,530
– Associates	**–**	301
	294,964	393,831

50 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(Continued)*

	2020 **RMB'000**	2019 RMB'000
Supply of raw materials by		
– Associates	**67,456**	–
– Non-controlling interests of subsidiaries	**60,666**	–
	128,122	–
Supply of raw materials (limestone and clay) by the Parent Group	**75,950**	39,311
Short-term lease expenses paid to:		
– The Parent Group	**693**	1,069
– Non-controlling interests of subsidiaries	**83**	–
	776	1,069
Provision of other financial services by the Parent Group	**66**	65

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2020, 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 2020 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.

50 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(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:

	2020	2019
	RMB'000	*RMB'000*
Short-term benefits	**10,275**	12,249
Post-employment benefits	**19**	263
	10,294	12,512

51 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:

	2020	2019
	RMB'000	*RMB'000*
Investments in subsidiaries	**54,366,054**	50,366,054
Other non-current assets	**2,793,800**	2,939,063
Amounts due from subsidiaries	**58,762,776**	63,799,635
Other current assets	**2,726,732**	3,903,155
Non-current liabilities	**(38,898,662)**	(44,012,694)
Current liabilities	**(25,277,310)**	(23,306,299)
Net assets	**54,473,390**	53,688,914
Share capital (Note 40)	**8,434,771**	8,434,771
Reserves	**28,549,167**	25,796,897
Perpetual capital instruments	**17,489,452**	19,457,246
Total equity	**54,473,390**	53,688,914

51 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	Share premium	Capital reserve	Fair value reserve (Note 41(c))	Statutory surplus reserve fund (Note 41(b))	Retained earnings	Total	Perpetual capital instruments (Note 42)	Total
	equity	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 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
Actuarial loss on defined benefit obligations	–	–	(636)	–	–	–	(636)	–	(636)
Total comprehensive income/(expense) for the year	–	–	(636)	–	–	5,863,420	5,862,784	1,088,955	6,951,739
Issue of perpetual capital instruments, net of issuance cost	–	–	–	–	–	–	–	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	–	–	–	–	–	–	–	(1,058,343)	(1,058,343)
Redemption of perpetual capital instruments	–	–	(45,000)	–	–	–	(45,000)	(4,964,420)	(5,009,420)
Balance at 31 December 2019 and 1 January 2020	8,434,771	1,788,736	13,847,184	–	2,426,160	7,734,817	34,231,668	19,457,246	53,688,914
Net profit for the year	–	–	–	–	–	5,751,287	5,751,287	910,784	6,662,071
Actuarial loss on defined benefit obligations	–	–	(379)	–	–	–	(379)	–	(379)
Total comprehensive income/(expense) for the year	–	–	(379)	–	–	5,751,287	5,750,908	910,784	6,661,692
Issue of perpetual capital instruments, net of issuance cost	–	–	–	–	–	–	–	6,000,000	6,000,000
Dividends (Note 13)	–	–	–	–	–	(2,952,170)	(2,952,170)	–	(2,952,170)
Appropriation to statutory reserve	–	–	–	–	–	–	–	–	–
Interest paid on perpetual capital instruments	–	–	–	–	–	–	–	(917,131)	(917,131)
Redemption of perpetual capital instruments	–	–	(54,914)	–	–	–	(54,914)	(7,961,447)	(8,016,361)
Others	–	–	8,446	–	–	–	8,446	–	8,446
Balance at 31 December 2020	8,434,771	1,788,736	13,800,337	–	2,426,160	10,533,934	36,983,938	17,489,452	54,473,390

52 EVENTS AFTER THE BALANCE SHEET DATE

(i) On 1 February 2021, the Company has submitted an application (the "Application") to the China Securities Regulatory Commission (the "CSRC") in respect of the conversion of certain of its Domestic Shares and Unlisted Foreign Shares (collectively, the "Unlisted Shares") into H shares ("H Shares") of the Company, and the shares directly and indirectly held by Parent will not participate in this conversion. Upon obtaining all the relevant approvals (including the approvals from CSRC and the Stock Exchange) and having complied with all applicable laws, regulations and rules, such Unlisted Shares will be converted into H Shares, and the Company will apply for the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange (the "Conversion and Listing"). Pursuant to the articles of association of the Company, no further shareholders' meeting or class meeting is required to be convened to approve the Conversion and Listing. As at the date of the announcement, the Company has not received approval from the CSRC in respect of the Application and the details of implementation plan of the Conversion and Listing have not been finalized. For details, please refer to the announcement of the Company dated 1 February 2021.

(ii) The restructuring of cement engineering assets involves three target companies ("Cement Engineering Target Companies"), namely Beijing Triumph Building Materials Engineering Co., Ltd, Nanjing Triumph International Engineering Company Limited ("Nanjing Triumph") and Sinoma Mining Construction Co., Ltd. The relevant restructuring involves (i) the sale of the respective equity interests in the relevant cement engineering target companies of the Company, China Building Materials Academy Co., Ltd ("Building Materials Academy", a wholly-owned subsidiary of the parent company of the Company) and China Triumph International Engineering Company Limited ("China Triumph", a subsidiary of the Company) to Sinoma International Engineering Co., Ltd. ("Sinoma International", an A-share listed subsidiary of the Company); and (ii) the acquisitions of equity interests in Nanjing Trumph by Sinoma International from 49 minority shareholders. The relevant indicative agreement in relation to the restructuring was entered into on 30 October 2020. On 9 February 2021, the Company, Building Materials Academy and China Triumph entered into a supplemental agreement with Sinoma International, to agree on the consideration of the transactions in connection therewith under the restructuring, which is to be satisfied by the issue and allotment of new shares by Sinoma International and/or cash. On the same day, Sinoma International entered into a supplemental agreement with the minority shareholders, to agree on the consideration of the transactions in connection therewith under the restructuring. Upon completion, the Company will remain as the controlling shareholder of Sinoma International. The above indicative agreement and supplemental agreements are conditional upon the fulfilment of the relevant conditions to effectiveness. As at the date of this report, completion has not taken place. The details of the transactions regarding the restructuring of cement engineering assets have been disclosed in the announcements in relation to the restructuring issued by the Company on 17 October 2020, 19 October 2020, 30 October 2020 and 9 February 2021, respectively and an overseas regulatory announcement dated 9 February 2021.

52 EVENTS AFTER THE BALANCE SHEET DATE *(CONTINUED)*

(iii) The restructuring of cement assets involves four target companies ("Cement Assets Target Companies"), namely China United Cement Corporation, South Cement Company Limited ("South Cement"), Southwest Cement Company Limited ("Southwest Cement") and Sinoma Cement Co., Ltd., all of which are subsidiaries of the Company. The relevant restructuring involves (i) the sale of the respective equity interests in the relevant cement asset target companies of the Company to Xinjiang Tianshan Cement Co., Ltd. ("Tianshan Cement", an A-share listed subsidiary of the Company); and (ii) the acquisitions of equity interests in South Cement or Southwest Cement (as the case may be) from the minority shareholders. The relevant indicative agreement in relation to the restructuring was entered into on 7 August 2020. On 2 March 2021, the Company entered into a supplemental agreement with Tianshan Cement to agree on the consideration of the restructuring, which is to be satisfied by the issue and allotment of new shares by Tianshan Cement. On the same day, Sinoma International entered into a supplemental agreement with 25 minority shareholders of South Cement or Southwest Cement (as the case may be), to agree on the consideration of the transactions in connection therewith under the restructuring, which is to be satisfied by the issue and allotment of new shares by Tianshan Cement and/or cash. Upon completion, Tianshan Cement will remain as a subsidiary of the Company. The above indicative agreement and supplemental agreements are conditional upon the fulfilment of the relevant conditions to effectiveness. As at the date of this report, completion has not taken place. The details of the transactions regarding the restructuring of cement assets have been disclosed in the announcements in relation to the restructuring issued by the Company on 24 July 2020, 7 August 2020 and 2 March 2021, respectively and an overseas regulatory announcement dated 2 March 2021 and a circular dated 4 March 2021.

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

	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
Revenue	**254,761,813**	253,402,647	219,007,950	184,292,995	152,039,926
Cost of sales	**(187,952,541)**	(184,915,427)	(160,708,425)	(141,928,227)	(121,244,723)
Gross profit	**66,809,272**	68,487,220	58,299,525	42.364,768	30,795,203
Investment and other income, net	**5,330,818**	4,314,167	2,115,693	4,499,474	4,765,022
Selling and distribution costs	**(4,856,839)**	(5,041,063)	(4,734,202)	(4,212,548)	(3,776,715)
Administrative expenses	**(30,424,945)**	(30,046,388)	(22,956,089)	(17,713,595)	(14,852,791)
Finance costs, net	**(7,080,362)**	(8,753,951)	(10,741,143)	(10,951,255)	(10,837,893)
Share of profits of associates	**3,272,981**	2,458,390	2,011,230	1,032,763	765,417
Share of (losses)/profits of joint ventures	**1,354**	733	(4,881)	1,289	904
Impairment loss under expected credit loss model, net of reversal	**(3,017,270)**	(3,971,217)	(3,804,474)	(1,044,322)	(1,160,237)
Profit before income tax	**30,035,009**	27,447,891	20,185,659	13,976,574	5,698,910
Income tax expense	**(8,389,894)**	(9,019,265)	(6,302,067)	(4,260,621)	(1,804,137)
Profit for the year	**21,645,115**	18,428,626	13,883,592	9,715,953	3,894,773
Profit for the year attributable to:					
Owners of the Company	**12,552,782**	10,974,963	7,925,222	4,878,886	1,571,245
Holders of perpetual capital instruments	**991,808**	1,170,455	980,882	652,530	527,103
Non-controlling interests	**8,100,525**	6,283,208	4,977,488	4,184,537	1,796,425
	21,645,115	18,428,626	13,883,592	9,715,953	3,894,773
Final dividend proposed	**3,964,342**	2,952,170	1,518,259	843,477	339,302

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
Total assets	**456,378,278**	446,424,390	436,308,267	454,195,728	444,766,266
Total liabilities	**(291,197,468)**	(295,411,097)	(300,624,207)	(329,940,589)	(333,188,904)
Perpetual capital instruments	**(18,637,177)**	(20,785,279)	(22,219,087)	(16,716,270)	(12,003,686)
Non-controlling interests	**(56,303,532)**	(49,777,281)	(41,829,353)	(43,661,460)	(40,693,155)
Equity attributable to owners of the Company	**90,240,101**	80,450,733	71,635,620	63,877,409	58,880,521